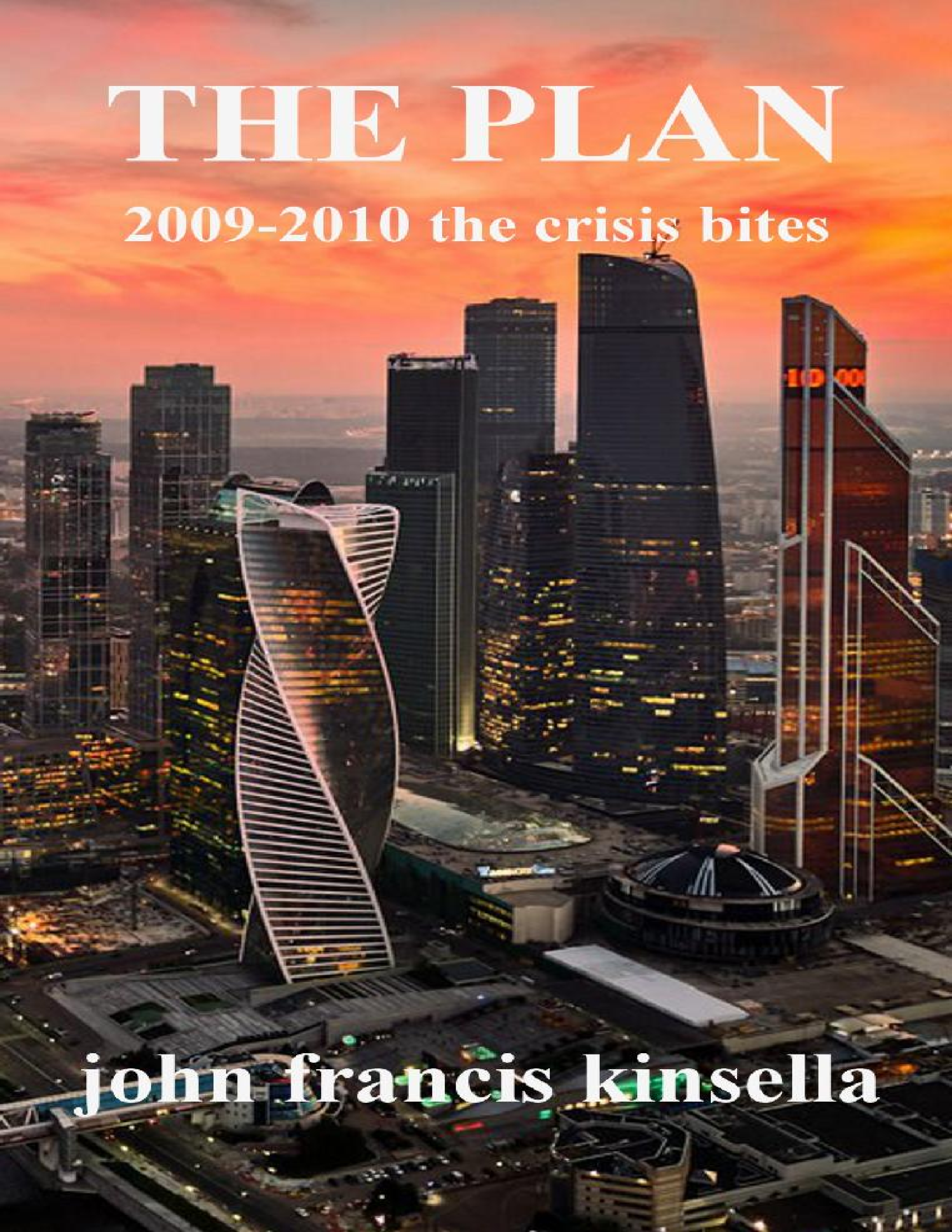

THE PLAN

2009-2010 the crisis bites

john francis kinsella

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For Tilla, Selma, Eléonore, Noé, Xaver, Elyias, Adèle, Camille and Antoine

PROLOGUE

Eighteen months earlier, in the summer of 2007, as holidaymakers lay on the beach, those who bothered to read the newspapers found a couple or so new words to add to their vocabulary. For the layman, the first: liquidities crisis, made some vague sense, the second: sub-prime, made no sense at all, at least as far as his knowledge of investment banking was concerned. Over the months that followed a crisis, aptly named ‘sub-prime’, unfolded into what was beginning to look like an interminably long drama. Those and other new words soon filled the front pages of the press whilst economists of all ilks were invited to air their opinions on news programmes and talk shows spouting a new kind of jargon that quickly became familiar to the public at large.

As 2008, truly an annus horribilis, drew to an end the tremors and aftershocks of the crisis continued to ripple across the world’s economic landscape sending bankers, investors, leaders and government ministers scurrying in their efforts to dam the impending disaster. However, hope was at hand, a saviour had appeared: Barack Obama, the President-elect of the USA, the first African-American to be elected to the most powerful office on earth. After eight years of George Bush the son, and two unfinished wars, the world was almost desperate for change.

The President-elect was in a state of elevated grace. There was a Christ-like aura about him. His stirring voice invoked memories of John Fitzgerald Kennedy. However, the task that lay before him was daunting and would require God-like qualities to resolve. The American economy was approaching a state of accelerated systemic collapse, banks were on the verge of collapse and the pillars of the nation’s economy, GM, Ford and Chrysler cracked under the burden of debt.

The US was in a state of urgency, on the verge of implosion, and as the world looked on helpless, waiting for leadership, that great, wounded, land slowly went through the motions of preparing the inaugural ceremony for its new president.

If Charles Mackay could have observed the situation he would have no doubt felt more than a little justification for the words he wrote in his book, ‘Extraordinary Popular Delusions and the Madness of Crowds’, published in 1841: ‘Money, again, had often been the cause of the delusion of multitudes. Sober nations have all at once become desperate gamblers, and risked almost their existence upon the turn of a piece of paper. — Men, it has been well said, think in herds; it will be seen they go mad in herds, while they only recover their senses slowly, and one be one.'

Perhaps the world was at an historical turning point where the decisions made could threaten the wellbeing of large swathes of humanity. In the course of the coming forty or so years the world's population would increase by an estimated four billion. How would they be fed and clothed? Would they be content to live in the misery of the past? The peoples of China, India and Africa would look towards the consumer society with rising expectancy. But would the needs and demands of ten billion human beings outstrip resources?

When the Edward Gibbon of the twenty second century writes his 'History of the Decline and Fall of the West', where would Wall Street capitalism feature? His future account of the collapse of the West would certainly not be tender with the leaders of today, men incapable of guiding their nations forward in the face of massive change, men unable to shake off the past, men who found themselves helplessly swept along by the tide of change and forces beyond their comprehension, men whose interests were short term and self-centred.

Chapter 1 NEW YEAR'S DAY - 2009

In a nondescript South London suburb, Geoff, like millions of other Britons, sat down to his first morning cup of tea. It was almost ten and he was still recovering from a joyous New Year's Eve party with his family and friends. The Christmas and the year-end festivities were over. The frost on the grass outside was a chilly reminder of reality, and more in particular of his finances. The cost of presents and celebrations had set him back a small fortune, much more than he had budgeted, with his credit cards taking a serious hit.

As he buttered his toast he reached out and zapped the TV to a news channel. He then poured his tea and opened his Daily Telegraph — delivered early each morning come rain or shine. The news was not good and as usual the jingoistic broadsheet blamed everything that was not British; more specifically anything to do with Europe and especially the euro, a point of view that Geoff appreciated. Anything 'over there' had to be cock-eyed. At sixty six, Geoff, a retired engineer, lived on his pension, which at the outset was already modest, but sufficient to live on in reasonable comfort. He had paid off his mortgage, owned an eight year old Ford and could afford a yearly holiday with his wife in the UK, and very occasionally a weekend in Paris or Brussels.

A year earlier with they had left for a once in a lifetime Thomas Cook holiday. Their destination, the southern State of Kerala in India, had promised lush tropical vegetation, verdant coconut palms and golden sands. In short it was an idyllic place to lay back, relax and soak up the balmy southern sun, and as a bonus they could discover the vibrant colourful culture of India; at least that was how the brochure described it. Flight, transfers, bed and breakfast, all for the bargain price of just one thousand four hundred pounds for the two.

There, in the small town of Kovalam, their holiday was transformed into a nightmare. Geoff was taken ill in a terrifying outbreak of cholera. After ten days of questionable intensive care and quarantine their appalling experience finally ended in a chaotic evacuation home to the UK.

Geoff's confidence, like that of his fellow countrymen, had been shaken by the events of 2008. He was apprehensive about the future, especially his own and that of his family. After their sojourn in Kovalam the world seemed an uncertain and even a dangerous place. As the financial crisis bit interest rates fell precipitously with his hard earned savings and annuity policy taking a hit. The nest-egg he had built up, together with what he had inherited from his parents, so recently earning nearly eight percent interest, now brought in less than three.

The newspaper reported fourteen trillion dollars had been wiped off world share values; a Sri Lankan government victory in its longstanding battle against the Tamil Tigers; falling house prices, and finally its weather forecast announced more cold weather and snow.

He sighed as he wondered whether events such as economic crises and revolutions changed the world. The answer was most certainly yes, he reasoned, though scientists and philosophers would have replied it depended on scale. Vast events like the Ice Ages changed the face of the planet, but individually man's time scale was infinitely smaller, a mere speck in terms of human civilization, which in turn was an inconsequential fraction of human existence.

In terms of a life span certain events could and do change individual worlds: wars, or, perhaps, great economic events. The question was whether the crisis that struck towards the end of the first decade of the third millennium would change the world or not? It was too early to say, but it seemed certain to him that its consequences would be felt for a decade or even more, and perhaps, for future historians, it would be seen as a turning point, when power passed from the West to China.

It was common knowledge that recent changes in international trade had affected millions of workers in Europe and the USA, as China, together with its indefatigable neighbours, inundated the world with low cost goods.

There was little doubt that the crisis had hit those who had invested their money in Bernie Madoff's fraudulent funds; those who lost their homes in the USA as a consequence of the sub-prime crisis; pensioners who lost their savings; traders and bankers who lost their extraordinarily well paid jobs; politicians who struggled in a quagmire of their own making; Russian oligarchs who saw their wealth dwindle as quickly as it had grown, and Middle East petrodollar kingdoms whose revenues evaporated under the hot sun of the Persian Gulf.

Whatever the global effects of the crisis, it looked to Geoff as if Britain was in for a long and troubled period. It didn't need a Milton Friedman or a John Maynard Keynes to explain that the party was over. Geoff, like others, would have to learn to live with falling expectations, with what they had, accepting their changed condition and getting on with their run-of-the mill lives in the hope the economy would pick up again at some future date. The halcyon days of Cool Britannia were gone, and many of those who had planned an early retirement could forget it. Numerous were the disillusioned Brits, who like Geoff, would be facing long and bitter years of old age.

He certainly felt bitter when he realized he would have to make do with a now meaner pension. As a young man he had graduated in engineering and was assured of a promising career in industry; designing and building the machines that were at the heart of modern society. But he soon discovered his efforts went unacknowledged. Doctors, dentists, opticians, architects, financiers, racing car drivers, media celebrities and even footballers were respected by the public, but little thought was ever given to those who designed and built the complex instruments and machines that enabled the members of those much admired professions to work, including the technology that brought their exploits to the attention of their fans and admirers.

Geoff deeply regretted the fact that those in his profession were often seen as little better than old fashioned garage hands; their sleeves rolled up to the elbows and finger nails grimy with oil and grease. Like most good engineers he had strong mathematical skills, a solid knowledge of materials, a good dose of creativity, determination and foresight reinforced by long years of experience. Regretfully little credit was given to a profession that produced illustrious inventors including Charles Babbage, Isambard Brunel, John Baird, George Stevenson, Frank Whittle, Christopher Cockerell, Charles Stewart Rolls and Frederick Henry Royce.

Engineers designed jet aircraft, telecommunications systems, landmark buildings, medical imaging systems and computers, however much of the public saw engineers as those who repaired already existing systems. When Geoff commenced his career, computing had been reserved for research and had little role in the everyday activities of his profession. Calculations were made by hand in a world where the design of machines and structures were the principal subjects addressed by engineers. Computing was invented by scientists and researchers for futuristic applications in aeronautics and atomic energy. That changed in the late sixties-early seventies, when electronic calculators were first introduced. These very quickly evolved into sophisticated tools condemning the slide rule to history and opening the door to PCs and workstations, ultimately replacing the drawing board in all phases of engineering design and application.

Unseen engineers were forgotten as role models when bankers and financiers stepped into the limelight following Margaret Thatcher's 'Big Bang', a reform that revolutionized the way in which the City of London worked. Her successors saw the quaternary sector as the future motor of expansion, a knowledge based economy, where finance, banking and insurance related services would provide the material for Britain's economic powerhouse, offering a new future to aspiring graduates; a policy that was ultimately to bring the nation to the brink of disaster with the de-industrialization of a nation that was the birthplace of the industrial revolution.

Chapter 2 DUBLIN

With the euphoria of the American elections past and the world struggling to come to grips with the financial panic that seemed about to overwhelm it, Pat O'Connelly returned to Dublin. The contrast between the city's bleak landscape and the bright skies of Miami could not have been more unwelcoming. As his taxi made its way through city centre, the Christmas lights, which still decorated the streets, gave off a strange glare in the early evening fog. The driver sniffed and mumbled that they 'would do little feckin good for the working man with jobs melting away like good Irish butter on toast'.

The millions of twinkling stars that decorated O'Connell Street made a sad contrast to the gloomy atmosphere that had descended on the city, dampening its usual festive spirit. After two decades of prosperity Dubliners had forgotten what an economic crisis was and were desperately trying to come to terms with calamity that had hit them.

It was reported Christmas sales had dropped almost ten percent. The years of Asian style growth were a rapidly fading memory of a happier past. O'Connelly suspected fewer Irish shoppers had made what had almost become a tradition: a trip to New York to buy Christmas gifts or ring-in the New Year. A good many Irish men and women would have been too worried thinking about their jobs and mortgage repayments to frivolously indulge in a costly year end getaway. At the bottom of the scale, the less fortunate could even end up like those elderly workers O'Connelly had watched filling shoppers' bags at Wal-Mart checkouts in San Francisco, or even worse.

The next morning he headed into the city centre to settle a few outstanding details at his Dublin bank, the Irish Netherlands, situated on College Green. Once taken care of he set off for a stroll through Trinity College, wandering across the hushed cobblestoned quad, where the scholarly atmosphere of the venerable institution never failed to remind him of how history created and changed nations. Trinity College had been a bastion of Protestant power in Ireland for centuries, refusing the entry of Catholics into the university until the late 18th century, though when the change came it was viewed with deep suspicion by the Catholic Church. As recently as 1970, Catholics wanting to attend the college had, at least in theory, been obliged to obtain permission from their bishop.

What attracted O'Connelly to the college was its long history and of course its priceless treasures. Amongst them was the vast and ancient Long Room of the old Library Building, filled with countless thousands of books, including the Book of Kells, an Irish treasure, written in the 8th century by monks at the Abbey of Kells in County Meath, a work of extraordinary beauty.

O'Connelly felt at home in Dublin, a city of writers: Samuel Beckett, Brendan Behan, James Joyce, George Bernard Shaw, Jonathan Swift, William Butler Yeats and many more. Perhaps it was that which had attracted him to the city, it seemed to give him some kind of legitimacy, a certain sense of belonging.

Though O'Connelly had been born in London, his staunch Catholic Irish family background had not prevented him from growing up more English than Irish. On the death of his grandfather, his parents had returned to County Wexford to take over the prosperous family owned dairy farm and Pat was dispatched to University College in Dublin to study agricultural science in the hope that he would follow in the family tradition.

A year in Dublin changed that and Pat turned to Trinity College, where he enrolled to study journalism and writing. Two years later he moved on to London where he could more profitably pursue his studies with the addition of modern European languages. Then followed three years in California where he obtained an MBA at the UCLA International Institute and found his first job as an editorial assistant at the LA Times.

With this initial experience, a masters in his pocket and an international background, he was hired by The New York Times and after a promising start was packed off to the newspaper's Paris agency to learn the art of becoming an international correspondent. Guided by a veteran reporter he discovered the good life, mixing with prominent personalities, both French and international, wining and dining on a generous expense account, attending film festivals, reporting on political summits and of course the usual French scandals.

In Paris O'Connelly met Angela Steiner, a literary agent, and with her help persuaded David Hertzfeld of Bernstein Press, a leading New York publisher, to accept his first book. The book, a political novel set in the

French capital, was a success and remained several weeks on the Times Book Review's bestsellers list. It was the first step to establishing himself as an independent writer. Though he continued to write for the press, he fixed a goal: that of making a name for himself, an ambition that required a new and original novel every eighteen months or two years. To the satisfaction of his literary agent and publisher, his books received good reviews from the critics and regularly made the bestsellers lists.

Eager to commence work on his new book, O'Connelly found Dublin eerily subdued, which suited him fine, far from the distractions of Paris. The month spent back in the US had given him a mountain of information and ideas for his novel, which he had momentarily entitled 'Armageddon in the City', not very original, but that was a question to be decided by his publisher.

Not only would the subject make a great story, but each and every passing day added to the gore and drama as economic giants struggled in an astonishing battle for survival as the world looked on in awe and fear. All the right ingredients were present: the rich, the powerful, the heroes, the fools and the gangsters, strutting or stumbling across the stage as the drama was played out, day after day, with its endless rebounds and surprises. Hollywood's role actors: Tom Cruise and Michael Douglas were mere bit players compared to the real life protagonists, who juggled countless billions of dollars and held the future of entire nations in their hands.

All the elements for an MGM block buster were present: including a hero, in the form of Barack Obama, standing in the wings, waiting for his cue to appear and save the planet. But as every movie goer knew, before Batman could save the planet, there would be many twists and turns in a fast moving plot with special effects and nerve racking sequences.

'What Hertzfeld wants is a seven hundred page saga, you know like Harry Potter and the Order of the Phoenix.'

'Harry Potter?' Laura asked incredulously.

'Yes,' replied O'Connelly. 'Because, like in Harry Potter, it will take a magician to solve the problems created by the crisis.'

Thinking back to one of his bestsellers, a story of the search for the Temple of the Jews, set in modern Israel, he smiled to himself. He had read and re-read the Biblical story with its promises of vengeance and retribution to those who deviated from the straight and narrow. It now looked as if Britain was about to suffer hell fire and brimstone, divine retribution for its excesses, and there was no escape, especially as few righteous men could be found in the City's banks to spare the nation from the ordeal. The day of reckoning was at hand after the New Labour's wild feast of unwanton hedonistic pleasure: drinking, dancing and extravagance in adoration of the City's financial services. Few leaders, if any, had given thought to redemption, that is to say the redemption of debt.

The twist at the end of the tale would not be too difficult to imagine — not a happy Hollywood ending. O'Connelly feared it would be more like The Fall of the Roman Empire, with decadence and ruin, and perhaps the rise of a new empire, to the east, the Far East, but even that was uncertain.

The press, TV news channels and Internet provided him with more than enough material to spin his plot, some stories were wild, fewer were serious. The Daily Express announced a secret plot to admit fifty million African workers into the EU — ammunition for the BNP, to excite the imaginations of its readers who already lived in fear of losing their jobs and for the future. The Times reported Obama would resort to protectionism to save America's automobile industry.

The choices were rich and the scams abundant, commencing with the bonus system, a scam that allowed the baddies: bankers, to stuff their pockets with enormous rewards without the least responsibility for their decisions. What provided an even more fascinatingly complex source of raw material was the arcane Wall Street system, which was undisputedly responsible for contaminating the world of finance with its mortgage derived products and other derivatives.

Mark Twain's words: If you don't read the newspaper, you are uninformed. If you do read the newspaper, you are misinformed, came to O'Connelly's mind. In his own experience, as a journalist and a writer, he had learnt that reality was subjective, with both writers and readers interpreting events to suit their own narrow vision of happenings in the world around them.

He had to admit his own perception of what was to come was vague, even as to how his own personal finances would fare. As he watched the world's financiers and politicians milling around like a flock of terrified sheep pursued by a pack of feral dogs, he feared that the whole house of cards could come tumbling down.

O'Connelly reconciled his fears with the thought that his properties, whatever happened, were all paid up and would still be there after the crisis finally ran its course. His bank accounts were another matter. The future of the dollar looked uncertain. It would be wise to spread his bets, buying euros and investing in a little gold as there were unavoidable expenses to be covered: taxes and the upkeep of his homes. As to his future income nothing was less certain. To all intents the world was heading for a huge slump.

If unemployment hit Great Depression levels, would there be a market for his books? What would happen if the dreaded spectre of hyperinflation appeared and people realized their money was worthless? Panic would certainly ensue. Manufacturers and service providers would be unable to pay their suppliers. Chaos would create strife and governments would resort to force to maintain law and order if riots got out of control, just as they had in the twenties during the Weimar Republic, when a barrow load of Reich marks was needed to buy a loaf of bread.

He wondered whether his imagination was running away with itself. Could things really get that bad? Would the world's economic system break down? Would there be a collapse of trade and communications? The long period of peace and prosperity that spanned the 19th and the early part of the 20th centuries had ended in a terrible war that had led to the collapse of the monarchistic dynasties that had ruled Europe for centuries, giving rise to Communism, Fascism and depression. Economic conflict and disorder had been the root cause of those tragic times and it was not totally meaningless to see a parallel between those already distant events and the ongoing economic turmoil

For confirmation of his sombre thoughts he had only to look at the City of London, the epicentre of the world financial crisis. Business had come to a brutal standstill and God only knew what would happen next.

Chapter 3 AN ACADEMIC

John Francis headed the ad hoc think-tank, a role that Michael Fitzwilliams' had confided to him in mid-2007. His task was to analyse world events and how they could or would influence the affairs of the Irish-Netherlands Bank and its future prosperity. Fitzwilliams like most bankers had seen the dotcom crash coming, but had not anticipated its consequences. Neither had he foreseen the changes that would come with the election of George Bush and Tony Blair. As for the terrorist attack on the World Trade Center, he had been as shocked and stunned by the unimaginable tragedy as the rest of the world.

Following the events of 2008, Francis realized the consequences of the banking crisis could be much more far reaching than that of the dotcom crash, the effect on Wall Street of 911, or just about any other economic event since the Great Depression.

Michael Fitzwilliams was still reeling from the shock of the Lehman Brothers collapse and the burst of the sub-prime bubble that left Britain's five largest banking institutions, Barclays, HBOS, HSBC, Lloyds TSB and Royal Bank of Scotland, staring insolvency in the face. On Monday October 13, 2008, the government announced Lloyds TSB was to take over HBOS with the help of seventeen billion pounds of taxpayers' money, together with an injection of twenty billion for RBS. The resignation of RBS's infamous chief executive, Sir Fred 'the Shred' Goodwin, was immediately effective.

The news of the bailout had prompted a weak, but short-lived rally on the London Stock Exchange. Markets were about to experience a stomach wrenching plunge as investors driven by the fear of God fled in every direction in search of a shelter.

If his bank was to survive the coming storm Fitzwilliams needed a plan. It was impossible to stagger from one drama to another as they had done over recent months. More such crises were surely on their way.

The problem with bankers, industrialists and capitalists in general was they saw no further than the end of their noses. Of course they carried out research, but none foresaw the impact of politically charged events across the world. The fall of the Berlin Wall had come as a surprise to many political leaders, as did the demise of the Soviet Union. Equally astonishing was their failure to anticipate the astoundingly rapid rise of China and the imbalance of its trade with the West as its exports inundated world markets, creating a massive one way transfer of wealth.

Fitzwilliam's family bank had been steered for generations by the seat of the pants of its successive conservative heads, who had reacted to events as they occurred. Their role had been to conserve and defend the family's wealth and privileges.

In early 2007, the world had been laid-back, too laid-back to Fitzwilliams' regretfully retrospective point of view. America ruled the world and Britain stood at its side as a proud ally. Five years had passed since 9/11 and its aftermath. The execution of Saddam Hussein, in the last days of 2006, seemed to have closed a chapter, and the world had entered what all had hoped would be a period of long prosperity. But danger always came from the least expected quarter.

John Francis, a writer and well known contributor to a number of newspapers and magazines on subjects as diverse as the evolution of modern society, political and corporate affairs, had a deep sense of social injustice without projecting himself as a leftist bleeding heart. Having read his works Fitzwilliams had become a fan of Francis, he appreciated his approach on the subjects that interested him, analysing them objectively and realistically, evaluating the impact of political and economic events, anticipating the potential effects of what seemed like distant and unconnected happenings on the everyday lives of ordinary people.

Fitzwilliams first met Francis at the Morgan Stanley Great Britons 2006 awards in the City's Guildhall, where the writer, who had reached the age of academic respectability, had been amongst those shortlisted for a prize. The banker had discovered that beyond his talents as a journalist and writer, Francis was a historian and professor at Dublin's Trinity College, where he lectured on economic history and development of civilizations.

The academic had an almost mystical hold on his listeners. With his charismatic style he emanated a mesmerizing attraction, the kind that won certain university professors the everlasting fidelity of their students. With the captivating appeal of a skilled raconteur spinning a spell, which only an accomplished scholar can cast over a willing audience, Francis likened the work of economists to an art.

Following the effects of the dotcom crash and 911 attack on New York, Fitzwilliams had sought a means of anticipating and reacting to the kind of crises that could threaten the future of his bank. He knew he could not count on his analysts, whose vision was blinkered, limited to finance, business and the predictable. What he needed was a broader approach, one that took into account human behaviour, perhaps based on comparable historical events, and Francis seemed to have the kind of background necessary.

The banker invited Francis to lunch a couple of days later in a discrete French restaurant off the Kings Road in Chelsea. That they had three interests in common: Ireland, economics and rugby, helped them off to a good start. However, Fitzwilliams was firmly anchored in the real world of finance, where time mattered, and the other, an academic, lived in a world where he had the leisure to stop and observe the functioning of human society, where, in spite of the popular adage that history did not repeat itself, it broadly followed an unchanging pattern.

Francis, however, reminded Fitzwilliams of the difficulties that lay in comparing the past to the present and although the patterns were there, forms, time-scales and magnitudes were extremely to fix. It was a contradiction in terms: history did repeat itself, but in different formats. He recounted how one of his own illustrious colleagues, Geoffrey Elton, who held the Regius Chair of Modern History at Cambridge had said: ‘Recorded history amounts to no more than about two hundred generations. Even if there is a larger purpose in history, it must be said that we cannot really expect so far to be able to extract it from little bit of history we have.’

‘In other words,’ Francis explained, ‘though there may be certain patterns, it is very difficult to predict the future based on past experience. But, what you can do is be alert to sudden change and imagine the different possible outcome of events. In that way you could avoid or perhaps take advantage, to a certain degree, of the impact of an event.’

‘Quite true. We see that in the markets every day. Very few analysts get it right, and those who do, are, to be quite honest, lucky.’

‘Instantaneous market fluctuations are one thing, but predicting the effects of say a Middle East war or a major change in the Chinese politburo, is a little bit like monitoring a volcano,’ Francis added with a wry smile. ‘Though with the right instruments we can to a certain extent predict an eruption and evacuate those in its path, or protect our investments.’

‘Our in-house economists and been singularly unsuccessful with their models,’ complained the banker.

‘The trouble with economic models is we live in a dynamic world where the number of variables is infinitely great. What is good today can be a formula for disaster tomorrow. As an example, when I visited Singapore for the first time in 1970 its population stood at two million, today its more than five million, which means the model that worked for the seventies and eighties is no longer adapted for a city state with high expectations, threatened by stagflation, an ageing population, and competitors who have learnt to do the same tricks cheaper.’

Fitzwilliams was impressed by the candid approach of the writer historian and when he mooted the idea of forming a think-tank Francis reacted favourably. They agreed that Francis, with the financial support of the bank, form a group of experts, composed of economists and geopolitical specialists, that would meet from time to time to review world affairs Their role was to act as a kind of radar, sweeping the horizon, ready to detect the kind of events whose nature could impact the bank’s business and financial decisions: riots in Guangdong Province; political coups in resource rich African countries; the rise of nationalist sentiment in Latin American countries; the discovery of new offshore oil reserves in South East Asia; political instability in Central Asian republics, or closer to home trouble in the EU.

Chapter 4 A DAMNING CONCLUSION

As the crisis closed in, Fitzwilliams came to the damming conclusion that his bank, the Irish Netherlands, was too small, much too small, to survive in the long term. There were few options; the last of which was selling out to a larger British or American banking institution. As for the idea of building the bank, organically, into a larger more solid institution, it was totally out of the question given the ongoing crisis.

He did not want to find himself in a situation like that of Jimmy Cayne, the former CEO of Bear Stearns, who ended up spending more time playing bridge, golf and smoking pot than managing his business. Cayne had been worth almost one billion dollars before the forced buyout of his bank, selling his remaining shares for just sixty one million dollars, a mere fraction of their previous value.

Looking back his merger with the Dutch bank had been a success, perhaps because linking up with continental partners had not been within the orthodoxy of British or Irish banks, but the idea had paid off bringing new ideas and giving him a broader understanding of international banking, beyond that of his bank’s dabblings in the Caribbean.

However, given the ongoing crisis, the idea of finding a suitable partner was remote. Banks were licking their wounds; certain of them would not survive.

It would require a quantum leap to escape from the fetters of City and Wall Street’s traditional merger concepts. But Francis had hammered home his vision of a changing world, not that of conventional globalisation where the West led the dance. New players were already present and beginning to make their weight felt. The Dutch were neighbours and spoke English. However, the thought of a Chinese, Indian or even Brazilian partner was too much.

As for the rest of Europe it was in just about the same situation as the UK. That left Russia. Francis agreed that at first sight it was not very appetising, but on the other hand it was a new territory; rich in gas, oil, minerals, few competitors and relatively speaking nearby. History had shown the crisis would not last forever and when things started to look up the world would be hungry for energy and raw materials.

Fitzwilliams decided to speak to his friend Sergei Tarasov, who in spite of his own specific difficulties was optimistic. Had he not alluded to his powerful friends in the Kremlin and in top Russian business circles? Tarasov had brushed aside the difficulties he was experiencing in his UK property ventures; was he unrealistic or was there something Fitzwilliams did not see?

The banker thoughts turned to Pat Kennedy, his right-hand, the bank's de facto number two. Kennedy was ideally situated to explore the Russian's background and business, all Fitzwilliams needed to do was to point him in the right direction.

As Fitzwilliams pondered the future of his bank the gravity of the crisis in Ireland was reaching catastrophic proportions. The Irish Times cried out for the formation of an emergency government. Cabinet meetings followed one after the other. Bankers were summoned and Brussels was consulted.

Eamonn de Valera would have turned in his grave. After the nationalization of its major banks the country was bleeding money at an alarming rate. The Irish Stock Exchange was rocked by a series of shocks not seen in decades, in total it had fallen more than eighty percent from its all-time high just eighteen months before. The government wavered as more than two hundred thousand angry demonstrators, five percent of the nation's population, equivalent to three million in the UK, poured into the centre of Dublin to protest against its economic policies.

In less than a week it was estimated almost ten billion euros had been pulled out of Ireland by banks, businesses and investors. The Irish Netherlands Holding Bank was amongst those who transferred funds to safe havens. The reputation of Ireland's Celtic Tiger was in shreds and its reserves dwindled by the hour.

Elsewhere the economic situation worsened too, banks were collapsing, new scandals were uncovered almost daily and entire countries risked being sucked into the black hole. The three major credit-ratings agencies Standard & Poor's, Moody's, and Fitch downgraded Ireland. Standard & Poor's had already downgraded Irish government debt to negative, forcing the cost of insuring Irish government bonds painfully high.

Fitzwilliams' first priority had been to save his bank; Ireland's fate came a distant second. There was little he could to save his country from the economic tsunami that was overwhelming it, though saving Irish Netherlands meant survival for him and his own. Even the computer manufacturer Dell, one of the Celtic Tiger's success stories, announced it was transferring its production facilities from Limerick to Poland, which with subcontracting would mean a massive loss of ten thousand Irish jobs.

From Marbella in Spain, Liam Clancy looked on in dismay. For the majority of his fellow countrymen and women the long party was over and the hangover would be painful, very painful. He himself had suffered the fall in Dublin house prices, already thirty percent down with a glut of unsold properties on estate agents books. Prospects looked grim as high wages and a strong euro acted as a brake, even the system of low company taxes that had attracted multinational businesses to Ireland was beginning to look untenable.

The blissful over-assertive experts and advisers of banks and investment houses, who had dispensed their smug, and generally biased opinions, on Bloomberg and NBCNews, had been persistently wrong and their grossly overconfident growth predictions now seemed ridiculous. The pretended experts were no longer capable of projecting even the vaguest general direction of stock markets or currencies from one day to the other. For those investors who had gobbed down their euphoric forecasts that pointed to an ever rising curve of real-estate and stock market prices the fun was over; the trajectory turned out to be ballistic, the apogee had been reached and the vessel was plunging back to earth at a stomach wrenching speed, its terrified passengers hanging helplessly on to their seats.

Within the space of a few months the Irish economic bubble had burst and collapsed into a brutal depression. Its property market imploded, businesses collapsed, banks were nationalized and the cost of insuring government bonds reached staggering proportions. As the country faced financial Armageddon its leaders desperately turned to Brussels.

Suddenly the Celtic Tiger was the sick man of Europe; infected by the Icelandic syndrome. Banks, including the Irish Netherlands, had overextended themselves, piling up loans, equivalent of ten times the Republic's total annual economic output. The country's economy was hurtling at breakneck speed towards a brutal contraction with rampant unemployment threatening every sector of activity.

Young men and women, the less fortunate members of Liam Clancy's generation, would face the spectre of Ireland's age old misfortune; forced emigration, the search for work across the water. Like him many had believed they would become millionaires; instead they would end up on a one-way Ryanair flight to a London bed-sitter.

For more than two decades Ireland's economy had experienced a boom unprecedented in the Republic's short history, as banks, the Irish Netherlands amongst them, lavished loans on home buyers and businesses in the glow of a booming export oriented economy. It was almost as if there were no tomorrows as ordinary Dubliners jumped onto the property bandwagon and real-estate prices surpassed those of Paris.

It was as though the Irish had abandoned their Christian beliefs for Mammon and were now being punished for their sins as the hand of God meted out a terrible retribution. Banks were nationalized and home owners condemned to negative equity, indebted for years to come, punishment for a colossal speculative binge paid for on the never-never.

Chapter 5 ARROWSMITH

He picked a two day old copy of The Sunday Times in the small souvenir shop opposite Denny's Café. Tony Arrowsmith marvelled at how the newspaper could reach Roseau in just two days. Dominica's small capital was after all a backwater of the world, even if it was a very charming one. He crossed the road to the café, took a seat under the shade of the gnarled tree that bordered its terrace, ordered a coffee and opened the paper to the financial pages.

The lead story covered the ongoing crisis on a familiar, now distant island; another episode in the endless saga of the Celtic Tiger's downfall. His memories of the Emerald Isle were not all happy and he felt a certain schadenfreude at its predicament, which to him had been inevitable. The Irish government was about to bail out the Bank of Ireland, a private institution which was not to be confused with their central bank, with the help of a group of investors — on condition they did not try to flip it once things started to improve.

The state of affairs at the Irish Netherlands Bank was somewhat better, Arrowsmith noted, as unpleasant memories of David Castlemain, its former head, flooded back recalling the events of 2000. Eight years had passed since Tony had settled in Dominica with Olga, where he now enjoyed the privileged life of a man of means. Locals saw him as a wealthy investor and indeed he was.

He then turned to the market news. He was worried like so many others. Trying to preserve his fortune had become a full time job in what was now a seriously dysfunctional world economy. Over the last few years he had prudently invested his capital and had seen a very significant increase in his personal wealth. He was a contrarian and had spread his investments wisely: stocks, treasuries, property and cash. As the result of carefully weighed decisions his investments were still in positive territory, the dotcom bubble and its consequences had taught him a number of unforgettable lessons. The first was to very, very, carefully keep up with market news. The second was to reposition his money as soon as a trend appeared. The third was to spread his investments. Lastly he nurtured a solid cash reserve, in a basket of major currencies, which contrary to the idea promoted by markets was a good strategy.

Arrowsmith was now as expert as any individual investor could get in the arcane movements of stock-markets, which were in effect beyond the predication of even the most sophisticated of computers. He concentrated on New York, carefully avoiding Europe where the spreads, in his opinion, between peaks and troughs were too great. He of course knew it was not sufficient to simply follow the movements of the Dow Jones Industrial, an index which consisted of just thirty publicly owned US companies. As any even modestly serious investor, he knew the importance of the interaction of all key indexes, including the S&P500 and the Nasdaq, which were composed of five hundred and three thousand different stocks respectively.

The Dow Jones, the oldest and considered by some as the best market indicator, was the most traded in blue chip stocks, with the twenty percent of the value of all stocks quoted on the NYSE. Standard and Poor's Composite Index listed middle sized companies and was seen by market specialists as a more dependable indicator of overall market trends than the Dow, the Nasdaq on the other hand concerned relatively less important but nonetheless key businesses.

Whilst Arrowsmith had avoided speculation in Forex markets, he had boosted his cash reserves to take account of the prevailing economic trends: rising unemployment, falling property and commodity prices, with manufacturing, and more especially the automobile industry, in very dire straits.

His greatest concern was that of inflation after governments had reacted to the crisis with massive stimulus packages. The US had pointed the way, quickly followed by Europe and Japan, then China and India. Banks, insurance companies, auto-makers, steel-makers and retailers all cried out for financial aid, and central banks responded with a flood of virtual money.

To Arrowsmith's mind it had been an almost perfect demonstration of the domino theory. The markets had crashed one after the other, and the world, as usual, turned to Washington. After two months of being presided by a lame duck leader, the US had put their hope in their new president with his fresh team…who would surely do better than Bush.

In his reverie Arrowsmith's eyes wandered, taking in the white boats anchored out in the turquoise waters of the bay. It was the best season; blue skies with dry, relatively cool, weather. He narrowed his eyes to occlude the intensity of light and the bright colours.

'Hi man!'

Snapping out of his daydream Arrowsmith looked up to see Hubert, his garagiste.

'Hi there, sit down, what'll you have?'

Hubert took a chair.

'The car's ready man, you can pick it up whenever you like.'

'Great.'

Hubert had sold him a second-hand Mercedes. Cars were an expensive luxury in Dominica and there was no reason to throw money away considering the few miles that could be clocked-up each year on the small island's very limited road system.

'So, surviving the credit crunch,' asked Hubert with a smile nodding towards the business section of The Sunday Times that Arrowsmith dropped on the seat beside him.

'Isn't everybody?'

'Yeah, mi daughter Karen is telling me business is bad in the UK.'

Arrowsmith smiled to himself, it was rumoured that Hubert's car import business was a little shady, though few people cared considering his prices were unbeatable. Arrowsmith knew Karen was a stall-holder in Romford Market and Hubert's son-in-law ran a garage repair and rebuild business in the East End of London. Many of its cars ended up in the Caribbean. A good number of them linked to insurance fraud and perhaps thievery. Hubert was however careful. Dominica was fortunately far from the UK and tracking down a few stolen cars in the Caribbean was a complicated business. Scotland Yard was more concerned with drug trafficking and money laundering than running after a few vehicles of doubtful origin. As far as the local authorities were concerned they turned a deaf ear to the rumours and Hubert helped sooth their peace of mind by ensuring they always had a good deal whenever they traded in their old models.

Back in the UK the governors of the Bank of England were about to decide on yet another cut in interest rates. Little by little their room for manoeuvre was decreasing as they fought a losing battle to ward off recession. Interest rates had reached a three hundred year low. Gordon Brown's government was desperate and its only remaining option seemed to be quantitative easing, a fashionable euphemism for the printing of money.

For shrewd investors, like Tom Barton and Tony Arrowsmith, the all-important question was to know at what precise moment the market bottomed out, and then reinvest. But invest in what? Property and especially commercial property seemed like bad bets, the same went for stocks. Emerging markets looked highly risky; commodities uncertain and renewable energy sources seemed forgotten. So what was left? Gold? That was the million dollar question. Beyond that anything could happen. Looking back most recessions had not lasted more than a couple of years, those that had lasted longer were linked to war, notably the Great Depression, which was a consequence of the economic disorders created by WWI, only really ending with the start of Hitler's war.

As to Barton, he did not fear a depression, and a major war seemed very unlikely. Concerning economics, governments seemed sufficiently sane to be able to come to terms with the problems and together find a solution to avoid the worst. Despite that, a long recession seemed to be on the books and for the very first time on a truly planetary scale.

Nevertheless, Barton remember his history and recalled how on a Sarajevo street, one sunny June morning in 1914, the two deadly bullets fired by a nineteen year old nationalist Serb, son of a postman, were the pretext for war. Austria without realizing it set a chain of events in motion that was lead to one of the most terrible armed conflicts in human history.

Whatever happened Barton resigned himself to the role of a simple onlooker, what other choice was there? The best he could do was to look after his own interests, since in his opinion the crisis did not look as though it would stabilise before 2011 or 2012 at the best. As far the UK middle classes were concerned it would be a bloodbath once the recession started to bite. Ominously, forecasters predicted unemployment would reach three million when the UK government slashed budgets and businesses tighten their belts. A great many consumers would be forced to abandon the life styles they had gotten used to, with the most seriously hit forced to make a drastic cut on all non-essentials — starting with leisure and holidays.

It was bad for the everyday man, but even worse for the high flyers — relatively speaking. As another tycoon bit the dust, Kennedy was reminded of fortune's capricious nature. He shuddered as he remembered his own brush with fate and how the press had hounded him ten years earlier in its never-ending search for blood.

The tycoon, Thomas Burke, now figured as another name on a growing list of those who had fallen victim to the Celtic Tiger's dramatic demise. Fitzwilliams had been a guest of Burke on many occasions. Kennedy, on the other hand, had only met the Irish billionaire and well-known celebrity at business gatherings or social events, never counting him as more than a business acquaintance.

The tycoon, who had headed one of the largest property investment funds in Ireland, Cassel & Powerscourt Holdings, was found dead in his study. A single bullet in the head had ended his life.

Burke had started out modestly, as a sixteen year-old trainee bank clerk in Limerick City, his home town. Three decades, later surfing the wave of Ireland's fifteen yearlong property boom, he had become one of the country's best known personalities.

His was the story of an Irish folk hero, a nationally acclaimed celebrity, a model for all ambitious go-getters, jetting around Europe in his personal Gulfstream. He was part of the Celtic Tiger image, a tribute to free enterprise, and when he wasn't seen rubbing shoulders with world leaders in Davos or Washington, he made the society columns with his elegant wife, hosting fashionable parties at their vast manor on the outskirts of Dublin, or at one or another of their homes in London or Marbella.

Burke's personal fortune was estimated at more than two billion euros including the shares in his holding company with its multiple property investments in London, Ireland and Spain.

He was a man whose style had been admired by Fitzwilliams, perhaps it was because of their common Anglo-Irish ancestry, but it could have also been his admiration of Burke's English wife Penelope, an ex-fashion model, a flawlessness example of womanly beauty, often photographed for fashionable magazines with her two blue eyed children in the setting of one of their luxurious homes.

Burke had had everything a man could hope for, with his ideal family he personified Ireland's astonishing transformation, from the fabled Emerald Isle, better known for its folklore, its rolling hills and country lanes, its picturesque villages and its welcoming pubs, to a modern powerhouse of business and finance. A land that had been forcibly shut-off from mainland Europe by England, its destiny thwarted over innumerable generations by the British crown. Then, when destiny smiled upon Eirean's Isle, elevating it to a land that was said to enjoy one of the world's highest living standards, it seemed as if at last its dream of wealth and admiration had come to be.

Burke's untimely death signalled the end of an era, the end of Ireland's exuberantly lofty dream of becoming another Switzerland, cocking a snoop to England, immune to the hide bound traditions of old Europe.

His wife had found him dead in a pool of blood, slumped over his valuable antique bureau, in a corner of their elegant manor overlooking the Castleknock Golf and Country Club. Foul play was ruled out by the Garda, in spite of the fact Burke had made a good number of enemies in his vertiginous rise to fame and fortune.

Only days before he had been seen relaxed, dining in the company of his wife and friends at an exclusive club nearby to Saint Stephen's Green in Dublin. He put an end to his life just days after an investigation was opened by a High Court judge into his investment fund, revealing that he, amongst other things, had illegally pledged shares to finance his property projects.

As Kennedy checked the bags his housekeeper had prepared for his Davos trip, his thoughts dwelt for a moment on Burke's meteoric rise and fall: he had started out with nothing and had ended up with nothing, taking his life in a moment of despair and leaving a family behind him to face the bitter consequences of his failure.

Chapter 6 LIABILITIES

It was just after ten on that Thursday morning when Kennedy burst into the boardroom room where Fitzwilliams was thumbing through the daily papers.
‘Look at this will you Fitz,’ he said waving a copy of The Irish Times.
Pat had just arrived from Dublin. An hour’s flight on the bank’s Gulfstream and thirty minutes in his chauffeur driven Mercedes from the City Airport.
‘One hundred feckin billion in liabilities!’
Fitzwilliams nodded grimly. The same news was splashed across the front pages of London’s leading dailies.
‘The only hope is some kind of nationalization for the Allied Irish and the Anglo Irish.’
‘The quicker the better.’
‘What about the government?’
‘The Taoiseach should be announcing a four hundred billion bank guarantee plan later today.’
‘Feck Biffo! If this fecking shit continues we’ll go under with all the other poor feckers!’
Kennedy clammed up. He had never seen Fitzwilliams in such a blasphemous rage.
‘Look Pat this is really serious. What I want you to do is draw up a list of all our liabilities in Ireland and ditch them wherever you can. I don’t care about the price, just get rid of them, now! The boat’s going down and we don't want to go down with it. It’s a matter of life or death…I mean it!’
‘It’ll cost us,’ said Kennedy fearing for the bank’s solidity.
‘It’ll cost us a lot more if we don’t cut our losses! Now! Another thing, stop any deals we’ve got with the government. We can use their help to get rid of some of the shit we’ve got on our books, but we don’t want any hand-outs with strings.’
‘I agree with you Michael,’ replied Kennedy. ‘The last ten or so years were a blast, now it looks as if we’ll have to pay for it.’
‘Not we Pat! Not over my dead body!’

It was a huge come down for Kennedy, a fierce supporter of Ireland, the Celtic Tiger, and just about everything Irish going back to Finn McCool. The dream was turning in a nightmare. The once-lauded Celtic tiger had been shot and was about to be skinned, stuffed and mounted.

‘Look Pat, I’d like you to go back to Dublin, now, and sit down with Tommy McLaughlin to see what kind of shit we’ve really got on our feckin books.’

‘Yesh Fitz.’

‘Oh yes…and whilst we’re on the subject of kicking the feckin ant hill I’ve something else for you to look at when you get back.’

Kennedy had not asked Fitzwilliams what that something else was, the banker had been too livid and it was not worth the risk of provoking even greater wrath.

The next morning back in Dublin, Pat started the day with a haircut at the Waldorf, the city’s oldest barbershop. There were not that many customers in a place well known to bankers, businessmen and lawyers. Only three barbers were clipping away compared to seven or so during the boom years. It was not surprising considering the price; seventy pounds a shampoo and shave.

‘Things are quiet,’ remarked Kennedy as he settled himself in the barber’s chair.

‘Times are hard, but remember,’ said Paddy his elderly barber, ‘history is made by the people who turn up.’

‘That sounds like an oracle talking.’

‘Lenin.’

‘You’re turning Communist?’

‘No, but I soon will be at the rate things are going.’

‘It’s that bad?’

‘Yeah, take Bewleys, the coffee shop next-door.’

‘As far as I know it’s been closed for a couple of years.’

‘Well, it was bought by a developer five years back for twenty five million with a loan from AIB. The bank was left with it on their hands when the developer went bust so they put it on the market for twelve million.’

‘Twelve million!’

‘Yeah, but I reckon it’s worth only half that at today’s prices.’

‘They were crazy. Look at the money AIB and the Ulster bank put into their new headquarters. They’re all bust now!’

‘Nationalized.’

‘Same thing.’

‘A lot of people stuffed their pockets and all those poor feckers who listened to them won’t be flying to New York to do their Christmas shopping this year.’

Kennedy left a good tip and then headed down to the offices where McLaughlin had drawn up a list of liabilities. Kennedy’s world was so different to that of his barber’s he was totally untouched by the state of Ireland’s working families. The bad news simply bounced off him, and as for the bank they would they would come up with a solution.

As far as Kennedy was concerned banking had always boiled down to a business where two people with opposite, but complementary needs, got together for a contractual exchange of services, and he, as the service provider, collected a margin. Things were different now, he thought as he approached the bank’s Dublin office, it was a whole new ball game that would need a creative solution. If they could unload their bad loans off onto NAMA (the National Asset Management Agency), it would solve a good part of the bank’s Irish difficulties. Keeping things in separate compartments was important to him.

The bank’s Irish operations under Michael Fitzwilliams’ direction had known a different development path to that of the other Irish banks. After Fitzwilliams shifted the bank’s centre of gravity to London, following its merger with the Nederlandsche Nassau Bank and the creation of INB Holdings Plc., the Irish end had become less important and its customer base entirely Irish, with certain of its key administrative and back-office tasks controlled from London.

The Dublin headquarters of Irish Netherlands Bank Ltd., previously the Irish Union Bank Ltd., situated opposite Trinity College on College Green, had not changed. Its discrete but imposing style; a polished granite façade, smoked glass windows and heavy brass name plates, was timeless. The whole appearance was more in keeping with the tradition of an old banking firm than the arrogantly modernist tower in London.

INB was blessed compared to Ireland’s major banks, it had avoided not all, but most of their sins. With the creation of INB Holdings Plc. in London, most international business had been transferred to the holding company, though Dublin carried out much of the routine book keeping work.

Major Irish banks, like AIB, had expanded their operations into the United Kingdom, the USA, Poland, Latvia, Estonia and Lithuania, but remaining solidly Irish with their headquarters in Dublin. AIB and Bank of Ireland, not to be confused with Banc Ceannais na hÉireann, Ireland's Central Bank, had competed for size and ultimately for indebtedness and both banks, as a consequence of their folly, were forced into nationalization.

INB Dublin was covered by the state guarantee and assisted by the recently set up National Asset Management Agency. NAMA was created as a vehicle to buy troubled land and property development loans from the six major Irish banks covered by the government guarantee, together with other banks that voluntarily chose to join the scheme — amongst them INB.

That did not arrange all of Fitzwilliams' problems. Over the previous weeks the bank had unloaded a good part of its problematic Irish engagements, however, certain of the loans were issued by INB Holdings Plc. in London, or Amsterdam, which were not covered by those guarantees. Amongst those was the Oak Park office and apartment complex in south Dublin, built James Farrell's construction firm Tain Developments. Farrell, another troubled high profile property developer, personally owed over one billion euros to Irish and UK banks.

'Tain Developments will be wound up by the court next week,' Kennedy informed Fitzwilliams.

'Serves that bastard Farrell right for screwing us.'

Irish Netherlands would be forced to write off Tain's debts and would end up owner of Farrell's Oak development. It was one in the long, long, list of property development, construction and contracting firms that had gone under in Ireland. As luck would have it the development was practically complete and situated in a good area of south Dublin, though that small satisfaction was dampened by the fact buyers would be far and few between for a long time to come.

Ireland still lived in the 19th century as far as debt and bankruptcy was concerned with one of the toughest bankruptcy laws in Europe giving creditors all the powers. In Irish law those who borrowed money were bound to pay it back in full. Those who could not, or would not, were hounded until the last penny was paid, and ran the risk of seizure and imprisonment. Their only hope was exile.

Most of INB's bad Irish loans would be offloaded onto NAMA, which would no doubt end up by being the biggest landowner in Ireland, with the state owning a mountain of long term debt, something that did not concern Fitzwilliams in the least.

'Well that's one more taken care of,' Kennedy said grinning and rubbing his hands together.

'Remember what Pyrrhus said Pat.'

Kennedy looked non-plussed, wondering if Pyrrhus was a Dutchman.

'If we are victorious in one more battle with the Romans, we shall be utterly ruined,' Fitzwilliams told him with a wicked smile.

Chapter 7 DAVOS

At the end of January, as the world's richest and most powerful business leaders got together for their annual knees-up in Davos, wildcat strikes erupted across the UK and workers poured onto the streets of Paris to manifest their growing fears. Further to the east in Moscow, Vladimir Putin's police beat demonstrators about the heads with their truncheons for daring to object to his economic policies.

Kennedy, attending the Economic Forum, could count himself amongst the world's most privileged individuals. The Irish Netherlands Bank was a new boy amongst the very select one thousand member companies in the organization, all chosen for their role in shaping the future of their respective regions, and quite naturally for the very substantial financial means they had at their disposition.

In spite of the fifty thousand dollar membership fee, the organization went to great pains to point out it was not a rich man's club, but was dedicated to improving the state of the world, though not all would have agreed.

Michael Fitzwilliams had just one goal in mind when he prompted Kennedy's visit to Davos. Having learnt of Sergei Tarasov's intention to participate at the Forum and the presence of Vladimir Putin, the banker wanted to substantiate the precise kind of relationship the oligarch maintained with the Russian Prime Minister.

Kennedy had opted for a scheduled flight to Zurich's Kloten International Airport. He had not wanted to test Samedan Airport, preferred by certain participants, situated in the Swiss Alps at 1,707 metres altitude, it was one of the highest in Europe and considered difficult by pilots, surrounded by high mountains and subject to unpredictable winds. At Kloten a chauffeur driven Mercedes awaited him for the one and a half hour's journey to Davos; one hundred and sixty kilometres to the east of Zurich.

Two hours after landing in Zurich, Kennedy checked into at the newly refurbished Steigenberger Belvedere, a Belle Époque style edifice, a monumental hotel built in 1875, just a short walk from the Davos Congress Centre. Kennedy's suite was unpretentious, acceptably spacious and furnished in a style he had heard described as 'Deutsch comfort' — solid and very conventional, but with a splendid view of the Alps. The suite set the bank back one thousand Swiss francs per night plus tax and service, breakfast excluded.

Politicians and financiers gathered in the highly exclusive Swiss ski resort, in an effort to come to terms with the turmoil that was wreaking havoc on the world economy. They fumbled and bumbled, seeking logical and not so logical explanations. Regretfully, their deblaterations offered little help; what had happened had happened. As Pat Kennedy would have put it: someone had upset the 'apple tart'. Banks and markets had lost all sense of reality. In the absence of capable politicians and regulatory watch dogs, men of the likes of Fred the Shred had simply been allowed to run wild. The reality was neither politicians nor bankers had been capable of understanding the complexities of the systems they held the responsibility of managing.

Pat found the delegates stuffy and boring and wondered why the media was so interested. On the second evening he was relieved to catch up Sergei Tarasov with the entourage that always attended him. Amongst them were a couple of attractive Russian girls whom he was told were tennis players present for an event in Basel. The suspicion that they had probably never held a racquet other than for a sportswear fashion shoot did not trouble Pat in the least, he always appreciated the refreshing presence of attractive young women. As soon as Vladimir Putin arrived Tarasov was on standby, leaving Pat the agreeable task of looking after of his tennis friends, and practicing his Russian whilst exploring the few places of interest in Davos.

Each leader took his turn on the rostrum, spouting concern and proposing off-the-shelf solutions to the crisis. However, it was Putin who woke-up the delegates and set the press flurrying. To Tarasov's amusement, he took a vicious swipe at Wall Street, telling the assembly: 'I just want to remind you that, just a year ago, American delegates speaking from this rostrum emphasised the US economy's fundamental stability and its cloudless prospects. Today, investment banks, the pride of Wall Street, have virtually ceased to exist. In just twelve months, they have posted losses exceeding the profits they made in the last twenty five years. This example alone reflects the real situation better than any criticism.'

Pointing the finger was a little late. The fact was the roots of the boom and the crash lay to a great degree in interest rates, which during the Greenspan years had been persistently held down to stimulate the economy. With an abundant flow of cheap money banks became increasingly bold, creating ever more ingenious methods of investing their customers' cash in excessively hazardous property loans.

Many of the bankers present had looked no further than their year-end results and as a consequence found themselves mired in a crisis of their own making. Now, as the heart of storm approached, fearing the worse, they could do little else but battening down the hatches and pray. Major European banks pulled back from New Europe, as the risk of a collapse in the region's still fledgling banking sector grew. Together, Austrian, Belgian, Swedish and Dutch banks had loaned a total of one and a half trillion euros to Eastern Europe, and that did not include loans to the Balkan countries, Turkey, Ukraine, Russia, and Kazakhstan.

Pat Kennedy felt a deep surge of satisfaction when Sergei invited him to a very private evening cocktail and diner he was hosting in honour of Vladimir Putin. It was not only the unhoped-for opportunity of meeting the Russian leader, it was also an occasion to measure the influence of his Russian friend on the PM. Pat was ferried by a hotel car to the reception, held at the Sheraton Waldhuus, barely three hundred metres distance; walking in the deep snow was not part of the programme. He was enchanted by the setting; the Alpine winter atmosphere, the deep snow, bright lights and the anticipation of meeting one of the world's most powerful leaders.

The hotel restaurant had been commandeered for the occasion and after passing through the security cordon and handing his heavy coat to a receptionist, Kennedy was welcomed by Tarasov, who as ever cultivated the personnel touch in his relations. The gathering was informal and Pat was quickly introduced to the other guests, one or two of them he had met at the Forum.

Putin, quite naturally, made his entry once all the guests were present. It was evident from his manner he was among friends; relaxed, smiling and friendly he shook hands with all those present. Tarasov presented Kennedy as a friend and a leading City of London banker. He underlined Kennedy's Irish origins, which pleased the Russian leader. When Kennedy spoke in an approximate Russian this led to a confused but humoristic exchange greatly amusing the Prime Minister, who replied jokingly in quiet acceptable English.

The ice was broken and the atmosphere relaxed as the drinks and canapés were served. It was a Russian event with the formalities of the Forum and the economic crisis forgotten. The seating at the dinner tables was equally informal apart from the places reserved for Putin and Tarasov. Kennedy found himself sitting next to a very attractive tennis star, a new arrival, who talked of a sport he knew little of, which did not prevent him charming her with stories of London and its expatriate Russian community.

Pat was caught short when a bearded man, evidently a priest, dressed in the garbs and regalia of the Russian Orthodox Church, appeared and took the vacant seat to his right. For Irishman's sake the tennis star made the presentations, introducing the newcomer as Father Tikhonov, reputed to be Vladimir Putin's personal confessor.

'Ah, an Irishman, a Christian believer, something rare these days,' he said addressing Kennedy.

'It's a pleasure to meet you Father,' mumbled Kennedy a little embarrassed as though he had been caught red-handed sinning.

'We are like the Irish, believers.'

'Yes Father, the Irish are believers,' reaffirmed Kennedy doubting his own words.

'Have you been to Moscow?'

'No, but I'm planning to visit your great city very soon.'

'Then you must visit our monastery at Sretensky,' Father Tikhonov said as Tarasov appeared at his shoulder. 'It dates back to the fourteenth century. Sergei will no doubt arrange it.'

Tarasov nodded in agreement.

After dinner the Prime Minister excused himself and left followed by Father Tikhonov. The evening slowly unwound, but not before Tarasov beckoned to Kennedy, inviting him for a nightcap in the bar by its blazing log fire.

'Pat my friend, how did you enjoy meeting our Prime Minister?'

'I was very honoured.'

'He liked you, said you were different to the stuffed shirts at the Forum.'

Pat was flattered.

'Did you enjoy speaking with Father Tikhonov?' Tarasov added with a smile.

'Yesh.'

'He has a great influence on our prime minister.'

Kennedy nodded hoping he had not said anything silly.
‘You know Pat there are a lot of opportunities in Russia. This crisis will pass and the world needs our oil and gas. You should talk to Michael about Russia. We could do a lot of things together…we with our resources and you with your bank in the heart of the financial world.’

Back at the Steinberger Kennedy pondered Tarasov’s words. Since the last meeting of the Davos World Economic Forum, the value of the global economy had fallen an estimated twenty five trillion dollars. Where would it lead?

Were bankers to blame? Those present at Davos, safely protected from the outside world in the cocoon of Swiss luxury, rejected all accusations. Others, absent, would have more difficulty in joining their protestations, and many would certainly never have the occasion to return to Davos.

Kennedy zapped the TV catching an interview in which Putin retorted to aggressive questions by telling his interlocutor, ‘We don’t need help. We aren’t invalids….’ The Russian had refused to admit that a crisis existed in Russia, still trying to recover ground following his heavy handed invasion of Georgia the previous summer. In spite of the fall of oil prices Russia was nonetheless earning considerable revenues from its dollar-indexed energy exports.

Pat was feeling pleased, he had not wasted his time with the two and a half thousand economists, bankers, investors, politicians and hangers-on in the overheated conference centre and its dismally triste restaurants. Many of them had already sloped off to meet up with their families and friends for a few days skiing at the expense of their shareholders and investors.

He doubted the micro-climate of the high Alpine valley had done much to change the pervading mood of imminent doom. However, one thing was certain, though some may have felt chastised by recent events, the VIP participants, boarding their private jets in Zurich to return home, would have the comfort of knowing that they were part of a unique club, made up of the planet’s elite and that they would not suffer whatever the outcome of the crisis, their wealth was assured, whereas the outlook for lesser mortals was filled with grim promise.

Sergei had compared the crisis to the fall of the Soviet Union, a rupture that had seen the collapse of central planning and the loss of thousands of manufacturing plants across the corpse of the defunct Communist empire.

Now it was the turn of the US, its banks on the brink of ruin and millions of home owners across the country incapable of reimbursing their debts. The collapse of the financial system had left hundreds of thousands of bright young people jobless in London and New York, young people who had been lured into the financial sector by the promise of soaring salaries and huge bonuses.

Kennedy suspected Tarasov's concern was a façade, he was holding a trump card. It was evident his bank was backed by occult links to the Kremlin's power machine and the help of those who had seized the huge industrial and agricultural combinats of former Soviet Union, grabbing its vast oil and gas resources; a cabal of ruthless oligarch's.

As usual nothing real was accomplished. The hullabaloo of the Davos junket petered out like a damp squib with some predicting the economic slump could last for a decade threatening the stability of the world's financial system and even that of governments.

Barton, like many of those who followed the news from Davos with interest, was not alone in thinking a golden age of finance was over. At best it would take a decade, perhaps more, for markets to see the kind of earnings they had seen during the boom years.

The Davos get together provided the media with a solid source of news with Bill Gates, Warren Buffet, Vladimir Putin and a host of other more or less important economic and political figures adding their grain of salt to the debate. Barton could only marvel at their imagination. It was a little too late for many; it reminded him of the plight of Ryan Kavanagh's friends, who had abandoned their medical studies to join the gold rush in the City. He wondered what had happened to them after the rout, without a job and without qualifications.

The fallout of the banking crisis was beginning to make itself felt and not just in the City, but also in businesses and industries across the planet with the inevitable destruction of jobs. Finance was not only the sector hit, just about every other branch of the economy was suffering as consumer demand started to decline. For the first time in two decades personal incomes had fallen and the gap between rich and poor was widening. But for once, the rich were also feeling the heat, certain of them losing the fortunes they had made overnight. Barton shook his head wondering what would come next, the severity of the convulsions in financial markets were of the kind that occurred only once in a century. He was sure and certain that the after effects would bring misery to millions of ordinary people.

The pundits were incapable of predicting an outcome. Financial services faced ruin, hedge funds were bailing out as fast as they could, and as for banks they were on artificial life support as vast sums of cash were injected into the system by desperate governments. The same governments feared for their own survival as angry voters saw their pensions evaporate and their hard earned life savings reduced to ashes.

Businesses and investors were losing their faith in financial markets. The trust that had taken generations to build was shaken. Who would dare trust their money to a bank, a pension fund or any other fund for that matter? Economists, bankers and politicians quaked at the mention of the words devaluation and default.

The City of London, until so recently the jewel in the crown of Cool Britannia's success story, had been cruelly hit and its pre-eminent position as the world's leading financial centre was now in peril. Barton knew that whatever happened, when the dust settled, the world would be a very different place.

Chapter 8 LIMERICK

In 2000, Pat Kennedy's life changed dramatically. After being sentenced to five years imprisonment for fraud by the Dublin High Court, his lawyers had appealed, placing the blame fairly and squarely on those who had disappeared when David Castlemain's yacht, the Marie Gallant, went down in a tropical storm off Cuba. Pat Kennedy was acquitted; given the benefit of the doubt. Perhaps it had been the proverbial luck of the Irish, or a divine intervention in answer to his devout wife's prayers. Whatever, Pat vowed never again to be caught in the kind of entanglement that had led to his terrifying brush with justice.

It was a different man who returned from the brief though grim sojourn in Dublin's bleak Mountjoy Prison with its degrading and overcrowded conditions. Kennedy was very much chastened and his pride had taken a severe blow. He returned to his accounting practice in Limerick City where his faithful staff had pursued his modestly lucrative, but mundane, business of bookkeeping and tax returns for the county's farmers and small businesses.

He put the experience behind him and turned all his attention to his business, reassuring his clients and rebuilding his reputation. Thanks to the strangities of Irish law Kennedy was at the same time a certified accountant, auditor and liquidator. This curious mix had given a free rein to his brilliant and fertile mind landing him in serious trouble as he sought to escape the confinement of his small and dull Irish home town.

Somehow the storm passed. Then when his wife's parents passed away, Margaret, an only daughter, came into a sizeable inheritance; mostly in the form of land in and around Limerick City. It was about the same time property prices in the Irish Republic started their meteoric rise. Kennedy, an opportunist at heart, jumped on the occasion, developing the constructible land, building up-market individual homes and making himself a very substantial profit. He then turned his attention to the Dublin property market where he bought land in the outlying docks area, which soon doubled in price. Then like many Irish property investors he invested in commuter developments, building new executive homes in the green fields surrounding small towns and villages within a thirty or forty minutes' drive from the capital.

Kennedy had played his cards well during his trial before the Central Criminal Court by defending the good name of the David Castlemain, head of the Irish Union Bank, and the banker's family. Almost two years passed before the unfortunate Castlemain was miraculously found by turtle hunters; living the life of a latter day Robinson Crusoe on an uninhabited island off the Cuban coast. Kennedy's version of the story told in the High Court was confirmed and he was presented by the media as the innocent Irish victim of English crooks, which was not however, entirely true. As for the poor Castlemain he had lost his head, destined to pass his days interned in St. Senan's Psychiatric Hospital, near to the small town of Enniscorthy in County Wexford.

It was the start of a new life for Pat Kennedy. Encouraged by the turn of fate and re-established as a well-connected and prosperous businessman in Limerick City, he turned his attention to other ventures. Renewing his friendship with Michael Fitzwilliams, who in the meantime had been appointed CEO of the Irish Union Bank following his uncle's presumed death, Pat set his sights on greater things.

After a fortuitous meeting with Jeroem Hiltermann, an Amsterdam banker, Kennedy seized the opportunity of forging a link between the Hollander and Fitzwilliams, setting up a sequence of carefully managed events that were to open the door to banking, launching him on a sudden and vertiginous rise in the world of international finance.

The Nederlandsche Nassau Bank, a venerable finance institution, was founded in Amsterdam in 1796 for the development of business in the then booming Dutch East Indies. During almost all of its existence it had been controlled by a single extremely conservative family. Then, following the death of Martin Hiltermann, in 2001, his relatively young and ambitious grandson, Jeroem, took control of the bank. The moment to broaden the bank's business activities was long overdue and what's more there was no lack of opportunities; amongst them was the financing of a new computer assembly plant for a leading Dutch electronics firm setting itself up in the very favourable tax free zone of Shannon, situated on the west coast of Ireland.

Jeroem Hiltermann was naturally present for the inauguration ceremony of the plant and the cocktail that followed for the local dignitaries. Unfortunately this was somewhat complicated by the difficulties Hiltermann had in understanding the Irish brogue. However, he was pleasantly surprised when he was introduced to Pat Kennedy, who to his surprise addressed him speaking a reasonably correct Dutch, even if the accent was west-coast Irish. Kennedy's firm had been engaged as an accounting and tax consultant by the owners of the assembly plant, thus providing a common ground of interest and facilitating their conversation. The two men hit it off and at Kennedy's invitation they met for lunch the next day at the Adare Golf Club in the Irish countryside a few miles south of Limerick City.

The Adare Manor, more reminiscent of a château, had been first built by the second Earl of Dunraven, then rebuilt by the Lord Dunraven and his family in the 19th century, then, in 1982, Thady Wyndham Quin, the 7th Earl of Dunraven sold the Manor to the Kane family of Florida, who renovated it and transformed it into a luxury hotel and golf club.

The air of genteel Irish tradition appealed to Hiltermann, and Kennedy sensing the Hollander's interest spun him his own fascinating version of Ireland and its history. Pat, a regular visitor to the manor, assured the complicity of the maître d'hôtel by his munificent gratifications. Hiltermann, warmed by the very best aged Irish whisky, generously served by the maître d'hôtel with Kennedy's discrete encouragement, listened with interest as the Irishman spoke of his own experience and contacts both in Ireland and abroad. Quite naturally Pat carefully omitted the unsavoury details relating to his adventures in Estonia, Cuba, Mexico, Colombia, and his almost catastrophic brush with the Irish criminal justice system. As convincing as ever, Pat unconsciously vaunted the advantages of Ireland as a growing financial centre, privileged by government and encouraged with low corporate taxes and few regulations.

With Hiltermann sufficiently ripe, Kennedy had little difficulty in getting himself an invitation to the Nederlandsche Nassau Bank's headquarters in Amsterdam. As soon as he had fixed his next trip to the owners of their common client, the Dutch electronics firm, based in Schiphol on the outskirts of the Dutch capital, he promised to inform the Hollander.

Later that month Hiltermann reciprocated Kennedy's hospitality by inviting him to lunch in Amsterdam. The banker was rewarded for his attention when he discovered to his delight Kennedy's friendship with the young head of the Irish Union Bank. Kennedy needed little persuading to arrange a meeting for him with Michael Fitzwilliams.

Fitzwilliams and Hiltermann soon developed a cordial relationship and agreed that a link between their respective banks would be to their mutual advantage. Then, in 2001, the situation changed dramatically. After being severely mauled by the after effects of the dotcom crash and 911, the two bankers, forced to seek a new way forward, decided on a merger. Together they could exploit their complementarity, opening up opportunities in investment banking, and taking advantage of rapidly expanding markets in the UK and Europe. At the conclusion of the negotiations on the terms of the merger, in which Kennedy played a key role, a new and ambitious international holding was born; the Irish Netherlands Bank Plc., with its headquarters based in the City of London.

Both in Ireland and the Netherlands the banks were restructured, though retaining their respective images to reassure their existing customer bases. Michael Fitzwilliams headed the new holding, whose goal was to broaden activities into investment banking.

The new bank was ready to take on a bigger and more international role, benefiting from the booming conditions in London as the City expanded to become the world's leading international financial centre. Irish Netherlands Bank Plc., diversified its activities, offering a whole range of new services to investors and soon became the country's fastest growing commercial and investment bank, reputed for its lavish image building events and large bonuses.

The bank's organisation was divided into three distinct geographical spheres of operation. The Irish Netherlands Bank Plc., as well as being the holding, controlled the UK and Caribbean markets; the Irish Union Bank managed its home market in Ireland; with European and Far Eastern markets under the Nederlandsche Nassau Bank NV.

Within a couple of years, thanks to the booming Irish and UK economies, the UK and Irish entities outgrew the continental activities in Amsterdam. To facilitate their international operations a new holding company, the Irish Netherlands Holding Bank Inc., was formed in the British Virgin Islands, and Fitzwilliams appointed its CEO. The new offshore holding company set up its operational headquarters in the City of London in the same offices as the plc.

As for Hiltermann he remained in control of European operations. Now, with direct access to the City and its vast financial resources, his objective was to expand the group's operations in Europe and more specifically into New Europe and the ClubMed countries, developing finance and property business.

They were exciting times; the sky was the limit. The bank's key executives jetted around Europe signing new deals with an ever-growing list of new partners. However, as the bank grew it became more reliant on loans to finance its operations. Not so different from what just about every other bank on the planet was doing during the euphoric growth of asset wealth in the middle of the decade.

When the sub-prime crisis triggered the catastrophic failure of Lehman Brothers in September 2008, lending markets dried-up and a disastrous chain of events were set into motion. In London, Dublin and Amsterdam the bank was caught-up in the crisis that menaced its heavily leveraged Nassau Investment Fund and sudden need for cash sucked its founders into dangerous territory.

Chapter 9 LONDON

The wheel had turned. It was time to pay for the broken promises. Across Britain people watched their TV screens in awe as powerful bankers sat cowed before a parliamentary committee. The scene vaguely resembled a Star Chamber court, or a Stalinist show trial, where the fallen, recently powerful, confessed and were tried for their crimes. This was not for all that held in some grim secret prison, but in the cradle of British democracy, before the cameras of an agape world. Regretfully there would be no sentencing, and to the disappointment of a great many, there was not the least risk of a headsman's axe or a firing squad. The accused bowed their heads, said they were sorry, then flew home in their private jets. Nothing was easier, an act of contrition, three Hail Marys and three Our Fathers and they left the confessional scot-free, their pockets bulging with the hundreds of millions they had extorted from savers and investors, who in addition, as tax payers, would have to foot the bill to bailout their stricken banks.

It was an extraordinary turn of events. Only two or three years earlier the founders of Cool Britannia had reiterated, as they had done so for almost a decade, that the country would never ever again suffer another cycle of boom and bust — whilst the nation's carefree subjects enjoyed perhaps the greatest credit powered spending spree in history. Politicians and bankers had told a credulous public almost daily that the boom would go on forever. Each and every one was persuaded the capital tied-up in their modest homes offered a source of new wealth and seemingly unlimited spending power. It made Harold Macmillan's boast 'you never had it so good' look mean.

The sorry band of bankers, perched on the edge of the bench of the accused, lamentably pleaded the crash had been impossible to predict. Conveniently forgetting they had turned a deaf ear to the predictions and warnings of a multitude of serious economists and journalists. Those who had sounded the warning bell well before the onset of the crisis had gone unheeded, derided as contrarian and pisse froides.

Of course bankers had not been alone in their refusal to look reality in the face. New wealth based on property prices had become an everyday story.

The boast of new found riches was echoed in every pub, club or Starbucks café, up and down the country, in every smart restaurant and at every chic diner party. Confidence reigned as the nation's brilliant leader dished out advice to Europe and the rest of the world, urging the shirkers to emulate Cool Britannia's dazzling model of success. Blair's grinning face seemed ever present on television screens across the planet as he waged Bush's wars, vaunting his skills as a leader, as if Britain still led a mighty empire.

It was an undeniable fact that New Labour had encouraged and even urged the greed of bankers. In fact people at every level of British society had been urged to enrich themselves, to grab a piece of the action. Mandelson, Blair's henchman, led the pack of yapping jackals, said: In the modern Labour Party we are relaxed about those who express an insatiable and pathological desire for self-enrichment at the expense of our fellow man that borders on the truly evil, and on another occasion, we are intensely relaxed about people getting filthy rich.

Fitzwilliams squirmed as he watched the sorry show on TV at his home in County Wicklow, thirty kilometres from Dublin. The vast and magnificent family home had been bought by Fitzwilliams' grandfather before the First World War. It had been originally built by an Anglo-Irish Earl and designed by Richard Cassels in the latter part of the 18th century. The stately home was considered to be one of the finest examples of Palladian architecture in Ireland.

The Fitzwilliams family, one of Ireland's landed families, had built their fortune in the late 19th century in brewing and property development in Dublin, before branching out into banking in the early nineteen twenties. His grandfather, a keen collector of art, boasted a collection of works by Goya, Vermeer, Peter Paul Rubens and Thomas Gainsborough.

Fitzwilliams' wife, Alice, was a leading figure in the Irish Thoroughbred Association. Beyond their two children, her interests lay in the family owned stud farm that lay within the borders of their estate. Outside of important horse shows and racing events in the UK, she rarely travelled outside of Ireland. The City of London and the business world held little or no interest for her. As for her husband Michael, he was left to devote all his attention to the bank.

As Fitzwilliams looked beyond the windows of his office, towards the lake and the gentle hills of the Wicklow Mountains, he thanked his lucky stars, he had survived the great debacle. Others had not been, or would not be so lucky. Fortune had smiled upon him and he swore he would never again allow his bank and more specifically his family to be drawn into the kind of desperate situation he had faced in the last frantic months of 2008.

Chapter 10 ANTIGUA

It was a bad day for the Caribbean. TV channels dramatically flashed Breaking News headlines: ‘Developments in the United States involving the Stanford Group have profound implications for Antigua and Barbuda. This is not a looming crisis. The fallout threatens immediate and catastrophic consequences.’

Rumours were confirmed February 17, 2009, when Sir Allen Stanford was charged by the US Securities and Exchange Commission with fraud and multiple violations of U.S. securities laws, accused of massive ongoing fraud relating to seven billion dollars in certificates of de posit.

For Malcolm Smeaton the effect was certainly immediate and damming. He, who could in a certain sense have been described as an economic refugee, had elected Dominica as his permanent home shortly after the Labour Party came to power in the UK in 1997. He believed his homeland had been sold down the river to foreigners. His prediction that the socialists would bring disaster to the country had come true, albeit tardively, but the satisfaction it had given him faded when the waves stirred up by the crisis suddenly struck the shores of his newly adopted home.

As the news broke, queues were already forming outside of the Anglo-Dutch Commonwealth Bank in Roseau. The rumour was rife that Malcolm Smeaton had disappeared after Stanford’s bank had been seized by the authorities in nearby Antigua. The FBI warned that fifty billion dollars of assets were in peril across the Caribbean and in Latin America following the Texan cricket impresario’s suspected banking fraud.

Fears that the Anglo-Dutch Commonwealth Bank could be contaminated spread like wildfire and Smeaton’s absence was like oil to the flames. Stanford, who was believed to have fled the USA in one of his many planes, held dual nationality with an Antigua and Barbuda passport and the FBI suspected he had almost certainly headed the Caribbean islands where he had many influential friends.

The billionaire banker had even donated money to Barrack Obama’s election campaign and had sponsored charity polo matches in the UK, hosted by the Prince of Wales. It was a field day for the press and there would be many red faces, especially those who had fallen for his charm. In the long tradition of British tabloids the sensational story was seized upon and Stanford's face splashed across front pages with reports of his numerous links to the world of sport that went well beyond cricket; amongst them his sponsorship of football, tennis, golf and basketball events. The scandal would leave sports supporters, a great many of whom were the salt of Britain's working classes, with a sour taste in their mouths as they realized they had been taken for a ride by another thieving American banker.

The news worsened when the FBI announced that the Stanford International Bank was just the tip of the iceberg. It was evident that the collapse of Allen Stanford's bank would have far reaching implications given the Texan's many connections with clients and investors in the USA, Latin America and Europe. Fears grew in Dominica as the suspicion that Smeaton's Anglo-Dutch Commonwealth Bank had, wittingly or unwittingly, been used as a conduit to fleece investors. Only two weeks earlier Smeaton had hinted at losses related to the Madoff scandal.

Stanford, along with his associates in the Stanford Financial Group, was accused of swindling thousands of investors of eight billion dollars by issuing supposedly safe certificates of deposit from his Antigua and Barbuda based bank with promises of attractive interest rates. The FBI declared that more than a quarter of that money had disappeared in undisclosed personal loans to Stanford himself.

Barely five months had passed since Fitzwilliams with Smeaton, the latter overflowing with Caribbean pride, had watched Stanford's helicopter touch on the grass of the Nursery Ground just behind the Lord's cricket ground pavilion, home to the Marylebone Cricket Club. The venerable club founded in 1787, was the cradle of world cricket, with a thirty year waiting list for new members. The billionaire, emerged apò mēchanēs theós, arms raised, wearing the smile of a victorious hero returning home, greeted by the cries of his delirious fans. It was a moment of incredible fervour as the officials of the English Cricket Board, delirious with joy, hailed a new God.

A twenty million dollar agreement was signed for five matches between the England cricket team and a Stanford All-Stars eleven over a five year period. The winning team would pocket eleven million dollars, one million for each player, with a further million distributed amongst the other members of the squad, one million for the management team, and seven million to be shared between the English Cricket Board and the West Indies Cricket Board.

The two bankers, VIP guests, had been invited to the showbiz style press conference. They watched the great names of cricket fawning over the tall beaming Texan, their heads nodding in agreement as Stanford exposed his grand plans. The crowning moment came when a transparent Perspex chest containing twenty million dollars in fifty dollar bills was rolled onto the stage. Officials, sportsmen and guests, gawked in amazement, it was if the Holy Grail had materialized. A tabloid journalist reported that the venerable game of English cricket had been transformed into a whole new ball game by the bronzed Texan.

Stanford flashed his now familiar smile, exposing an array of large whitened teeth that set-off his ecstatic moustachioed face. He was bursting with childish bliss, glowing in the boundless pleasure of his success, bathing in the glory of his deification on the hallowed ground of English cricket. Cameras flashed and television channels relayed the event live across the nation. Endless back slapping, hugging and shaking hands followed. Champagne corks popped. Smeaton introduced the hero to Fitzwilliams, and Stanford, who never missed an opportunity, eagerly accepted Fitzwilliams' invitation, as one successful banker to another, to lunch with him in the spectacular dome of his headquarters overlooking the City of London.

That grim Monday morning, in the capital of the Commonwealth of Dominica, those euphoric moments were forgotten as a queue of anxious savers, desperate for information, degenerated into an angry mob clamouring at the doors of the Anglo-Dutch Commonwealth Bank. The island's prime minister convened an emergency meeting of the cabinet. The future of the tiny island hung by a thread, there was no one who would come to their aid, no guarantees, and no Gordon Brown style bailout.

In London, many were those who regretted ever having met the man, amongst them Fitzwilliams, who anxiously awaited news from Smeaton.

In 2004, a Memorandum of Understanding was signed by the Commonwealth of Dominica and the People's Republic of China after diplomatic relations were established between the two countries. The signing ceremony took place beneath the familiar starred red Chinese flag and that of Dominica which figured a brightly coloured parrot as its centre piece. It was a strange event to say the least, incongruous in that the largest nation on earth with its population of over one and a quarter billion was courting the tiny Caribbean nation with just seventy thousand souls.

There was definitely something fishy as China promised an aid package of three hundred million dollars, nearly four hundred dollars for each Dominican. A casual observer could have asked why China was ladling out such largesse. It was sure and certain that very many Chinese had never heard of the Caribbean, not to mind that tiny sun drenched speck named Dominica. Why were Dominican officials and experts being trained and sent to seminars in China? Was it because the island was strategically situated between French Guadeloupe and Martinique? Or was it because of its relative proximity to the USA?

The French government in Paris was blissfully unaware of China cosying up to their neighbour. The Chinese ambassador spoke of the China and Dominica in equal terms, it was as though a buffalo and an ant had joined forces to exploit the resources of the Caribbean. But competition in the international economic environment, the struggle for resources and the acceleration of global warming, was threatening small nations. It was strange to see China comparing the tiny island nation with itself. The ambassador went on to say, ‘Closer relationship and all-dimension cooperation are imperative to our two nations should we seek more effective measures to better cope with such said challenges and others in kind, or even to convert them into opportunities for the development of economy and the improvement of people's livelihood.’

Would China help Dominica? And with what strings attached? Perhaps China wanted to set up its own discrete offshore tax haven, far away from the preying eyes of Hong Kong bankers, to hide the money creamed off by its corrupt politicians and their fellow travellers? Or perhaps set up a casino to launder money stolen from the people. Then there was the question of votes needed at the UN on thorny subjects such as Taiwan and disputed islands in the South China Sea?

As Hubert, Arrowsmith’s garagiste jokingly remarked, mixing in his Creole, ‘Before china we was alive, some of allu do want to do nothiny for allu selfs, all i hearing i hope that the chineese will do this and that but what is dominicans problemb people don’t do things for nothiny, u must pay back some way or the other.’

On second thoughts it would seem that China and the small Caribbean island nation had something to offer each other. Since 2008, many small similar nations had suffered as a result of the crisis. The sudden appearance of China ladling out aid was naturally very tempting, but how many Caribbean leaders had read Sophocles tragedy Ajax?

Nought from the Greeks towards me hath sped well.
So now I find that ancient proverb true,
Foes' gifts are no gifts: profit bring they none.

But China was not alone in courting the island's leaders, there was also Venezuela. Hugo Chavez had first visited Dominica at the beginning of 2007, arriving in a surreal show of helicopters and greeted by a rapturous crowd waving Venezuelan, Cuban and Dominican flags. 'Papa' Chavez returned in June 2009, much to the consternation of Smeaton, and during his visit signed a series of agreements relating to tourism, housing and economic development. However, the principal object of his visit was the inauguration of a thirty five million dollar oil storage facility, situated near the capital of Roseau, established with the Waitukubuli Oil Trading Corporation, Waitukubuli being the Carib Indian name for Dominica. Venezuela had agreed to supply Dominica with oil at preferential tariffs over a twenty five years period, and in return it was proposed that Dominica cede its claim to Bird Island, or Isla Aves, in favour of Venezuela. The small, but strategic rock, 375 metres long by 50 wide, lay some two hundred kilometres directly west of Dominica in the Caribbean Sea.

The United Nations Convention defined territorial waters as twenty two kilometres offshore, in addition to this was an exclusive economic zone extending two hundred nautical miles over which a nation has control of all resources including oil and gas with the right to exploit these for its own benefit. Thus the implications of ceding its claims to Bird Island were enormous given the possible existence of oil and gas in the 140,000 square kilometre exclusive economic zone surrounding the island.

Dominica's potential loss was colossal and many Islanders feared a Faustian pact.

Chapter 11 ROSEAU

At about that time, far from the small Caribbean island, George Soros, speaking at a Columbia University dinner, told the assembled guest: ‘We witnessed the collapse of the financial system. It was placed on life support, and it’s still on life support. There’s no sign that we are anywhere near a bottom. The consensus put the crisis down to the blatant failure of regulators, rating agencies and governments, compounded by a good dose of naturally greed.’

Barton was not George Soros. He could not compare his experience to that of the billionaire. Neither did he possess a personal fortune of twenty billion, nor the leverage of the investor’s Cayman Islands’ fund with its twenty five billion in assets, but Barton did not need Soros to figure out that the crisis was far from bottoming out. In time the crisis would surely run its course, the question was when, in five, ten or twenty years, it was anyone’s guess.

What Barton needed was a real plan. The opportunities were out there and with six billion mouths to feed the system would not simply grind to a halt. Providing the planet with food and shelter was a priority, as for the rest the situation would eventually stabilise itself and investors would get back to concentrating on the business of making profits by supplying people’s needs.

After a long night sitting in front of his Bloomberg and pondering his future he turned in. It was after eight in the morning when he rose and after a quick swim in the pool he drove into Roseau for breakfast. On arriving at his regular coffee shop he was surprised by the buzz in the air. There was not the usual laid back Caribbean atmosphere. Something was up.

‘What’s going on?’ he asked Josh, the owner, as he poured the coffee.

‘Haven’t you heard?’

‘What?’

‘The bank?’

‘Mr Smeaton’s bank.’

‘What about Mr Smeaton’s bank?’ he asked thinking there had been a robbery.

'It's closed!'
'What do you mean closed?'
'They've closed it, they're looking for Stanford.'
Fuck me! Was Barton's first confused thought, maybe there's a run on the bank. He had heard nothing about Stanford and as for the Anglo-Dutch Commonwealth Bank it made no sense.
He gulped down the coffee and hurried over to the bank on the corner of Hillsborough Street. Outside a small but angry crowd jostled to read a notice scotched to the glass door.
'What's happening?' he asked the police officer who observed the crowd attentively from one side.
'They've closed the bank sir.'
'Why?'
'Something to do with Stanford.'
At that moment Sarah Kavanagh arrived.
'My God Tom, have you heard, it's terrible the news.'
'What news?'
'Haven't you heard? Stanford is wanted by the FBI.'
'Why?'
'They say he's swindled billions in America.'
'What's that got to do with the Anglo-Dutch?'
'It seems like Malcolm had a lot of money deposited with them.'
'Shit!'
'You can say that again. I've got my money in the bank here.
'Where's Malcolm then?'
'We can't find him.'
'Christ.'

Twenty four hours later to the consternation of many Dominicans Smeaton was still nowhere to be found as the Texan billionaire, accused of an eleven billion dollar fraud, made world headline news.
Barton worked his phone, as the FBI tracked the alleged fraudster, and scoured the net for details. His efforts were to no avail, details were few and far between. He found the first detailed press account in a copy of the previous day's London Daily Telegraph, where curiously the story filled a good part of the sports section. It was more concerned with Stanford's past than his present situation, confirming little more than what Barton had read

in the newspaper's Internet edition. The details of the events up to the moment he had absconded were scant. It seemed that Stanford, had been decorated with a 'Antiguan' knighthood for his contribution to sport, and owed his fame to his generous sponsorship of international sporting events, more specifically those organized under the auspices of the English Cricket Board, the sport's governing body.

The Telegraph reported the billionaire banker, who had already been accused of bringing disrepute to English Cricket Board, arriving on the hallowed ground of Lord's in a helicopter full of filthy lucre—twenty million dollars in cash, had gone missing and was actively being sought after by the FBI in connection with a massive fraud linked to his Antigua based bank.

Smeaton's implication in the affair was unclear. All that was known was the rumour he had been seen heading out to sea on his motor yacht early the previous day. Apart from that it was impossible to obtain any precise information relating to the banker and more urgently the Anglo-Dutch Commonwealth Bank, now closed by the Dominican authorities pending controls related to its liquidity situation.

As to Stanford's bank, headquartered in nearby Antigua, just one island away, to the south of Guadeloupe, all business had been suspended. Later that morning the television announced the fraud had hit the whole Caribbean region including nearby Venezuela.

Swindling billions had become an international pastime, thought Barton, little wonder the Telegraph had relegated the news to the sports section. Only a year earlier a rogue trader at the French bank SoGen had sent shock waves around the world for a mere five billion euros. But when it struck so near to home Barton shook his head, the world had become crazy.

What troubled Barton more was the idea the billionaire's banking operations were linked to Smeaton's bank. What other banks would be involved. Was there any link with the Irish Netherlands Bank in London and its Caribbean banking operations?

As the Anglo-Dutch Commonwealth Bank was besieged by very angry customers in Roseau, Malcolm Smeaton was aboard his luxury yacht anchored off the island of Guadeloupe, a few nautical miles to the north. There he was engaged in a life or death negotiation with a rich overseas Chinese entrepreneur, Francis Wang, whose business network represented a broad spectrum of Chinese companies. Wang imported and distributed a wide range of industrial products including airconditioners, agricultural machines, computers, power generators and electric motors throughout the Caribbean and Central America.

It was rumoured Wang's nebulous links to Venezuela and Cuba played a significative role in China's growing interests in the region. He was believed to have privileged links to certain influential members of the Central Committee and Politburo in Beijing, managing the family interests of his powerful patrons.

Wang now seized the opportunity to grab a major stake in Smeaton's bank, in exchange for a secret bailout cobbled together and fronted by his Venezuelan friends in Caracas. Some twenty four hours later a spokesman for the Dominican government announced Smeaton's presence in Venezuela, where he had held meetings with government officials following a visit to Miraflores, the presidential palace. A spokesman for the Banco Central de Venezuela announced that Stanford's banking operations in Caracas had been suspended, its funds seized to forestall any attempt to dissimulate them. Thus the money invested in Stanford's risky deals by the Anglo-Dutch Commonwealth Bank were miraculously retrieved, held in safekeeping pending arrangements with the Dominican authorities.

On receiving the news and after speaking with Smeaton the Dominican prime minister immediately declared all accounts guaranteed and the bank would reopen for business as normal the following Monday morning.

An agreement was signed by the parties, whereby the Corporación Venezolana de Fomento para el Caribe, a Venezuelan state organisation for Caribbean development, would invest in a fifty-fifty joint venture with a Hong Kong based private equity investor to form a new financial holding in Roseau. The holding would control and recapitalise the Anglo-Dutch Commonwealth Bank, with Smeaton remaining as CEO.

The deal, to save the small nation from bankruptcy, was thus concluded with Dominica ceding the exploration and production rights to Venezuela of undersea gas and hydrocarbon reserves in the economic zone surrounding Isla Aves.

In effect Smeaton had been forced to cede the controlling majority in his bank, but he survived threat of instant ruin and possible imprisonment. The presence of a Venezuelan partner would not go down too well in the US, on the other-hand it would enable him to cosy up to the Chinese who were invading the island, thus opening up a whole new field of opportunities.

Chapter 12 CANNES

Tom Barton opened his eyes. It took him a couple of seconds to take in the surroundings. He reached out and felt Sophie's warm body by his side; a wonderful start to the day in Cannes. That morning they planned to drive from the luxurious Carlton Hotel to Monaco where they would join Sergei Tarasov on his yacht. The oligarch had flown in to join his yacht in the principality, where his tennis star and fashion designer girlfriend was presenting her latest collection of sportswear.

Barton’s leitmotiv was the MIPIM conference, which brought together the world’s international property professionals. It had seemed like a good occasion to test the weakening pulse of the market, though the idea of joining a flock of advisers, bankers and their retinues did not really excite Barton’s enthusiasm.

The sombre mood at the annual event had not dampened neither Barton’s nor Sophie’s happy mood. For the professionals it was another story; what should have been a fun-packed gathering, filled with bonhomie and back slapping, turned out to be a very depressing affair. The bubble had burst; restaurants were empty and even the coveted Cannes beachfront hotels announced vacancies. There were fewer extravagant high spirited parties and even fewer luxury yachts at what in recent years had become the most looked forward to international property event of the year.

The aftershocks of the economic crisis continued to send tremors through the financial world. The previous evening the news media announced the Bombay Stock Exchange had been rocked a billion-dollar fraud. It did not surprise Barton in the least. A Western educated MBA graduate, one of India’s new breed of golden boys, was forced to admit cooking his firm’s books. The firm, Satyam; Sanskrit for truth, had ratcheted up losses of over one billion dollars, a gigantic sum by Indian standards, dragging the Bombay stock exchange down by a huge seven percent in a single trading session. Satyam’s founder had falsified the company’s balance sheets by declaring fictitious assets and non-existent cash reserves.

Fraud, which had become rampant in the Wild West of global finance, had tarnished the glow of India’s much vaunted economy, forcing the worms out of its rickety woodwork. Only a year before international media had eulogised the success of the Mittals and Tatas, two of the sub-continents extraordinarily rich industrial families. All that had changed; the rich were now keeping a low profile as India's future began to look uncertain as tensions rose following the destabilizing terrorist attack on the Taj Hotel.

Once again Barton grimly congratulated himself on getting out when he did, though there was a pang of guilt when he wondered how those he had left behind in London were faring. Market demand for mortgages had fallen a massive sixty percent, house prices by more than twenty five and over a million home owners discovered the meaning of negative equity.

If the much talked about green shoots were not weeds, it would be a long time before the good times returned, if ever. Those who had lost their jobs and were struggling to pay their monthly mortgages payments would have a long wait before they could benefit from the harvest, if there was one.

The jobless were a new kind of poor, who, encouraged by Tony Blair and the mirage of Cool Britannia, had embarked on a foolhardy binge of borrowing and spending in the years prior to the credit crunch; it was they who would pay the price. They were the victims of more than a decade of New Labour's easy money policies that had encouraged lending, invented new forms of credit and reduced interest rates to levels not seen in half a century.

Blair & Company had been the advocates of the flawed system, which was to blame for Britain's greatest post-war economic crisis, and would certainly pay the price for their unreserved support of the neo-liberal economy they had spawned.

Together Blair and Brown carried the responsibility, though Blair had adroitly left his cohort holding the baby before the effects of his defective governance were exposed. Brown, cursed by a fuming electorate, was left to carry the can. The luckless Prime Minister was castigated by the very same media that had so long pandered to City bankers and property developers, encouraging Britons to heed the reckless exhortations of their leaders, to get rich regardless of the risks.

It was mid-morning when Barton, driving a rented Mercedes coupé, headed eastwards along the winding corniche in the direction of Monaco. It was Sunday and the traffic was light allowing them to pause and admire the spectacular views of the Mediterranean coast. Everything was perfect, it was spring-like, warm and not a cloud on the horizon, as Sophie chatted excitedly about their invitation to meet the famous oligarch. An hour later they drove into the small rich Principality where they were expected aboard the Cleopatra, Tarasov's legendary yacht, anchored off the quai des Etats-Unis, for lunch and cocktails in the company of the oligarch's influential friends.

They parked the car on the quai and headed towards the yacht. Sophie looked stunning, in a white off the shoulder dress, her blonde hair adorning her lightly tanned shoulders. Barton marvelled at how she managed to keep her form, something due to her genes, he thought. She was naturally slim and there was of course her French mother's tradition of healthy eating; a light breakfast, a well-balanced lunch and dinner with no snacks in between.

They were warmly welcomed aboard by Tarasov in person, who gallantly greeted Sophie with a baise-main and complimented her on her beauty. They then joined a very relaxed Steve Howard sipping Champagne on the forward deck to admire the magnificent view of the Principality and its royal palace perched on the hill facing the harbour.

Few would have thought they were in the middle of one of the most serious economic crisis since the end of WWII. Champagne flowed and caviar was spooned from large crystal bowls, served by impeccably uniformed waiters. Tarasov was optimistic; as far as he was concerned it was the moment to make a killing, though not all present, many believing the worse was still to come, would have agreed with him.

Barton was not surprised to see Michael Fitzwilliams who greeted him warmly.

'Tom, nice to see you, how's Dominica?

'Fine, I taking a little time to visit France with Sophie,' he said introducing her to the admiring banker in French.

'I didn't know you could speak French Tom.'

'It's far from perfect, but I'm making progress thanks to Sophie.'

'So I gather you're French,' said Fitzwilliams turning to Sophie.

'Half French, the other half is English.'

'Ah, that's an interesting combination.'

'My father is English, an architect in London.'

'Perhaps I've met him?'

'Emerson and partners.'

‘Ah yes, they designed the Dubai Bank building.’
‘Yes, that’s right, Michael Emerson is my father.’
Fitzwilliams noted that Barton was close to Howard and was appreciated by Tarasov, men of a different metal to many of those he knew in the conventional banking world. They had the kind of qualities that could serve the plan that was slowly taking form in his mind.

The next morning back in Cannes, Barton left Sophie to do a little tourism whilst he headed off for the closing day of the MIPIM conference. After half listening to a sobering debate, Barton found himself talking to a voluble Harvard professor of economics, apparently an acquaintance of Steve Howard’s.
‘Is the worse of the sub-prime crisis over? Maybe. But there’s a lot of other problems out there.’
‘Like what?’
‘Well for one Alt-A mortgages,’ said the professor lecturing to his attentive listeners.
‘Alt-A mortgages?’
‘Alternative A-paper, it’s a US mortgage, riskier than A-paper, that’s to say prime, but not as risky as sub-prime.
‘Tell us the bad news professor,’ Barton asked wondering if he wanted to hear it.
‘Call me Ed. This kind of mortgage required less documentation than a full mortgage, so they were riskier. Home buyers didn’t need proof of income or have a good credit record. Basically they’re adjustable-rate mortgages’
‘Sounds like sub-prime to me.’
‘Not quite. If an applicant couldn’t prove his income, or had a high debt-income ratio, it was easier for him to obtain an Alt-A mortgage than a conventional mortgage.’
‘Because less documentation was required.’
‘Right.’
‘I see, it still sound like a sub-prime to me.’
‘Not so, we’d call these near-prime or mid-prime, most Atl-As are held by middle class home owners.’
‘So it means they could declare higher than real incomes to qualify for a bigger loan.’
‘Exactly, and which they may not have been able to afford.’

‘So what’s happening?’
‘Well there’s a serious risk of massive default because unemployment is beginning to hit the middle classes. The sub-prime crisis was caused by higher interest rates, but its rising unemployment that’s threatening Atl-A mortgage holders.’
‘What’s the scale?’
‘Six hundred billion — the same as sub-prime.’
‘Christ how do we get out,’ Barton said with a laugh.
‘In the past Alt-A losses were around one percent, but this figure has shot up to twenty percent now.’
‘Jesus,’ murmured one of his listeners.
‘You said it.’
Barton thought back to Tarasov’s optimism and wondered if he had got it all wrong.
‘That means all those banks are going to have another round of losses.’
‘And this time around there’s no more money in the kitty to bail them out.’
‘Right again.’
‘So we’d better buy gold!’
The idea of buying gold was not lost on Barton and he made a mental note to call his ETF bullion manager.
Bryant was one of the leading US economists, an eccentric thought Barton, real or feigned, judging by his mop of white hair and the rather worn tweed jacket. The professor waved his hands to emphasise his point; dangerous considering he held an almost full glass of Champagne in one and a half eaten smoked salmon sandwich in the other.
‘So what do the banks do?’
‘They’d lay people off, less jobs. A vicious circle that has to be broken by government help or something else.’
‘Something else?’
‘Traditionally exports.’
‘That’s a bit difficult considering almost every other country is in about the same position.’
‘Correct. So since exports can’t be boosted, the only solution is government intervention, or in simply terms bailouts.’
‘And where do they get the money for bailouts?’
‘They can tax you for it, borrow it, or print it!’
‘So they’ll borrow or print all those billions they’ve already promised.’

‘Dead right,’ he said smiling broadly pleased that his new pupil had got the lesson. ‘In current jargon this is called quantitive easing, that is pouring money into a cash-strapped banking system.’

‘Won’t that be a long term problem?’

‘You bet! A huge raft of debt!

Barton was not overly impressed by the American, economists of his sort had proven themselves to be very wrong in the recent past and were now overstating the situation, already bad, in their about turn.

Chapter 13 LONDON

Michael Fitzwilliams' good friend, Parliamentary Secretary to the Treasury and Cabinet Member, Paul Hoppkins, was feeling the heat; he had been one of the most active supporters of the City's boom and a leading advocate of the country's large banks.

Parliament was in turmoil as a scandal related to members' abuse of expense claims broke out. In the hope of satiating the mob's cries for blood and heads, the Speaker of the House announced his resignation, the first in its kind in more than three hundred years of parliamentary history. Rumours of fraud and corruption circulated in the columns of the national press with Scotland Yard being called in to investigate criminal charges.

Fingers were pointed at Hoppkins after the press discovered he had flipped two second homes in Chelsea at the expense of the taxpayer whilst living rent free in a comfortable government owned apartment. Of course it was entirely legal and within the rules, but given the public outrage a sacrifice was needed to appease the bloodthirsty rabble.

Whatever happened, Hoppkins could count of Fitzwilliams' support, the question was whether his political career would survive.

The real significance of the expenses scandal was that it exposed how the money grabbing culture had penetrated into every nook and cranny of British society, even sullying its most revered institutions. The politicians elected to one of the world's oldest democratic parliaments had seen no reason why they too should not get their part of the cake. It was yet another depressing sign of how moral values had been undermined by the get rich quick principles of New Labour. During Blair's reign, principles had sunk so low that it was considered normal that each and every one grab off whatever they could. Parliamentarians, after having failed to prevent the publication of their expenses details, found themselves tripping over each other in their haste to justify the buying of horse manure, floating duck houses, and the upkeep of second home swimming pools.

Clement Attlee, the socialist prime minister who had led Britain after WWII, considered by many as one of the greatest socialist leader, died leaving an estate worth a mere seven thousand pounds. Tony Blair, who abandoned ship after leading Britain through the credit boom, became a multi-millionaire, almost overnight, once he had handed the hot potato of leadership to Gordon Brown, his ambitious Chancellor and comrade-in-arms.

It had become an accepted custom that certain classes filled their pockets at the expense of the ordinary man: small shareholders of banks and large corporations, pension fund members or simple tax paying citizens. The profiteers loudly and defiantly declared it was their due, they deserved it, not only had they worked hard for it, but they were irreplaceable. It was reminiscent of third world republic bombast, dwarfs calling themselves leaders, a reminder of the rhetoric of Tunisia's first president, Habib Bourguiba, who boasted men of his intelligence were not to be found on every street corner of Tunis. It was as if power bestowed leaders with divine rights.

During the course of Blair's reign, a small exclusive clique had seized power. Politicians, elected or not, high level civil servants, bankers and businessmen, all short-circuited democratic institutions, steamrollering their decisions through the system with little or no public debate. The consequences of their miss-appropriation of power had brought Britain to its knees, leaving its people to face a long period of austerity as they struggled to pay the sins of the usurpers.

It came at a bad time for Fitzwilliams, when Hoppkins, his influential first circle friend, was hounded by the press at the very moment the bank needed his help. The refinancing of the Irish Netherlands Bank had entered a critical phase and needed all the support that could be mustered. The trouble was politicians were too concerned with saving their own skins, and the coming European elections, to worry about the banker's problems.

In any other circumstances a European election would have been of little interest to the British voting public, given their vague understanding of European politics, but Labour was going to take a hammering and Gordon Brown needed to throw a sop to what was left of his electorate. That sop would no doubt be Fitzwilliams' soon to be ex-good friend.

After New Labour had won the 1997 general election, Gordon Brown was appointed Chancellor of the Exchequer in Tony Blair's government, where he remained for ten years, responsible for running Britain's economy.

During those ten years he supervised an orgy of consumer spending, proclaiming the end of the country's long standing boom and bust cycle. Amongst the notable decisions he made was the sale of four hundred tons of Britain's gold reserves at between $256 and $296 an ounce, over the period of 1999 to 2002. On January 19, when Brown announced his second plan to save Britain's banks, the price of gold stood at $980 an ounce.

What was worse he had announced the sale of Britain's gold in advance, which automatically forced down the market price to a twenty year low. It could have been expected; a simple question of supply and demand, given the large quantities of the precious metal that were to be offered by the British Treasury in their auction. It was almost as though they were trying to force the price down.

In retrospective, many theories were developed as to why Brown took this gamble, including manipulation to prop up the financial system: whatever the reason the result went down as one of the worst economic decisions ever made by a chancellor, which ended up costing the British tax payer billions.

Lessons that could have been learnt were ignored and when Britain's alchemists came up another magic potent: cheap credit, a remedy that was to provoke an unprecedented boom in consumer spending, the British economy would end up being hobbled for years to come.

Chapter 14 JACK REAGAN

From the very outset, Jack Reagan had recognised Jameson for what he was: a conman. Both men were Londoners, both came from working class backgrounds and both had made their money in property. The former with his own money, the latter with that of others. It was on Robert Moreau's boat he first met Jameson, an outing to San Sebastian, taking an almost instant dislike to his style and glib investment spiel.

Jameson had tried to sell the idea of investing in Hendaye, when, as Reagan suspected, the boom was building up to a dangerous glut. A lot of local home buyers were Spaniards with one hundred percent mortgages, which meant trouble down the line when the crunch came, as it always did.

Jack Reagan was a successful man; there was little he did not know about property investment, at least in his particular end of the market. He had secured his future by selling part his energy related business to a Finnish engineering group in the mid-nineties. Reagan then put his gains to work, investing in several central London residential properties; the timing was good as property prices were about to take off.

The agreement with the Finn's required he remain on the board of directors to ensure the continuity and profitability of the business. Then in 2003, with the rise of energy prices, he sold his remaining shares for a substantially higher price.

Reagan held Irish citizenship, something that offered certain fiscal advantages. To consolidate his capital and the income earned from his properties he establish a tax domiciliation outside of the UK, since income not remitted to Ireland by Irish citizens, not domiciled in either Ireland or the UK, escaped taxation.

He had naturally thought of Switzerland or Monaco, but neither appealed to him; foreign languages were not his strong point, he then checked out Cyprus and Malta, but they were too Oriental for his taste. Finally he chose the Caribbean where English was spoken on many of its island nations, and to boot year-round good weather was guaranteed.

The Commonwealth of Dominica was made to measure, tucked in between the French islands of Martinique and Guadeloupe. It seemed ideal, though there were no direct flights from London. The island's two airports being too small to take large aircraft, meant he had to travel via Guadeloupe, a short hop away by plane or by an Express sea-cat service. After buying a villa near Roseau, he invested a few thousand pounds more acquiring a second passport like a certain number of other well-heeled expatriates resident in Dominica.

After his initial enchantment, the island he discovered, in spite of its beauty and convenience, was a backwater. That perception changed almost instantaneously when he met Marie-Helene on a flight from Guadeloupe and offered to show her the island.

The value of his property portfolio grew substantially, pumped up by the real estate boom, but Reagan knowing the vagaries of the market prudently refused to increase the book value to lever loans, as many had done to boost their assets. He did however take advantage of the favourable market conditions to increase his rents.

To manage his properties he set up a firm in London. In practice it was nothing more a small office on Rochester Row in Pimlico, where an accountant, a secretary and a maintenance engineer managed the day to day running of the business. It was highly lucrative affair and debt free. One of his first rental investments had been a large town house in Saint George's Square, which he divided into luxury short term lease flats for visiting businessmen. He then repeated the operation in and around Westminster and Pimlico, ideal locations for political and business commuters, within easy reach of the City and the capital's administrative institutions.

Reagan settled into an easy life, travelling between the Caribbean, London and the south-west of France whenever it suited his needs. Amongst his best investments was his own London home in Morpeth Mansions, facing Westminster Cathedral, a spacious duplex of two hundred and fifty square metres, its rooftop terrace overlooking the Cathedral gardens, with Big Ben and the Thames beyond.

History had left its imprint on his Westminster home. Winston Churchill had lived there between the two world wars. The great man had bought the apartment from Lloyd George, moving in after he had quit Downing Street in 1930. Living there during his wilderness years, fighting his anti-appeasement campaign, backed by his faithful stalwarts: Robert Boothby and Anthony Eden.

Reagan's Irish parents arrived in London, to run a small hotel in Pimlico owned by an uncle, in the early sixties. Jack grew up and went to school in the same district, which was not yet as desirable or privileged as it was to become, though it was already in the process of metamorphose.

After leaving school he studied engineering and then started work with an old established firm, specialised in building distilleries, with its offices on Chancery Lane. Later he formed a partnership with a more senior colleague to set-up a small independent engineering firm to develop non-conventional distillery technology, later branching out into biofuels. On his partner's retirement, Reagan acquired his share of the business. Then as part of a plan to expand into broader overseas markets, he met the Finns, concluding a joint agreement to undertake more ambitious projects. The cooperation was a success, with Reagan finally ceding his remaining shares at a substantial profit.

Marie-Helene taught him there was more to life than work and business. She opened the door to a different world, with Jack spending more time in Paris and buying a comfortable pied-à-terre in the fifth arrondissement of the French capital.

He also discovered the Basque Country, where Marie-Helene owned Etchea Mendi, a large neo-Basque villa. It had been designed with an Art Deco flavour. Its wide entrance door fashioned in wrought iron and stained-glass, designed and crafted by Jacques Gruber, symbolizing a flock of wild geese in flight, a fine example of the master glass maker's work. Etchea Mendi, stood on a small wooded hill, Uruxti, overlooking the Baie de Chingudy in Hendaye. The villa had been designed by her maternal grandfather and architect, who had worked with Joseph Hiriart, the builder of the celebrated Villa Leïhorra in nearby Ciboure. Etchea Mendi had been built between the wars and Marie-Helene's family had holidayed there for as far back as she could remember.

The couple modernised the villa, adding a swimming pool, and transforming it into their summer home, spending three months or so there each year, avoiding the worst of the Caribbean hurricane season and Dominica's sweltering heat. Jack soon settled into the easy going summer lifestyle of the small town, getting to know Marie-Helene's friends, enjoying their small diner parties where champagne corks popped and foie gras was served on toast.

After years of work dedicated to developing his business the transformation was complete. He learned to enjoy a life that was totally different from the long hours he had put in building his business in London — few holidays, and few interests outside of his work. In certain ways Hendaye reminded him of the life he had known in Ireland, where as a child he had spent many long summers with his grandparents. Times had changed and the Basque country had become more material and more ordered than the Ireland of his childhood. The Basque coast was transformed into a surfer's paradise, attracting, even in the off-season, glisse enthusiasts from as far away as Sweden, Poland and Hungary, watched by an ever growing number of retirees.

Each year the small seaside town of Hendaye underwent a ritual change as the summer season approached and holiday makers started to arrive, from both France and Spain, reaching a climax around the fifteenth of August with the Fête Basque and the national bank-holiday. Ten days later the crowds were already on the road home. Those who remained during the latter part of the season, often blessed by an Indian Summer, savoured the douce pleasures of the Basque Country without the urgent bustle of vacationers.

On fine summer days Jack joined Marie-Helene's many friends sunning themselves at Les Alcyons, a beach club, one of those traditional French institutions, where as a teenager she had played beach volley. She was also a keen tennis player, as were many of her friends, and a member of the Hendaye Tennis Club, a ten minute walk down the hill from Etchea Mendi.

With the property boom, Jack had been tempted to invest in Hendaye, but he had made himself a promise when he sold his business: no more risks. He could enjoy all the pleasures of life with the solid income from his London properties. He kept his promise, and as far as Hendaye was concerned, Etchea-Mendi more than satisfied his needs. He contented himself to look on as others piled into the property market, in full swing, as more and more new projects sprouted out of the ground almost overnight with developers building at an almost lunatic pace.

Reagan besides being engineer had the added talent of being a natural salesman; a gift that had enabled him to profitably promote the services of his highly competent engineering team, selling his firm to the Finns at the right moment and at the right price. In retrospective he realized life was a series of gambles and the probabilities of winning them all were low. He had been lucky and knew when it was time to walk away, leaving the fray to another ambitious generation.

He had observed that many business managers lived in a world of fantasy, more often than not based on wishful thinking, a substitute for the hard slog of reality. Naïve or inexperienced businessmen imagined markets, customers and competitors could be manipulated. They invented business plans that were often as unrealistic as pipe dreams, just as certain bankers and investors had put their faith in a future built on flawed mathematical models and faulty risk-management systems.

Chapter 15 RISK

Greg Schwarz headed risk analysis at the Irish Netherlands Bank. His world turned around what should have been abstract questions of probability and theoretical mathematics. The bank however, did not pay his princely salary for abstract considerations; he was paid to develop sophisticated tools: investment models and market trend prognosis.

Schwarz's trained logical mind taught him that all questions related to economics could be boiled down to mathematical formulas, which incidentally, in his mind, and rightly so, were beyond the comprehension of simple bankers such as his bosses, Kennedy in particular. As for politicians, few if any had the slightest learning in such complex mathematical theory.

As Schwarz mingled with mathematicians at congresses in Tokyo, Boston or Vienna, he realized a paradigm shift was taking place in economics, a revolution comparable to the world of physics in 1910, when Alfred Einstein's described relativity and Max Planck launched quantum mechanics.

A whole new set of mathematical tools, not fully understood, even by quants and analysts, were available. The science of predicting market movements was not unlike trying to apply precision to weather forecasting, where an infinite number of difficult to define variables came into play.

'Look at it this way Pat,' Schwarz tried to explain. 'The kind of tools we have today are seen by economists in the same way the Vatican saw Copernicus and Galileo when they tried to demonstrate the world went around the sun, and not the other way around.'

'You really think we know that little?' asked Kennedy, to whom the Vatican was a respected source of knowledge, though he was somewhat confused as to the involvement of Copernicus and Galileo who were perhaps Jesuits of some kind or other.

'Well it looks like it doesn't it,' replied Schwarz.

'We'll have to wait for future historians to decide that. As far as I'm concerned I prefer my intuition to mathematical models!'

'That's the problem. Intuition and the lack of understanding the mechanics of the system has put us in the shit we're in today Pat. Our banking system was built on trial and error and at this precise moment in time we're seeing the result of one of the biggest disasters in banking history.'

'Created by economists, not mathematicians?'

'No, politicians and incompetent management.'

'Like me.'

'You said it.'

There was an uneasy moment of silence.

'So you've an answer to suggest?'

'No.'

They burst out laughing, the tension vanished as they realized they were back to square one.

Financial models had been debated by economists and mathematicians for decades, who believed that equations were the answer to everything. The Austrian school had a different approach, they believed the complexity of human choices made the mathematical modelling of an evolving market almost impossible, hence their laissez faire approach. To their way of thinking, the only means of establishing a valid economic theory came from the observation of human action. It was like a battle between science and theory, between Freud and Einstein.

For certain specialists the banking system was little different, in essence, to that which existed at the time of the 18th century South Sea bubble, with bankers scrambling to outdo each other in a mad rush for profits. Others compared it to a game of Russian roulette, which ended when Lehman Brothers blew its brains out.

Whatever the analogy, never before in British history had there been such rush for profits as banking became Aesop's proverbial goose, capable of laying a limitless number of golden eggs. Bankers, in the belief that asset prices would continue to rise exponentially, and forever, killed the goose by leveraging themselves beyond the realms of economic sanity.

What was worse, was Blair and his government had become mesmerized by the success story of the City as it generated huge profits, attracting more and more foreign investors, putting London at the centre of the international finance system, thus creating a model for the world to follow.

The problem however was that few bankers, if any, really understood how the model worked. All that mattered was that profits flowed in, vast profits. Banking shares rocketed as did the price of City property. Once the bandwagon was rolling, cheered on by Blair and Brown, every City banker, business organization and investor, followed by every naïve, get rich quick home owner, and BTL opportunist, dived into the scramble, and with their respective means started wildly leveraging, oblivious to the future and the enormous risks involved, both collective and individual.

It was Bill Clinton who by repealing the Glass-Steagall Act, introduced by Franklin D Roosevelt's government in the 1930s in the wake of the Wall Street crash, allowed commercial banks to undertake investment banking activities.

The Glass-Steagall Act was conceived to protect ordinary Americans from the peril of losing their savings when bankers speculated on risk laden financial markets. Thus Bill Clinton by his action was unwittingly responsible for provoking the sub-prime mortgage crisis, which allowed commercial and retail banks, that is to say high street banks, to engage in investment banking activities.

Many investment banks evolved from private partnerships, into public companies, or became units of large commercial banks. This led to the formation of too-big-to-fail financial giants, which driven by the growth and availability of capital resources, speculated vast sums of investors' money on highly risky multifarious products.

It was no quirk of fate that one of the banks which gained most from this change was the Citigroup, whose head was a major donor to the Clinton camp. Prior to financial crash in 2008, Citigroup had become the world's largest bank and company in terms of total assets with over three hundred and fifty thousand employees.

At the height of the crisis Citigroup was bailed-out by a cash injection of fifty four billion dollars by the US taxpayer and three hundred billion in loan guarantees, plus an astounding two trillion dollars in low cost loans.

During the Clinton administration, banks had been encouraged into offering mortgages to sub-prime borrowers. This policy was based on the principal of providing homes for low-income families and those of ethnic minorities, as demonstrated by a 1994 decree designed to prevent banks from discriminating against such groups. Consequently, Fannie Mae, the state-backed mortgage financier, was encouraged to curb its policy of refusing to lend high risk borrowers so as to bolster this policy.

Chapter 16 NATIONAL DELUSIONS

Men like Jack Reagan had few illusions as to the complexities of the forces that made the world turn. With each passing day it became more and more obvious to him that most of those who governed the world of business and politics had a pitiful lack understanding of those forces.

Danger stalked when investors, large and small, from London to Beijing and from Moscow to Dubai, had become hypnotized by the phenomenal rise in the price of property. Reagan had avoided the flurry of feverish speculation, as others rushed like lemmings towards the precipice. It was precisely the kind of risk he had always taken care to avoid. The properties he owned had been bought carefully over time to create a solid and lasting investment portfolio, but he had also been lucky, and knew it, buying and selling at the right time was paramount.

If the content of newspapers and TV programs was representative of what most interested his fellow countrymen, it was evident that football came first, followed by football, yes football, and only then property. Football was of course big business. There was no refuting it; the British public was football crazy, but for many, football, or any other sport for that matter, was small beer compared to property. Wheeling and dealing in property had become the national past time and the money involved was staggering. The entry ticket, that is to get onto the first rung of the property ladder, was near two hundred thousand pounds, and half or more again in the London area, and most of that was borrowed money.

Property consultants, advisers and experts abounded and they all had one thing in common, they were smooth talkers, out to earn a quick buck off the backs of the punters. As for Moreau's pal, Jameson, he was one of them, and to Reagan's eye nothing less than an outright, perhaps clever, crook; who had however, made the mistake of taking him for a dupe, by suggesting he invest in local property?

Reagan, in spite of his own acquired wealth, never forgot the covetous nature of the world in which he lived, where the winners took all, leaving the crumbs for the rest. How did he differ from less fortunate people? He freely admitted his success had more to do with good fortune than hard work, though he knew that hard work and success often went hand in hand.

That did not make him an excessively prudent man, it was the fear of losing that had made him cautious, weighing risks and seizing the right opportunities, whenever they appeared. The moment the Finns manifested their interest in acquiring his business he knew that it was one of those unique occasions created by the fortuitous conjuncture of the business climate and the growing promise of biofuel technology.

His property investments provided him with an enviable income and if their value increased so much the better, on the other hand, any thought of playing Monopoly was out of the question. Economies were built on cycles and it was evident the fallout from the sub-prime crisis was far from being over; his cautious mind told him the situation could only worsen.

Reagan knew what was written by so-called experts on the pages of the Sunday heavies was rubbish, invented by salaried journalists, probably mortgaged up to the hilt themselves, without a real a penny to their name. The same went for the advice of average high street bankers and the products they touted. Their only goal was to get their hands on their customers' money, handing it over to their investment arms to speculate, where in turn it was skimmed and many other pockets were filled. His own reference was that of his peers, those who like him had made their own money. Better still were those who had inherited money and had been able to hold onto it.

To Reagan most financial experts looked at the world with blinkered eyes, only seeing what lay on the narrow road directly ahead of them; all that was beyond their immediate vision was non-existent. It reminded him of the world of physics, where scientists declared things impossible until a new discoveries refuted all ideas that had gone before.

Life was a series of hazards and what he had earned he intended to hang on to it. There were few Mick Jagger's and even fewer Bill Gates. He remembered listening to a lone violinist on a cold winter's night in a Victoria Street shopping arcade, clearly a virtuoso, who after years of study had been forced to turn to begging to earn a crust. There were few jobs for musicians, actors, painters and dancers, many of whom struggled to survive, working as barmen or waiters in Starbucks cafes and pubs.

Following the events of the summer in 2007, Reagan had been surprised by the general return to calm as the Northern Rock fiasco appeared to subside. He moved quickly, relocating and spreading his more liquid investments. First came the announcement of losses at the Swiss bank USB, they were colossal. His fears were soon confirmed when Bear Stearns collapsed, followed in rapid succession by Lehman Brothers in the US and Bradford & Bingley in the UK. There remained little doubt that other troubled financial institutions were hiding in the woods. His worst fears were about to come true as the vultures gathered for the feast that awaited them.

Chapter 17 HENDAYE

Hendaye, the small border town that stood on the banks of the Bidassoa River — demarcating the frontier between France and Spain, had a historically privileged position to observe events in Spain. It was on a small island situated in the middle of the same river that a treaty was signed between the two countries in 1666, sealed by the marriage between Louis IVX and the Enfanta de Espagna.

In 1936, during the Spanish Civil War the Francists besieged Hendaye's neighbour Irun. The Republican forces who held town resisted until 1937. During the intervening period, property owners on the French side of the river made a pretty penny renting their windows and balconies to tourists, who could listen to the fire of canons and watch the smoke rising from the battle, interrupted only on Sundays and public holidays. During the course of the long drawn out siege, a heavy Spanish cruiser anchored in the nearby bay lobbed shells over Hendaye into Irun. After a fierce resistance the town finally fell, but not before many of its quarters were destroyed and burnt down in the fighting.

The Civil War marked another of those turning points in history that brought an era of peace and prosperity in the region to an end, ushering in a long and tragic period of war and austerity. Until 1935, Hendaye with its long golden beach had been a resort reserved for the rich and privileged. The huge Eskualduna Hotel, built in 1905 by Henry Martinet, was the destination of wealthy tourists, where evening dress was tenu de riguer for its frequent balls and receptions. Its next-door neighbour and more modest predecessor was the Hotel Continental with its two bronze Ephebians watching over the beach. Porters, bellboys, lift boys, waiters and chambermaids galore were at every beck and call of the hotels' wealthy clientele. On the sea front Spanish nannies could be seen in their starched blue uniforms and white collars pushing the progeniture of the rich in their perambulators to take in the sea air.

When the Casino, designed in the then fashionable Mauresque style of architecture, opened its doors towards the end of the 19th century, its gaming rooms offered a new distraction for the town's tourists. Later came the sound of Jazz, echoing from the Casino's dance hall onto the Boulevard de la Mer, where the VFDM electric trams passed linking Hendaye to Saint Jean de Luz and Biarritz.

Each year the so-called 'grand' families, passed the summer each year in their spacious Basque style villas designed by the locally renowned architect, Edmond Durandeau. Their large gardens overlooking the sea were tended by gardeners whilst their owners' every need was cared for by a small army of housekeepers, cooks, maids, drivers and general servants.

To cater for the wants of the wealthy one of the most famous Parisian department stores opened a branch in Hendaye, with the name board on its facade proudly announcing 'Galeries Lafayette, Paris, London, Hendaye'.

With the instauration of the Spanish Republic in April 1931, the peseta was devalued massively, hitting the pockets of Hendaye's Spanish clientele. Then with outbreak of the Spanish Civil War the border was closed, depriving the grand hotels on the Basque Coast of an important part of their business. Access to cheap labour and general supplies was cut and little by little the fortunes of the Hendaye's hotels declined. Hit by rising labour costs and a fall in the number of well-heeled clients, they were no longer capable of making ends meet.

In 1936, paid annual holidays were introduced for the working classes by France's first socialist government, signalling the end of an epoch for the privileged, offering workers two weeks of freedom during which they could emulate the rich with a holiday by the sea.

With the democratisation of holidays low cost guest houses and camping sites made their appearance on the outskirts of the town. The 'grand' families gradually quit Hendaye and their place was taken by less 'grand' but nevertheless wealthy bourgeois families from Paris, Bordeaux and Toulouse.

The interlude was brief. With the arrival of WWII Hendaye was occupied the Wehrmacht. The leaders of the two key protagonists visited Hendaye; Hitler in 1941, to meet Franco, and Winston Churchill in 1945, to recover following his electoral defeat.

Hendaye started its long road to recovery in the late fifties. The memory of past glory was certainly a motivating factor when the town hall launched its renewal programme with the construction of a marina together with a residential and hotel complex in the eighties. Then the entry of Spain into the EU brought a welcome fillip, opening the frontier and bringing a flow of new money to the town.

After decades of Franco's stifling regime, the opening of the frontier introduced a quarter of a century of prosperity and growth for the town. Hendaye's Spanish neighbours discovered a world different to their own and were soon snapping up apartments in the town's new residential developments.

In 2009, the effects of the simmering economic crisis struck southern Europe. Then slowly but surely the ambitions of the town hall to restore Hendaye to its past glory faltered. Its most important project, 'Entre Puentes', was in peril as the crisis started to bite. Already property prices were falling as many of the town's Spanish residents were hit, directly or indirectly, by the growing economic quagmire in their home country.

The media, as always, encouraged sensational rumours announcing Spain's exit from the euro grew as its economy went from bad to worse, pushing many Spaniards to open bank accounts in France — of all places, to safeguard their savings.

Chapter 18 SPAIN

Liam Clancy had grown tired of bars jammed with over-tanned, tattooed, middle aged expat Brits, many sporting the latest fashions in sleeveless muscle shirts and beach shorts, where conversation, as always, was focused on beer, football and home prices. Given the chance, any one of them would recite his oft told story of how he had got out of Blighty just in time, selling up at the top of the market and then snapping up, in a once in a lifetime deal, a place overlooking the sea/golf course/mountains at the right moment.

Clancy and his associates, Dolores Laborda Carvallo and Hugh Murray, concentrated their attention on their new business as budding financial and investment consultants. They had little difficulty in finding worried Brits in financial difficulties — out of their depth, as their homes, mortgages and investments were threatened by the growing financial crisis. It was however, much more difficult to find those willing to pay hard cash for advice.

Hugh Murray had made progress with holiday home rental business, convincing homeowners to accept a more realistic view of the property market by renting out their properties. As for his Dolores Laborda, Clancy's his girlfriend, she took care of the legal matters that often entangled expat owners, adding credibility to the partners budding business.

Liam had taken time to catch up on the history of finance and after reading Niall Ferguson's 'Ascent of Money', recognized sooner or later things would surely improve. For those with sufficient cash reserves there was no point in panicking as many had done in the crash of the 1929, even if the recession they were now experiencing was the worst for sixty years.

Clancy, unlike many financial advisers who pushed their clients towards investment strategies that were not always in their best interests, warned expats against conmen and rip-off pension funds. He earned less by recommending fixed term accounts with low interest rates, but could sleep with a clear conscience.

Reputable widows and orphans insurance companies offered financial advisers up to fifteen percent commission on lump sum investments put their way. It was not unusual to see certain insurance giants paying lucrative upfront commissions of twenty percent. As for shady salesmen representing companies in Gibraltar and Andorra their commissions could run as high as thirty percent and even more.

Clancy checked-out the status of insurance and investment firms, their directors and their track records, avoiding all those with Gibraltar or offshore addresses. He investigated agents and salesmen on behalf of his clients to prevent them from falling into the hands of crooked brokers and conmen.

Spain was in deep trouble and he assumed things would get worse before they got better. The trouble was property was not the only sector in difficulty. The whole economy was in dire straits with the tourist industry especially hard hit as hotel bookings fell to their lowest level in decades. UK reservations were down by thirty percent and those who could still afford a couple of weeks in the sun had become more demanding, seeking quality hotels at low all inclusive rates, others headed for more exotic destinations where fine weather was guaranteed all year round. It was not good for Spain where tourism accounted for ten percent of its economy.

The crisis had brought with it an uncertain future for a many people and difficult adjustments would have to be made by those who had grown accustomed to a certain style of life. As the weeks passed it was becoming obvious that the crisis was much more serious than the government in Madrid had at first admitted, unemployment shot-up and government ministers forced to acknowledge the growing recession would certainly last much longer than they had anticipated.

Clancy realized the world was going to be a different place; there would be a redistribution of the cards and trying to foresee who would be holding the winning hand was easier said than done. His insight into the complexities of globalization and free trade was hazy, but he knew it had been the driving force behind the prosperity of Ireland and a great part of Western Europe.

In the beach front bars favoured by expat Brits there was less big talk and self-congratulatory declarations. The tone had changed and after a few beers most were forced to admit their doubts about the future. Few talked of having made the right choice at the right time, their conversation turned to whinging about the falling value of their pensions and the falling value of the pound against the euro. Another couple of beers brought out the usual expat denigration of their hosts, backed by anecdotes that sneered at everything Spanish in Kipplingesque terms.

Of course, once an expat felt the slightest ache or pain he or she was on the next Ryanair flight back to Blighty for a quick, free, check-up. Then, after the appropriate treatment, they were on their way back to their Costa home loaded with a six month supply of Tetley's teabags, vacuum packed Cheddar cheese and a stock of HP sauce. They were only too happy to escape the dismal damp British weather and of course the ever growing flood of immigrants, who they complained, forgetting their own lamentable Spanish, could not even speak proper English.

They were the lucky ones. Others were caught in a vicious trap; their dream homes in the sun had become next to worthless, and those who had invested in holiday BTLs saw their rental revenue plunge, leaving them with mortgages to be paid off in euros from their ever dwindling pensions.

Thanks to Sky television, expats in southern Spain eagerly watched politicians back home making electoral promises, promises they had no chance of keeping. The same expats were begged by Britain's leading parties to register for postal votes, but once the politicians were safely ensconced in their privileged positions their overseas electorate would be quickly forgotten.

Iñaki Parales was one of the giant Banco Santander's many small shareholders, living on the dividends from the shares he had inherited. He was a man of independent, though relatively modest, means. His life turning around three almost passionate pastimes: tennis, horse racing and classical music. Almost every day he could be seen in the bar of the Real Club de Tenis de San Sebastián pouring over Agalopar, a national horse racing magazine, or Inversión y Finanzas, a financial weekly, in which he followed the now jagged ups and downs of Banco Santander's shares. The crisis had seen their value plunge from a peak of fifteen euros in October 2007, to under five in February 2009, luckily for him dividends remained fairly constant, little different from the previous year, a surprising accomplishment in comparison to most other major international banks.

Iñaki, a likeable individual, whose well-mannered nature could have been taken for timidity, reacted angrily to the regret of those who dared criticise Santander. He played a good game of tennis and was regularly participant in the club's tournaments and social events where he was appreciated for his good humour. When the crisis first loomed he made a spirited defence of the bank declaring it as being rock solid. But as the months passed this confidence was transformed into denial through his belief in the Spanish giant's invulnerability. When the Bank's shares hit 4.90 euros his shock was profound; his capital was almost entirely tied up in those shares whose dividends he counted on for the major part of his income.

The problems at Santander ran deep. There was the Latin American debt risk, and above all exposure through its UK holdings: Abbey and the Alliance & Leicester, whose shares had plunged in 2008. Santander had paid top of the market prices for its British holdings, and with the acquisition Bradford & Bingley they controlled ten percent of the UK savings market.

Just a little over a year earlier, Spanish government ministers and economists had talked of a soft landing, rejecting any idea of a recession. Hard landings had been reserved for Baltic and Eastern European countries. Then, after the bluster, came the long predicted collapse of Spain's proud construction industry. Spain had crash landed; leaving homeowners, businesses and job seekers confusedly staggering through the wreckage of its economy.

Clancy heard endless stories of buyers caught up in the debacle of once ambitious construction firms and the plight of those whose newly built homes were left without electricity and running water. During the fifteen years up to 2008, Spanish growth, powered by the construction boom, had risen vertiginously. When the crash came it was not surprising that companies like Martínez Construcciones were amongst the first to run into difficulties, their portfolios stuffed with what was now parched worthless land for never to be realized residential developments.

With the collapse, thousands of British home buyers who had made advance payments stood the risk of losing their money, whilst others who had paid in full would never see their dream homes. New buyers and existing owners arrived from the UK to be greeted by grim scenes of semi-abandoned construction sites: jagged scars on the landscape, a depressing contrast to the bright images portrayed in the promoters' glossy brochures advertising dream homes. Golf course developments were little more than vast expanses of broken ochre coloured earth. Abandoned cranes, half built homes and the skeletal structures of what were to have been hotels and apartments stood forlornly on rubble strewn construction sites. Penthouse terraces that should have overlooked well-tended golf greens were surrounded by weed covered earthworks and construction debris. Shopping centres designed to house luxury boutiques and restaurants were empty hulks encircled by roads that led nowhere, abandoned by construction firms that had been swallowed by the crisis.

Chapter 19 URBANACCIONES

Clancy idly flipped through a glossy brochure that vaunted the qualities of the Solaris World Resort, an audacious property development set in the semi-desertic scrubland of Murcia. It was one of a dozen brochures he had collected from those caught up in the collapse of the now defunct Grupo Martínez Construcciones. It described in glowing terms one of the gated communities the group had planned, set around what they described as world class golf courses, targeted at mainly British buyers. The brochures presented artist's impressions of fairways and greens surrounded by landscaped groves of rugged local hardwoods and pines set against the back drop of the Sierra Espuña.

Clancy recalled flying down to the Costa del Sol with the City broker Tom Barton as part of a group of prospective buyers. Martínez had sold more than ten thousand dream homes to British, German and Dutch buyers, from one hundred and fifty thousand euros upwards. Its urbanacciones were in different stages of completion, or incompletion, when the Spanish group went under leaving its luckless buyers in the lurch.

The group had acquired vast expanses of low quality agricultural land in the relatively poor region of Murcia, situated between a national park and the Mediterranean, for its residential developments that were to include golf courses, shops, restaurants, cinemas and even schools.

Murcia, one of Spain's driest regions, needed huge quantities of water and development plans included the construction of desalination and water recycling plants to provide future home owners and their golf course with the freshwater needed.

Liam Clancy had observed first-hand the hard-sell techniques employed by sales agents during the boom, which he was forced to admit echoed the methods he had used as a trader. In the space of eighteen months everything had changed, just as it had in the front office of trading firms. Similarly it was no longer possible for buyers to obtain a cheap mortgage in euros. The days when the down payment of a few thousand euros on a property sealed a deal were gone. The idea of punters buying two or three apartments, in the hope flipping them at a profit before completion, was as dead as the dodo.

On Clancy’s first trip to Spain with Barton, loans had been abundant with mortgages available at up to 115%. A simple credit card deposit secured an off-plan two bedroom apartment with a euro loan at less than four percent interest for pressed weekend buyers in a hurry to be home for Sunday evening.

A visit to a Martínez urbanaccione had been a must for any prospective buyer. Once they collected their bags from their low-cost Ryanair flight, they were ushered out of the airport to an airconditioned people carrier by good-looking smooth talking salesmen and women with cool drinks to distract them. The salespersons first job was to attract the buyers’ attention to anything but the barren scrubland that flashed past on both sides of the motorway as they left the newly built airport for the coast. The unsightly landscape of plastic greenhouses that covered every square metre of available arable land was veiled by the curtains covering the tinted windows.

Once arrived at the urbanaccione the visitors were checked-in at the gate by smartly uniformed guards. Then after slowly rolling past the clubhouse — its car park filled with glinting up-market SUVs — they were delivered to the promoter’s luxuriously appointed sales office. They were quickly bustled in, out of the blazing sun, where they were made welcome by smiling hostesses who offered them another round of refreshing drinks, leaving them to explore the appealing display of the architect’s elegantly presented maquettes of villas and apartments for sale. Then, after a glowing introductory presentation, came the obligatory visit to the show homes, decorated with stylish modern and traditional Spanish furnishing, surrounded by manicured lawns with terraces overlooking the sparkling clear water of swimming pools.

It was hard for the visitors not to be seduced. The contrast with the leaden skies of London, Birmingham or Dublin could not have been greater. The startling green of the Mediterranean vegetation, the bright flowers and water jets scintillating in the sun enchanted the new arrivals. The glowing complexions of the salespersons and employees radiated health in comparison to the tired and pale faces of the visitors from cold damp northern Europe.

The last stop on the tour was a visit to the golf club where they could mingle with happy homeowners, those who had already made the right decision and were now enjoying drinks before or after a round of golf.

Lunch was in the clubhouse restaurant, there they were joined by a tanned English speaking golf pro. The tables were carefully chosen, overlooking the pathway leading to the first tee, along which gardeners copiously watered the bright green grass and the dazzling flowering shrubs.

The visitors were now ready for the softening up process, plied with cocktails, followed by a four course lunch with waiters diligently ensuring their glasses were topped-up with strong Spanish wines. After coffee and cognac was served they were ripe, separated into couples, and served up to the hard selling English speaking representatives paid on a commission only basis, who knew every trick in the book.

To the great regret of Clancy those happy days had gone. There was little hope of promoters finding buyers as thousands of British holiday-home owners faced losses following the collapse of Martínez. The defunct group had sold more than three thousand apartments and villas, all in various stages of construction, mainly to British buyers, at more than thirty developments in Spain, Portugal and Morocco.

The luckless would be owners, who had put down thirty percent deposits on homes near Marbella and other resorts, were now facing painful losses. Their dream of a holiday home in the sun had been transformed into a nightmare. What would happen to the half-built urbanacciones and shopping centres, many of which resembled a no man’s land of weeds, surrounded by rubble strewn gardens and scorched fairways?

Gone were the happy days when Martínez had signed joint venture agreements, or was filmed cutting ground in the presence of smiling local dignitaries, for residential and tourist complexes, shopping centres and hotels, as far away as Casablanca and Marrakech, where the glowing entrepreneur was lauded as one of Morocco’s most important foreign investors, with his group snapping-up thousands of acres of land for its multiple projects.

At the summit of his glory Martínez had been one of the leading European real estate developers with operations in Spain, France, Bulgaria, Romania, Poland, Hungary, the Czech Republic, Slovakia, Morocco, Mexico and the Dominican Republic. His prestigious sales offices in London, Dublin and Frankfurt had reassured buyers who flocked to reserve their place in the sun, proud of their new status; the enviable owners of second homes overlooking azure seas and sun drenched beaches.

In the months that had passed since Clancy had been forced to part company with his employer back in Ireland, he had discovered a different world. It was another universe to that he had known as an up-and-coming young trader at the Irish Netherlands's investment branch in Dublin. He now found himself witnessing the effects of the gravest economic crisis in modern times, which was now engulfing Spanish banks and businesses in a tsunami of failure and bankruptcy.

The new world order of George W. Bush had suddenly collapsed in failure and ignominy. Few, if any, understood the ramifications of the change that was taking place; including Barack Obama. The scale of the disaster was so great it undermined the very foundations underpinning the established economic system. The enemy of Bush the father and son, Saddam Hussein, would have described the speed and dimension of the collapse as the 'mother of all defeats' and this time it was 'the Great Satan' who had fled the battle field with his tail between his legs.

The crisis was now threatening to bring down the financial order that had governed the world since the end of WWII. The vast unregulated system that controlled the economy of the whole planet with its enormous international flows of uncontrolled capital was on the brink of collapse, and the fate of little Iceland demonstrated what could become of those who had ignored common sense and the political consequence of their overweening desire for wealth and power.

As to Ireland, it would have been no exaggeration to call it a fool's paradise, the Irish had lived on unlimited credit, and the Republic was now threatened with Icelandization. Britain was not far behind, victim of the greed of its banks, the foolishness of its politicians and easy credit. For a decade it had been presided by a complicit government content to believe the praise showered upon it, by sycophants, for the supposed success of its economic policies. Britain's finance industry had grown out of all proportion relative to the country's other traditional economic sectors; manufacturing had been relegated to the past by politicians in the same manner as had heavy industries such as shipbuilding and mining. The City and its financial services had ballooned out of control as speculation grew to astronomical proportions.

Hot capital had flooded into the City. Banks had ladled out loans. The whole country had been seduced by an illusion of wealth; buyers rushed into the property frenzy: rich, nouveaux riche and less rich, all fearful of missing out on the mad gold rush, snapping up every kind of property imaginable, from palatial homes in London’s Belgravia or Knightsbridge for the rich, to holiday homes in the sun for the would-be rich, or modest semis for young first-timers.

Chapter 20 COOL BRITANNIA'S DECADE

At the time Gordon Brown presided over the British economy, as Chancellor of the Exchequer, he had boasted in a speech given at the Mansion House, that forty percent of the world's foreign equities were traded in the City of London. He told his enraptured listeners that the country's financial sector owed its glowing achievement to the government's risk-based regulatory approach, declaring: I want us to do even more to encourage the risk takers.

Suddenly he was Prime Minister. The focal figure at yet another hastily organised press conference, about to announce a gigantic bailout for British banks. It was another week and another bank bailout. He, with his Chancellor, looked haggard, bushwhacked, as though they had spent the cold night driving back from their Scottish bailout negotiations in the back of an old LDV van. Had Brown paused to remember his past words, he would have certainly cringed at his reckless bravado, but that was not in the nature of politicians, all of whom seemed to suffer from selective amnesia.

The seemingly endless crisis was beginning to take its toll on the country's leaders and to add to their burden the sixty year old war between Jews and Arabs had commenced a new and dangerous episode, forcing the Prime Minister to rush off to a peace conference, one more in a long series of what were described as last ditch peace conferences, this time in Sharm al-Sheikh, to prop up the facsimile of Middle East peace.

It coincided with the announcement by the Governor of the Bank of England that the UK retail price index was about to go negative, pointing to the risk of deflation and falling prices. That may have seemed like welcome news, but deflation meant less income to reimburse fixed debts.

Images from John Steinbeck's novels 'The Grapes of Wrath' and 'Of Men and Mice' would have lurked in better read politicians' minds. The descriptions of the Great Depression painted by the writer were haunting. 'The Grapes of Wrath' portrayed by John Ford in his film version of the novel had vividly told the world of the disaster that ruined the farmers of the America's Midwest. Hit by collapsing crop prices they were unable to pay the mortgages. Their properties were ruthlessly seized by banks and hapless families forced onto the road. For a decade, men, women and children wandered the land in a desperate search of work as the nation struggled to fight depression.

During the Blairite decade Britain had prospered as never before in a boom fuelled by credit. Consumers, in their rush for mortgages and credit, piled up mountains of debt. Britannia was really cool when easy money could instantly satisfy any whim, whether it be a new flat screen TV, a holiday in the sun, a fitted kitchen complete with granite tops, a new car, a home extension, a larger house or even a second home. Every wish could be granted at a wave of New Labour's magic wand. Britons, rich or poor, lived in an enchanted world where everything was theirs for the asking. A quick run down to Bluewater, or the nearest mega shopping centre in their latest model car, a quick flash of plastic, a magic pin number, and hey presto they were owner of a new computer, iPhone, extra-large flatscreen TV, or whatever.

Eighteen months after the bubble had burst the spectre of unemployment was casting its sinister shadow over the land, replacing the euphoria of the carefree days of the boom with fear. How many of those once happy consumers had ever heard of margins calls, collateralised debt obligations, or leveraging? Probably very few, but the wheel had turned and the meaning of job loss, recession and falling expectations was slowly beginning to sink in.

How long would the crisis last? It was anyone's guess. Rising unemployment was beginning to take the shine off those new cars. New home extensions were already looking like an endangered species. Viewers watched on their unpaid for flat screen TVs the sad spectacle of politicians thrashing around looking for a way out of their predicament. Bankers and fat cats hung their heads in false remorse as golden boys and traders desperately tried to offload their extravagantly priced homes.

The credit crisis was slowly gnawing its way into the real economy. Job losses were hitting City workers. Those still in a job trembled at the thought of the news they might find when they arrived in their offices each morning. Former high flyers adopted low profiles; it was bad form to be seen ordering a one hundred and fifty pound bottle of vintage wine, or dining in an expensive restaurant.

The model that Britain had pushed as laudable, and had urged others to adopt, was now in tatters after self-destructing. Those who had been taken in by the fast talk of impostors suddenly found themselves with nothing but their eyes to cry with. The same imposters who at the height of the boom had blacked whistle blowers as Jonahs and doomsters.

City of London financiers had fallen into the trap of believing in their own indestructibility. Their wealth and power had seduced politicians, convincing them of the benefits of unregulated markets, opening the door to never-ending prosperity. In the short term cheap credit had produced huge profits for banks, profits that were to prove to be ephemeral. The price was a mountain of debt and the transformation of Britain into one of the most indebted nations on the planet.

In an arrogant display of misplaced self-satisfaction the Prime Minister tried to foist himself onto the public as the saviour of not only Britain, but the entire planet. If it had not been so serious it would have been laughable. Brown was the architect of the system that brought Britain to the precipice. It was he who had preached the idea of buy now pay later as acceptable. He now found himself advocating QE, trying to persuade the nation that printing of money by the Bank of England was the solution to a problem he largely created himself. As the celebrated economist John Maynard Keynes, an advocate of government spending, had once described it, the Bank of England was pushing on a string.

Cool Britannia's world of showbiz glitz was reeling. Brown, like a desperate magician, had plunged his hand into his battered hat in search of one last frantic trick and abracadabra! Quantitive easing had appeared: a miracle remedy for a desperate nation.

Quantitive easing was nothing less than a euphemism for printing money to repay the nation's debts. Hundreds of billion pounds, for which every British man, woman and child, would pay the price, carrying the burden for decades to come.

Chapter 21 LONDON

After a perfect weekend with Sophie, Tom Barton found himself alone in Paris; just two hours from London by Eurostar. The idea of heading for the Gare du Nord tempted him, but once again he hesitated, remembering the many explanations he may or may not have owed to certain people.

Although he had fallen into the habit of jumping on a plane at the slightest pretext, bound for some far-flung destination, he still baulked at the idea of returning to London. His yearlong odyssey had led him to places he would have had neither the occasion nor the inclination to visit — even for a vacation: Dubai, India, Thailand, and barely known Caribbean islands. A curious turn of fate considering his past stay-at-home lifestyle.

During the boom years he had frequently travelled to Spain; flying potential buyers to Marbella on weekends to visit villas and apartments built Grupo Martínez, for whom Barton's brokerage arranged mortgages. Things had changed since those happy go lucky days. Through his own making he had become a frequent business traveller, falling into the trap of thinking he was only doing something useful when he boarded a plane to somewhere…anywhere. A perverse but real sentiment, a feeling that many politicians and business travellers developed, a justification for their addiction.

The trouble was travelling cost money, a lot of money, especially after he had become used to first class travel and five star hotels. He had made some fairly serious money speculating on oil, but the gains derived from his venture into commodities and Forex markets were less exciting. Given the bleak business climate the thought of dilapidating his capital persistently nagged him. Past experience, together with the eye opening discoveries of his odyssey, had reminded him fortune could suddenly deal him a bad card. Slowly Barton was becoming aware he had much to lose.

It was time to put his considerable knowledge and experience to gainful use. Fitzwilliams was a good starting point; the banker had even intimated he could use Tom's experience. What Barton needed was to transform the nascent idea of an investment service into something concrete.

In other circumstances his experience as a City mortgage broker alone would have limited his options. But the world had suddenly changed. With foresight, he had made the decision to get out at the right moment; by cashing in on his investments in late 2007, banking the capital necessary to restart his life. However, the idea of setting himself up as an independent investment advisor was still indistinct. Now, from his newly established base in the Caribbean, he could, without the need of a nameplate, or a conventional workplace, transform his idea into reality.

The previous day, Sophie had chided him, gently mocking his fears of returning to the UK as unfounded. Now almost twenty four hours later, after idling the morning away in his Paris hotel room, he was forced to admit it was time to confront his past. Picking up his phone he scrolled down the numbers, stopped at Steve Howard's name and pressed 'call'.

'Hi Steve, it's Tom Barton.'

'Tom, I was just thinking about you. Where are you?'

'In Paris.'

'Great. Travelling on that Dominican passport,' Howard said making a friendly jibe.

'How'd you guess, said Barton uncomfortably. 'Where are you?'

'I'm in London.'

'Great, let's get together. Can you come over to Paris?' he asked half-heartedly.

'Still nervous about coming to London?'

'No…,' he replied, without conviction.

'Where's Sophie?'

''Gone to Strasbourg...business.'

'Then do it! Now!'

'Now?'

'Take the Eurostar, I'll meet you at St Pancras, then we'll stay in town.'

'Sounds good,' he replied more positively. 'How are things over there?'

'A bit slow, you know Spain and all that.'

'I met a couple of Chinese investors in Bangkok who were interested in European property. What do you think?'

'They're the only ones who have any money to spend today. We can talk about it.'

'Great.'

'Call me back when you know the time of your train.'

Early that afternoon, as Barton slipped his travel documents into his pocket, he started to worry about his Dominican passport; would it raise eyebrows at immigration in the UK? Then, on second thoughts, he figured there was no reason why it should. There were plenty of expat Brits living in Dominica who regularly used their local passports when travelling home. In any case, he thought consoling himself, nobody was looking for him — with the possible exception of the Irish.

At Gare du Nord he produced his Dominican passport, stamped with a multiple entry Schengen visa, to the French police controller. He then presented his British passport to Her Majesty's official who with barely a glance waved him through with a cheerful 'Good morning Sir.'

Relieved Barton made his way down to the waiting Eurostar. Soon, as the flat landscape of northern France flashed past, his mind slowly drifted back to his still embryonic business plans. A persistent doubt lingered. Just as things were beginning to look better new clouds had appeared on the horizon in the form of a sovereign debt crisis. Barton wondered whether it was simply another passing storm, or was there something more menacing behind it? It was impossible to say, few now dared make predictions. Those who had recently announced the imminent collapse of the euro had been forced to eat their hats.

In spite of the huge sums of taxpayers' money that had been thrown at the crisis, things had not improved and huge debts were being accumulated by governments. The US alone needed to raise a couple of trillion dollars, and then there were Europe's needs, not forgetting the rest of the world, some feared there would be insufficient money to go around.

As the Fed allowed the dollar to slide, in a not too subtle form of devaluation, China was caught between two stools. On the one hand the value of its dollar reserves fell in real terms, and on the other, its artificially undervalued dollar pegged currency, the RMB, made Chinese exports even more competitive in other markets.

This dismal outlook left little hope the world would return any time soon to the prosperity of recent years. Barton comforted himself with the idea that even in the worse crisis there was always a niche for the wise investor. The question was where. Asia seemed an obvious choice, the future seemed to be there, but he was forced to admit, apart from his very recent experience in South East Asia, he knew very little of that vast region. As to

Japan it was a no-go, mired in the same kind of debt problem as the West, but for already more than twenty years.

China seemed a good option. The Chinese were becoming more adventurous, arriving in places like Dominica bearing gifts, perhaps there was business to be done there.

That morning, the main headline news speculated over the possible bankruptcy of General Motors and the fate of GM Europe, owner of Opel in Germany and Vauxhall in the UK. What surprised Barton most, a company he had never heard of, the Beijing Automotive Industry Corporation, was listed amongst the potential bidders at the carve-up of the troubled firm.

As far back as he could remember Vauxhall had always been a household name in British cars. In the same way Opel was in Germany. Looking back it would have seemed totally inconceivable that such iconic names could be bought-out by the heirs of Mao's China. It was like being told Rolls Royce had been bought by Martians he thought, before remembering the legendary firm was now owned by BMW.

Barton was aware China, as the holder of vast quantities of US dollars and treasury bonds, was increasingly concerned about the risk of having all its eggs in the one basket. If the US was seized by an inflationary spiral their investment would be become worthless. Their best hedge would always be fixed assets, bricks and mortar, and that was a business Barton knew. What better an asset for a Chinese investor than a piece of prime property in Belgravia or Mayfair? He remembered Tom Kavanagh having sold a run down, but well located property in Bloomsbury to a Singapore businessman in the mid-nineties, at what had then seemed like a vastly exaggerated price. In retrospective, it was an excellent investment despite the prevailing depressed market. There was a lot of prime property in London for foreign investors and if the Russians had retreated then why not look for Chinese investors.

A little over an hour later the familiar pleasant Kent countryside, showing all the signs of spring, zipped by, and soon London's sprawling 19th century brick suburbs appeared. Nothing had physically changed during his absence. There was a certain permanence. People changed, economics changed, politicians changed, but physical attributes changed so much more slowly.

In all, the journey to London had given him just enough time to take a snack and glance through the English newspapers. Once arrived, he had little time to admire the recently opened St Pancras Eurostar terminal. He joined the line of disembarking passengers, uneasily filing past the keen eyed customs and stern faced police officials. He let out an involuntary sigh of relief as he exited through the sliding glass doors out onto the main concourse. There he spotted Steve, a newspaper tucked under his arm, smiling and as usual boasting a healthy tan.

‘How’re you doing Tom? Nice to see you again,’ he said pointing the way to the exit where they joined the line for a taxi. ‘We’re booked into the Churchill, it’s on Portman Square, it’s where I normally stay when I’m in London.’

‘Still living out of a suitcase?’ remarked Barton.

‘Yep, home is up North. Rarely get up there these days, not since my parents passed away. It’s not worth having a fixed place here, too much trouble, too expensive for what I need—not that money matters, though I don’t believe in throwing it away,’ he said with a wry smile. ‘At Churchill’s I’ve got everything at my fingertips.’

After checking-in and dropping off Barton’s affairs they stopped for a coffee in the hotel’s comfortable lounge and exchanged news. Howard’s business in South East Asia had slowed, but it was more buoyant than that in the UK or continental Europe. He had little to complain about, which seemed to confirm Barton impressions, if Asian investors were still making money, then they would be interested in prime property in London. It would be a safe haven for them and prices were beginning to look attractive.

There was a mountain of loose cash swilling about in China, where wealthy Chinese families and businessmen were looking for secure offshore investments. The Chinese had become wary of stocks and bonds and even more mistrustful of their government’s strategy, especially if their economy was to stall. There was however a stumbling block for would be buyers; apart from Singaporean and Hong Kong investors, the Chinese knew little of property in London, or in any other Europe capital for that matter. Their only options were to work with top end of the market property agencies, such as Guthrie Plimpton, which was daunting for a Chinese investor given the culture gap, or to use their own close circle of trusted overseas relations and business acquaintances.

‘I can certainly help you with a few introductions. Chinese investors are definitely are looking for solid offshore investments. They’re very clannish and almost always use personal relationships to do business, they call it guanxi.’

‘Guan…’

‘It’s like a social network, but it goes much deeper, business and political links…same village, same town, same province and especially their extended family links, something we don’t have.’

‘Oh.’

‘A family in China can include hundreds, even thousands of relatives, from the same place with the same family name.’

‘Interesting.’

‘I have a couple of Chinese business friends from Shanghai who have invested in property in Bangkok. Things are a bit shaky in Thailand with the political situation. So it could be a good moment to suggest they diversifying their investments. UK property could be a good option, you know a shelter, especially prime properties — residential and business.’

‘I’d like to meet them.’

‘No problem. We’ll try to set that up. It needs patience, although we’d have to move fairly quickly before the market recovers.’

‘That’s no problem.’

‘I’m returning to Bangkok in a week’s time, why don’t you join me?’

‘Are things alright there now?’

‘Not really. It’s a tangle of political in-fighting. It’s almost impossible for the government to function correctly with all these demonstrations going on.’

‘What about the King.’

‘Well King Bhumibol has enormous influence behind the scenes. Be careful what you say about him by the way, you could end up in one of those Thai jails, lèse-majesté and all that,’ Steve said with a laugh.

‘…and the future?’

‘At the moment it’s not looking so good, business and confidence has been badly affected, and the long-term outlook is not much better. That’s why some of the Chinese are getting cold feet, which could help you.’

‘That’s what I thought.’

‘You should try to put together a portfolio of the kind of property that’s on the market to interest them.’

‘I’ll do that,’ Barton said making a note to speak to Sarah Kavanagh.

‘Don’t get excited too soon Tom. We’re going through the biggest economic crisis in more than half a century and it won’t just go away just because a few journalists or politicians are talking about green shoots.’

‘You’ve got a good point.’

‘People are naive to think that this crisis can be solved just by printing money? It’s not so easy, on the other hand it doesn’t mean the end of the world is here, there’s still a lot of loose cash around, the world is a bigger place than it was in the 1930s.’

‘I suppose you’re right there.’

‘One other thing, I’ve got some banker friends looking at setting up a new property fund. I think you should meet them whilst you’re here.’

‘Property fund?’

‘Yeah, you know an investment fund.’

‘A hedge fund?’

‘That’s right.’

‘I thought they had all collapsed,’ Barton joked.

‘No, there’s plenty of them making good money.’

‘Who are they?’

‘The Nederlandsche Nassau Fund.’

‘Of course, they’re part of the Irish Netherlands Bank?’

‘That’s it.’

‘That’s Michael Fitzwilliams outfit.

‘Yes, I was planning on meeting him.’

‘Great.’

‘There’s a lot of opportunities. Forget the crisis, remember, you and I, a hedge fund, anybody with some cash, can buy and sell anything…currency, shares, gold, property — you name it, it’s all out there for the taking. And what’s better you can even invent your own product, financial or material, if you think you can sell it.’

‘A little cynical.’

‘Not as cynical as politicians like Brown and Blair!’

Chapter 22 THE EMERALD POOL

Sarah Kavanagh was excited, she had every reason to be: that morning she was about to give a tour of the Emerald Pool development to Smeaton’s new associate, Francis Wang, who spent his life shuttling to and from Hong Kong, promoting business between China and the Caribbean. Smeaton picked up Wang and his friends from Canefield Airport where they had flown in from Caracas. In all they were four visitors including Wang; the other were also Chinese, two middle-aged men and a young woman of about Sarah’s age.

The two men appeared to speak little else but Chinese, and Jenny, the young woman, acted as translator, speaking with an excellent English whenever Wang was not doing the talking. They looked very prosperous, Jenny with all the fashion accoutrements appreciated in China: a Louis Vuiton handbag, a Cartier watch, diamond earrings, wearing a practical Burberry summer outfit with matching shoes. The men wore slacks, designer polos and sported diamond studded Rolexes.

Malcolm beamed with his new found confidence, welcoming his visitors to Pondok Indah, his magnificent home, for refreshments and a moment of respite after their flight. The Emerald Pool had been untouched by the arrangements relating to the bailout of his bank. Smeaton’s interest in the development, thanks to Michael Fitzwilliams insistence, had been set up as an entirely separate affair, backed by the Irish Netherlands and Fitzwilliams’ personal wealth.

The Emerald Pool, planned prior to the crisis, was a highly exclusive property development consisting of a number of luxury villas and a hotel. At that point only six villas had been completed; the hotel, as an upshot of the crisis, was still in the starting blocks.

Wang had been behind China’s sudden interest in Dominica. He had carefully studied the Caribbean and concluded that the small, but independent, island of Dominica, which lay between the French Islands of Guadeloupe and Martinique, was the perfect springboard for his, and by extension China’s, interests in the region. Beijing nurtured certain suspicions in their dealings with the French and British island territories in the Caribbean, shirking many of the other island nations of the regions: Jamaica, Cuba, Haiti and the Dominican Republic, viewed as poor, overpopulated, dangerous and politically unstable.

Malcolm led the visitors downhill face to the sea. After the first bend they turned into a side road that led to one of the villas; it looked every bit as splendid as that of Smeaton's, surrounded by immaculate gardens and original tropical trees.

'Each villa has a sea view and a pool. The hotel will be built over there behind that rise,' he said pointing to the west. 'We look after the maintenance and upkeep, we also look after the leasing.'

'How many rooms?' asked Wang.

'Thirty suites.'

'That's not many.'

'No, it's not a tourist hotel, it's highly exclusive, top end of the market. Each suites is in fact an independent villa, overlooking the sea, complete with a fully equipped kitchen, though the hotel will include a restaurant and provide services for guests.'

He walked them around the villa to the pool side. Sarah opened the doors that led into the spacious main reception room. It was furnished in a mixture of Oriental and Caribbean styles with panoramic windows looking out onto the lush tropical garden.

'What's the price of a villa like this?'

'Around three million dollars. The most expensive we've built so far is eight million. For a Russian who lives in London.'

Wang translated for his friends and they nodded in approval.

'Dominica is an almost private island, a friendly population, off the beaten tourist track, but with easy access to the French Antilles. It's a tropical paradise, no taxes, no crime, a place for the wealthy to invest, those who want to get away from the crowd, a haven of peace. The same thing in the Bahamas, part of the British Commonwealth, would cost more than twice that.'

The Chinese were ambivalent about the British, they admired them, but history had taught them a few painful lessons.

They paused to admire the extraordinarily beautiful site. Facing them was the Caribbean Sea and several small islands, the nearest of which was connected to the beach by a narrow neck of land. The future site of the hotel had been cleared of low lying vegetation leaving the original palms and tropical hardwoods standing on neatly maintained grass lawns.

The group stopped before Barton's villa, with Smeaton presenting Tom as its wealthy owner.

'Welcome to my modest home,' said Barton, leading them to a table set out with cool drinks.

'Very beautiful,' said Wang.

His friends nodded in agreement.

'Let me present my friends. Charles Song and Benny Zhou.'

'So you are planning to invest in property in Dominica?'

'Yes. We are planning to help Malcolm build his hotel,' said Wang turning to Smeaton.

'A good move, I'm sure it would attract a lot of wealthy tourists,' remarked Barton.

'Yes, Chinese tourists,' said Song in good English

'From China,' added Zhou.

Malcolm offered a knowing smile. There was more to the visit than he had let on.

Chapter 23 A MEETING OF CHIEFS

The finance ministers and central bank governors of the G20 countries met in London for a dress rehearsal of the much publicised summit meeting planned to save the planet from self-inflicted ruination. Their goal was to prepare a plan to restore confidence in the world's hard hit financial system.

One of the big questions was whether the BRICs could or would take advantage of the West's debacle. Barton for one was not sure; the India he had discovered had clearly demonstrated that ineptitude was not a monopoly of the West. As for China its growth had stalled as exports were hit and vast numbers of unemployed peasants were making their way home to their poor villages far, from the country's rich coastal manufacturing regions.

After the dress rehearsal came the show the world was waiting for: the British premier's all-star spectacular with Barack Obama heading the bill. As proud host Gordon Brown organised a lavish, almost Roman-style gala, to welcome his guests before the cameras of the world's television.

The jamboree was touted as the last chance of averting the mother of all financial disasters. George Soros, like all those who fed on chaos, dreamt of repeating his legendary coup by betting on the UK being forced to beg the IMF for a bailout. The enormity of the situation was highlighted when an auction of British treasury bonds flopped for the first time in over a decade. Few were surprised. Foreign investors, holders of a large part of the nation's debt, demanded greater returns in the face of inflationary risk.

The media frenzy reached boiling point as the show opened with a display of show of one-upmanship by competing leaders. It was a Hollywoodian farce as leaders vied with each other in their declarations of eternal friendship, accompanied by backslapping and preening. Lesser leaders scrambled to be seen shaking the hand of the newly elected US president Barack Obama. As for the new boy on the block, the Chinese leader Hu Jintao, he got a feeling of things to come with subservient leaders dutifully lining up to pay homage to the modern day Emperor of the Middle Kingdom. Even the Queen of England was enrolled to add a dash of pomp and circumstance, offering a state dinner on the house for the guests.

However, the evening was somewhat spoilt when the Queen received a slap on the back from Barack Obama, and ended in farce with Silvio Berlusconi's ever present buffoonery. When the final curtain came down, participants and spectators could have been forgiven for wondering whether or not they had mistakenly attended a Cannes Film Festival, rather than a last ditch meeting to avert the world's financial system from imminent collapse.

For the most part, the trillions, announced in the final theatrical communiqué, were nothing more than money already pledged by governments over the preceding months; though it was agreed additional funds be set aside to assist the world's poorer countries. Brown's proposal for a fiscal stimulus was neatly dodged without another brass farthing being pledged by the other leaders.

It was logical, the BRIC's and their banks held few of the toxic mortgage related products that were causing havoc in Western banks. As for China, it looked on with a good dose of schadenfreude as it continued to pump out cheap export products, manufactured at sweatshop rates, destined for Western markets.

Those who dared imagine the BRICs would be the driving force necessary to pull developed nations out of the crisis were very much mistaken. As the crisis spread financial markets in Shanghai, Bombay, Moscow and San Paulo were caught in the downward spiral, with shares losing as much as half their value.

The sudden credit freeze on bank lending was strangling exporters. China needed at least seven percent growth to provide jobs for the tens of millions of peasants that flowed into its manufacturing regions every year. Any slowdown would have disastrous effects and could lead to unrest with unpredictable consequences. As to Russia it was already bracing itself for social conflict.

The idea that China alone could rescue the West was a pipe dream. Over the course of the previous two decades the world's economic system had evolved, becoming an inextricable network of exchange through which goods and credit were channelled. The only positive effect would be that Russia and belligerent regional players, such as Venezuela, would be forced to rein in their fiery rhetoric, as the flow of dollars necessary to fuel their dangerous ambitions slowed to a trickle after oil plunged to less than forty dollars a barrel.

The collapse of oil, a welcome windfall for consumers in the West, was a dramatic reversal for Russia and Middle East oil producers, whose economies depended almost entirely on petrodollar revenues.

Pat Kennedy, who watched Brown's concluding speech, from the comfort of his armchair at Saint Mary Axe, likened the conference to a group of alcoholics anonymous gathered for a booze-up.

He like most other informed observers had few illusions as to the real results produced by the meeting of the G20 leaders. The much vaunted conference was nothing more than a farce designed to appease the growing fears of people in the respective countries of those leaders present. Gordon Brown's declaration that a new world order had been established was pathetic, unless of course he was referring to China's entry into the arena as a powerful player. As for his for his proposals for a new Marshall Plan, it was nothing more than wishful thinking.

'Typical Brownian crap, long on rhetoric and short on action,' commented Fitzwilliams.

'Did you read what one fellah said,' asked Kennedy looking at his iPhone. 'We're now in so much debt that if you can summon up the courage to look at your share of it, you will scream, faint and shit your pants all at the same time.'

'You always see the vulgar side of things Pat.'

'Well being polite, I suppose all this amuses the masses.'

'It all sounds to me like a feel good prescription.'

'Like Aldous Huxley's soma.'

'Ah, you're becoming an intellectual Pat.'

'Well a gramme is better than a damn.'

Fitzwilliams grunted.

'We weren't the only ones to jump feet first into the property boom,' said Kennedy shrugging off Fitzwilliams' derision. 'If you look at China, Russia and India, they've all ploughed huge sums of money into real estate. Look at what's happening to Russia. They've been hard hit.'

'Yes. And it seems our friend Sergei Tarasov is not without his problems.'

'Sergei is different.'

'I hope so.'

'Not forgetting your friend Malcolm! The jury is still out on his deal with the Chinese!'

‘Personally I think he’s been very astucious.’
‘What! Getting into bed with Stanford. I’d say he was truly fucked.’
‘Well he came out of that smelling of roses.’
‘I hope so for him.’
‘And us, remember we’ve got money tied up in the Emerald Pool development.’
‘Peanuts,’ snorted Kennedy.
‘Why don’t you shut up for once Pat!’ replied Fitzwilliams irked at being caught out.

They met at Fitzwilliams’ elegant eighteenth century Georgian town house on Merrion Square in Dublin, far from prying eyes, to discuss the bank’s strategy in the wake of recent economic and political events.
‘I mean how should we handle things with Tarasov?’
‘Well it seems as though he wields considerable influence in Moscow,’ said Francis as he sipped his Cognac.
‘You mean political leaders?’
‘Yes, but not only.’
Francis trod carefully, he did not want to hurt the sensitivity his banker friend.
‘Well yes, his economic status gives him economic power.’
‘I’m not sure what that means,’ replied Fitzwilliams.
‘Well people like him can use it for political leverage.’
‘Give me an example.’
‘For example he’s not like Mark Zuckerman, the founder of Facebook. Zuckerman has enormous economic power, like Bill Gates, or any one of those who made their fortune in computers, social networks and that kind of thing. They have billions, they can buy and sell companies and fire people. That is one kind of power, but money is not everything. George Bush is measure of economic power, although he is not rich like Zuckerman or Gates.’
‘Political power then?’
‘Yes, in the case of Bush, when he was a graduate student at the Harvard Business School, his father was chairman of the Republican National Committee, which led to Bush senior becoming President of the United States. Before that his grandfather was an influential Senator, a board member of Yale, and of many companies and banks. That meant his son

George W. Bush had a huge socio-economic status, although he was just a student at the time.'
'I see he had just to bide his time.'
'That's it.'
'So Zuckerman has little chance of becoming president.'
'Not entirely, Ronald Reagan was an actor, but you get the gist?'
'Yes, but what's your point?'
'I mean a man like Tarasov has huge influence.' Fitzwilliams nodded. '
'I see, John, but what are you getting at?'
'Tarasov could help your future plans.'
Fitzwilliams said nothing.
'Let me develop my idea. Take Pat Kennedy, although he was neither born rich, nor the son of a lord, or a powerful personality, he has influence,' Francis explained, then adding with a smile, 'He's not even a rich banker.'
'I still don't see your point.'
'It's not what you know, but who you know. What I'm saying is Pat is a special person, he can open doors, build bridges. To many he represents the bank, he has great socio-economic status, another kind of the status, without being part of the founding family.'
'And....'
'Well he can do things you can't do, or wouldn't want to be seen doing.'
'I see, you mean with Sergei for example.'
'Right.'
'Used wisely, he's a valuable asset, he can ask questions you wouldn't like to ask.'
'Hmm....'
'Your role is above the melee.'

Chapter 24 THE HARDER THEY FALL

Hoppkins was not the only problem on Fitzwilliams' plate. He had other hard decisions to make. One of them concerned Brendan Allen, an Irish tycoon, drowning under an ocean of debt and deeply in hock to the Irish Netherlands Bank. Amongst other things the bank held a mortgage on Allen's Knightsbridge home, bought only two years earlier for over fifteen million pounds.

Allen's property fund was located in his large terracotta brick Victorian house, designed by the renowned architect, J. J. Stevenson in the 1870s in the so-called Queen Anne style. It was just a short walking from Fitzwilliams' London pad and conveniently around the corner from Harrods. Allen lived in a four-bedroom apartment on the upper floors beneath the elegant gables of the house. A direct lift, connected the flat to the basement level, where the tycoon had built swimming pool complete with a sauna, gymnasium and solarium, where in happier times the tycoon and his friends, Fitzwilliams amongst them, had often got together to enjoy a cold beer after a workout and a swim.

Allen's life style was a clear indication that many people in the financial and property world had been spending money they did not have. The tycoon, yet another victim of excessive ambition, had overextended himself and to escape bankruptcy had no alternative but a fire sale.

Brendan Allen made the mistake of investing in Cassel & Powercourt Holdings, the Dublin property company founded of Padraigh Burke, his long-time friend. When the crisis hit Ireland the company with over two billion pounds worth of residential and commercial assets in its hands ran into deep trouble. Burke solved that by putting a bullet in his head, leaving Allen to face huge asset write downs.

'Pat, correct me if I'm wrong, but I seem to remember you were fairly thick with Allen,' said Fitzwilliams.

'We all were Fitz.'

'Neither a borrower nor a lender be;
For loan oft loses both itself and friend,
And borrowing dulls the edge of husbandry.'

Kennedy looked blank.
'That's Lord Polonius.'
'Never met him.'
'Hamlet, Shakespeare!' sighed Fitzwilliams in despair. He would never understand Kennedy's strange universe.
Allen's rise and fall was a legacy of the Celtic Tiger's boom years when the Irish Netherlands Bank expanded, lending to property investors and high profile funds such as Cassel & Powercourt Holdings, then a young company built by Burke on the spectacular growth of Irish asset values.
Allen started at the bottom, growing up in a modest hard working Dublin family His first and only job as a wage earner was in a small estate agents, where he got to know the workings of the property market in and around south Dublin. Seizing on an opportunity he bought a small run down farm with a loan from the Irish Union Bank, which after a long and difficult renovation he sold for a small profit. The experience taught him to be more careful in choosing properties and builders. With that in mind he repeated the operation. Then when the Irish property boom took off he was ready to make some real money.
Money was easy and once he felt sufficiently confident he bought his first home, an ambitious fifty acre estate that offered the kind of privacy few could afford. The neighbouring farm was bought by another up and coming young businessman, Padraigh Burke.
With the crash Cassel & Powercourt Holdings epitomized all that had gone wrong with the Irish market. The business had been built around huge loans, expanding, what had in reality been a relatively modest Dublin based business, into a multinational with operations in London and beyond, a growth path that echoed Icelandic megalomania.
The Irish Netherlands Bank had provided a large part of the funding for Cassel & Powercourt Holdings' overseas projects through the Nederlandsche Nassau Bank with the approval of Jerome Hiltermann in Amsterdam. The rest was raised by Allen in compartmentalised loans from the Nassau Investment Fund in London.
The curtain had fallen on Allen's moment of glory. Gone were the days when he jetted between Dublin and London, enjoying weekends in Biarritz and drinking Champagne with his Russian friends. It was time for Fitzwilliams to pull the plug, he had little alternative, friend or no friend, he

could afford no favours given the speed with which the value of commercial property was falling.

Chapter 25 A GREEK TRAGEDY UNFOLDS

It was almost a year since Tom Barton had been a guest aboard Sergei Tarasov's yacht in the Aegean and a lot of things had happened since. In that short period of time, the Greek economy had foundered and suddenly the country was facing default. The interest rate on Greek government debt stood at a staggering eighteen percent, the kind of rate that credit firms charged bad customers.

Barton followed the drama being acted out each passing day, it was though a modern version of an Athenian tragedy was serialized live on television, transformed into a Hollywoodian soap, its actors struggling to come to grips with a new twist in the scenario each evening. Sadly, the drama was real and the stakes high. The lives of millions would be affected by the outcome. The leading roles were played by internationally known stars; George Papandreou, Angela Merkel and Dominique Strauss Kahn of the IMF, second roles were played by up-and-coming actors performing in their first major performance.

As in many classical Greek tragedies the plot was familiar, a spendthrift whose money had run out with the moment of truth at hand. The script had undergone a few changes, in ancient Greece a debt of a few thousand drachma would have fallen entirely on the shoulders of our spendthrift, but in 2009, when the debt was counted in billions of euros, it was the problem of his lender.

Politicians scrambled to issue soothing declarations. The European Union and the International Monetary Fund made vague promises they would stand behind the Greek government, helping them to resolve the crisis. It was like a re-run of the Lehman Brothers collapse, this time however the scale was different, Greece was a member state of the EU and part of the Eurozone, its fate was interlocked with that its partners, whom it would certainly drag down in its misfortune.

Governments and lending banks trembled; hedge funds and speculators saw the crisis as an opportunity, they short-sold, placing their bets on a default and a collapse of the euro.

From the onset of the crisis, the market for Greek government debt encountered increasing difficulties. In order to raise the money needed for functioning of the state, the government had been forced to turn towards the bond market, but given the risk, interest on Greek debt skyrocketed. The only option was a bailout from Frankfurt and unless that could be quickly agreed, there would be no other alternative: default.

The origin of Greece's problems went back to the creation of the single currency and the in extremis decision of its government to join the monetary union in 2001, despite the opinion of many financial experts in Brussels that joining the euro could only end in disaster.

Overnight Greece's debt was downgraded to junk status whilst Portugal's fared little better. To this was added the fear that Spanish debt would be also downgraded.

Tom Barton hedged his bets by betting on the Swiss franc and gold, which seemed like the only possible alternatives given the weakness of sterling and the dollar.

In retrospective the scenario should have been foreseeable; economists had warned that a currency union without fiscal union was unviable. Unless a central bank had the power to tax, disburse funds and penalise member states that did not respect the rules, a currency could never function as it should.

At the outset the architects of the Eurozone established two basic rules: first any country that ran excessive deficits would be penalized and second was a no bailout clause. However, rules are made to be broken and when France and Germany exceeded the limits, Portugal and Greece followed suit.

Greece had a long track record of banking crises and defaults, thus a special dispensation was negotiated when it joined the euro, whereby its permissible national debt level was set at one hundred percent of GDP, over twice the forty percent fixed for other Eurozone members.

Greece now needed one hundred billion euros if it was to survive a crisis largely large to its inability to raise taxes from its middle and upper classes. In addition to this handicap was the power of its trade unions, which whenever demands were not met threatened crippling strikes.

With important regional elections approaching Germany was reluctant to bailout Greece. Complicating the matter Portugal, Ireland and Spain were already mired in the quagmire and it looked like Italy might soon join them.

The so called Club Med members of the Eurozone had little or no room for manoeuvre without the conventional option of depreciation, a tool available to national currencies. The only solution was to slash public spending and increase taxes.

The crisis endangered not just Europe, the world's largest economic zone, but also that of the entire international economic system, as the head of the OECD, warned that the contagion was spreading: 'like Ebola — when you realise you have it you have to cut your leg off in order to survive.'

Chapter 26 RECESSION

The news from the other side of the Atlantic was not encouraging; according to the American National Bureau of Economic Research the US economy had been in recession since December. That information meant nothing to Nicole Kavanagh. In her luxury penthouse apartment overlooking the Guadalmina Golf and Country Club golf course, a few kilometres from Marbella, she had little to complain about.

Skynews was Nicole's only permanent link with home as she slowly adapted to a new life, far from Epsom in suburban England, in the comfort of her new and spacious penthouse apartment in Spain. Of course she returned to the UK every few weeks to see Ryan and Sarah, her grown up children, to meet her accountant and keep track of her business affairs.

Her life in Marbella, whatever the troubles Spain was experiencing, was that of leisure and tranquillity compared to the outside world. She recalled her grim sojourn in India the previous year, a holiday that had ended at the Taj Mahal Palace after fleeing from a terrifying cholera outbreak in the small tourist resort of Kovalam in the south of Kerala. A few months after her return, she had been shocked by the terrorist attacks on the very same Bombay hotel, transmitted in real-time for Skynews viewers. She remembered her feelings of horror and more guiltily a sense of schadenfreude. It was a reminder of the bombing of the London subway in 2005.

No one was entirely safe from such abominations. Terror had struck Spain in 2004, with the terrible attack in Madrid; described to her by other expats, a tragic event so often glossed over by the media back in the UK; two hundred Spaniards had died after Islamist extremists exploded their deadly bombs in crowded commuter trains.

But she was becoming inured to such alarming events, in the same way as she brushed aside the sombre forecasts reported daily by television commentators concerning Spain and the economy in general. Nicole had escaped the crisis in London by the skin of her teeth, selling her large house in Epson at the peak of the property boom, and not only that, she had also miraculously avoided the disaster in the Spanish real estate market.

At least her condo had been completed with few of the problems that bedevilled Spanish property construction permits, though there had been a stressful three years of wrangling with the builders and their agents. It was now her home for a good part of the year, fully paid up and beautifully furnished with ample space for her guests.

Things had gone horribly wrong for many Brits in Spain. After three of decades of prosperity the post-Franco boom was over. Spain had matured and its economy resembled that of its northern neighbours. Thousands of Spanish workers were losing their jobs with the country's unemployment rate one of the highest in Europe.

The Spanish construction industry, which had accounted for almost ten percent of the country's economy, had collapsed with numerous property firms, and most notably Martínez, going under. The drama that had started in the construction sector had now spread to the entire economy, though, surprisingly, its leading banks were still in relatively good health, provided Latin American did not go belly-up.

The Spanish property market was burdened with more than one million unsold new homes and Nicole Kavanagh was keeping her fingers crossed, because if ever she was forced to sell up it would be at a considerable loss. She was however an optimist and she knew when spring came around in early March, as it did in Marbella, life would be gayer.

Although Nicole was pleased with her new home, its value was now much less than the price she had paid for it. As always she calculated in pounds sterling, so whilst the price had fallen in euro terms, the difference she reasoned was at least partly offset by a twenty percent rise of the euro against the pound.

Beyond Nicole's narrow but comfortable world, the situation in Spain was slowly going from bad to worse. Unemployment looked like it would soon reach the four million mark with one quarter of the country's total work force out of work. The collapse of the construction and housing sector had begun to bite deep with developers owing over three hundred billion euros to the banks, a sum equivalent to a fifth of the country's GDP. It was a certainty that many of the loans would go bad as borrowers were stretched to breaking point.

She was oblivious to the fact that Spain had as many unsold homes as the US. In spite of the constant flurry of bad economic news her golf pro was still smiling; he had invested an inheritance of several hundred thousand euros in shares of Bankia, a Spanish bank. It was his favourite talking point and with each lesson he announced the latest market news to Nicole. Bankia was an exception, its shares had, for the moment, weathered the storm and dividends were paid like with the regularity of a Swiss watch. What Jose-Luis ignored was many Spanish banks, and perhaps Bankia, were not writing their property loans to market value, in other words the real risks were hidden in deep their books.

All that bad news seen from the tranquillity of her penthouse terrace, which overlooked the golf course with a spectacular view of the mountain scenery beyond, was somewhat abstract. She was far from being affected by the crisis, though in terms of total assets her net worth had suffered a steep fall, due in part to the value of her London properties, some of which still had outstanding loans. She had hoped to sell them, rid herself of the loans, but that was no longer possible; reasoning the crisis could not last for ever, she resigned herself to having weather the storm. Nicole was right, the storm could not last forever, but it was certainly going to last longer than she expected, or for that matter anyone else, much longer.

Her more immediate concern was a man. She dreamt of finding the kind of man who could take her under his wing, who could provide her with companionship and protection, a man with his own money, not a sponger. She was fifty and a good looking woman, even if she was a little overweight; who wasn't these days she told her girlfriends. Whenever Nicole looked in the glass, that is to say frequently, saw herself as being no different physically to the average English woman of her age. The difference however was she could afford to dress well and pay for the kind of beauty care that most others could not afford.

Lord Edenderry, a minor peer, fit the role. He was just the man for Nicole, at least she thought so. Guadalmina Golf Club Villas had been developed by Martínez Construcciones and Edenderry had promoted the sales from the UK end. His business had been to find buyers, in the majority British or Irish. After the collapse of Martínez, the appointed liquidators organised a fire sale and the golf course development was sold to a property group owned by the Irish millionaire Brendan Allen, whose group operated in Spain under the name of Inmobiliarias Córdoba.

Allen hoped to recoup his investment by renting the unsold homes to British and European holidaymakers, and Edenderry, also an Irishman, was only too happy to find another partner. He was one of the many penniless

Irish lords who, according to the brief citation in Burke's 'Landed Gentry of Ireland', bore a hereditary title, which he monied, like many of his kind, by bringing the kind of prestige that naïve investors, especially foreigners, appreciated. It went down well back in London when buyers like Nicole talked of her titled friend: Lord William, the thirteenth Earl of Edenderry. The reality was quite different, the Earl was considerably less well-to-do than Nicole, he was in fact in dire financial straits; his family's already modest domain had been sold to pay death duties when his grandfather, the eleventh earl, died and what was left from the sale of the property seemed to have dwindled to a mere pittance as Edenberry's property investments went awry.

Edenderry, always impeccably dressed in a Savile Row pin-stripe, looked the image of a City businessman. With his upper class accent he smooth talked potential customers, certain of whom were wined and dined in prestigious hotels and restaurants in London. Camping his role, he liked to tell prospective clients how his father, once a London stock broker, being told his clerk lived on an estate in Romford, replied, 'How splendid. Does he keep horses there?'

In short, Edenderry was a salesman and his clients, neither widows nor orphans, and not from Romford, were mostly better off buyers seeking a property in the sun at the end of a successful career in the UK or overseas, and by definition worldly.

Business transited by a City mortgage broker named Temple Finance Brokerage, which was now suffering from the credit dearth. As a friend of a lesser cousin of Fitzwilliams, Edenderry developed privileged contacts with a Dublin mortgage manager at the Irish Netherlands, and during the good times put a lot of business his way.

Edenderry had taken advantage of his position to invest in Dublin BTLs, thanks to highly leveraged mortgages. He was no different to many small Irish investors, naively believing he was onto a good thing. On paper it looked good, in reality he had fooled himself into thinking he was a man of substance. By buying BTLs in Brendan Allen's property developments in and around Dublin, and more recently buying off-plan in the vast Pembroke new town project, Edenderry had unwittingly put an end to the dream of recovering his families past prestige.

Chapter 27 MAGIC MUSHROOMS

Early summer brought more disturbing news; UK unemployment had shot up to well over two million and would certainly rise even further as jobs in Britain's manufacturing sector fell to the lowest recorded level in modern times.

After its flirt with Wall Street's toxic products, London's Square Mile was licking its wounds, to many it looked as if its bankers had been mauled by an enraged bear. Wisecracking analysts quipped that those politicians who saw green shoots were on magic mushrooms: hallucinating and colour blind. Any normal person could see the few shoots that had appeared on the parched landscape were yellow and stunted.

The City seizing at straws rallied to the idea that the supposed green shoots were a sign that the crisis was on the wane as politicians tried to persuade voters that a return to normality was imminent. There was even a rumour making the rounds that bonuses would soon be back in fashion.

'Look at it this way,' Kennedy told Fitzwilliams, 'this kind of crisis happens every sixty years or so and since it's almost behind us now we've got the rest of our lives to make money.'

'You're a cynical bastard Pat, and not only that you're living in a world of make-believe!'

'Well memories fade fast,' he replied, the remark bouncing off his thick skin. 'In a couple of years or so we'll be thinking of the hard times as one of those once in a lifetime dramas and telling people how we survived it.'

'I suppose so, but don't end up like Madoff.'

'Don't worry about that. Them out there,' he said pointing at the City that lay below the glass dome, 'are like goldfish, once around our bowl and everything looks new.'

They both laughed heartily.

'Of course, with Hiltermann's difficulty there's nothing to stop us from taking full control of the Dutch side of the bank,' said Kennedy wiping the tears from his eyes.

The Hollander was in serious trouble. A scandal had broken sullying the name of his old and very conservative family with the story broke of his infatuation with a Russian girl of doubtful reputation.

'On top of being cynical you're also an evil bastard, I mean he's your friend.'

'Was.'

'That doesn't sound good coming from a good Catholic Irishman like you.'

'Render the profits unto us and unto God the people's prayers.'

Fitzwilliams was beginning to feel more optimistic, at least as far as the fortunes of the Irish Netherlands Bank were concerned. The blame for what had gone wrong at the continental end could be firmly laid at Hiltermann's door with the rumours of his womanizing. Things were picking up; the worse seemed to be behind them. Their East Asia Fund had pulled them out of the fire and with a little luck the bank would break even.

A glance at his PC would have told him they were far from being out of the woods. In standby mode the machine was automatically logged onto the 'usdebtclock', a sober reminder of how a nation's, or any institution's affairs, should not be managed. Almost two years had passed since the link had been installed, two years during which the bank had struggled to claw its way out of the sub-prime bog only to face the Irish debt storm.

The experience had transformed Fitzwilliams, he was tougher, and in some ways colder, certainly more realistic. He had not always been so objective. He, like so many other of his profession, had surfed the wild credit boom, a boom that would haunt many countries for decades to come.

On the positive side he was feeling reassured, if things turned sour, they would be bailed out either by the Irish, the British or the Dutch taxpayer. It had been proved that the economy could not function without the banks. A government guarantee was not merely an insurance policy, it was a very real competitive advantage. In addition, the legislation that had been promised to control banks now looked stillborn, the Chancellor defending the financial sector as being a vital asset to the nation.

As business slowly started to pick up, there was even talk of IPOs and companies were issuing shares to the public for the first time since the crisis had broken. It was a positive sign that investment banking was still alive and kicking after their terrible ordeal.

Despite the banker's cautious optimism most of the Irish Netherlands Bank revenue generators remained in the doldrums, whether they were in retail or in investment banking. Fortunately, their leading investment funds had come out of the fray relatively lightly. As for commercial property, Fitzwilliams agreed with his friend Sergei Tarasov: the moment was ripe to buy prime property, when the market was down.

It was time to look east where there were positive signs. The East Asia Fund run by their Dutch arm was beginning to looking interesting. It was time to wrest that from Hiltermann's control. The future lay in Asia as Beijing gave implicit approval to its banks for almost limitless lending. The Chinese government was effectively subsidizing the import raw materials and the export of manufacture goods.

As an investment banker Fitzwilliams knew that prospects in East Asia were not without risk. But there was a vast difference between China and Europe, or more precisely the UK. The Chinese held trillions of dollars in reserves whilst the UK was floundering in a sea of debt.

It was true the Shanghai Stock Exchange was beginning to look like a casino again. Its composite index was up seventy percent in space of just six months. Was there another bubble in the making? Only time would tell, in the meantime there was money to be made. It was China's century. The Middle Kingdom had already overtaken Japan to become the world's second largest economy and there was nothing on the horizon that about stop it.

If Fitzwilliams had been more objective, he would have seen what had happened to the one trillion dollar stimulus the Chinese government had injected into its economy in response to the global crisis. Much of that money had been ploughed into property and infrastructure. Rumours of sixty million vacant apartments and empty cities abounded. In Beijing fifty percent of new apartments were said to lay vacant, an echo of Spain's property crash.

Was China following the same path its neighbour and competitor had taken two decades previously? In the late eighties Japan Inc., according to the Wall Street pundits of the time, had been set to dominate the world. When Fitzwilliams lived in Boston, Michael Crichton's novel 'Rising Sun' had topped bestseller lists, characterizing visions of the financial world at that time. Japan's star had since faded, burdened by its aging population it had squandered its vast surpluses, and above all by sustaining its zombie banks.

Many dangers stalked the world's most populous nation. If growth stalled and environmental shock coupled with drought hit China, tens of millions of poor refugees would be forced into the coastal cities, conflicting with the first generation born of Deng Xiaoping's 1979 one child policy. A spoilt generation, without brothers, sisters or cousins; unused to sharing, used to the comforts of their parents recently found abundance.

The Chinese government paid lip service to things like climate change and global warming. Even Fitzwilliams had his doubts about the dire predictions of the doomsters. The Manhattan Declaration, signed by a group of five hundred eminent scientists, put the changes down to natural events. The real problems affecting humanity were hunger, disease and poverty. However, poverty and the rest, he reasoned, was not his problem, as Pat Kennedy had rightly pointed out.

China was far from completing its transformation. Cities like Beijing and Shanghai would be duplicated across the vast country where three hundred manufacturing plants were opened every day. China was the world's factory and would continue to be so in the foreseeable future.

Chapter 28 A WHIFF OF REVOLUTION

Fitzwilliams was not the only one to be secretly pleased to see Brown's government wriggling on the end of a hook as the country was faced with the bitter choice of less spending in its race to put a semblance of order in public finances, though others, like John Francis, feared the rise of extremism.

In spite of the government's reassurance the light at the end of the tunnel was in sight, unemployment continued to creep up. The golden age of New Labour had come to a ruinous end and Brown's only solution was more credit to pay off the country's debts.

Paradoxically, as the nation was staggered under its crippling burden, banks, the Irish Netherlands included, were already forecasting year end profits and calculating bonuses. How could banks have recovered so easily when the country's economy lurched into an ever deeper crisis?

Francis scoured the media daily fearing he would discover the kind of spark he dreaded, one that would light the fire of revolt and social collapse. Stock market had rebounded, but news on the economic front was still sombre and its effects increasingly felt by the average Briton, each passing day brought new pain as the number of personal insolvencies rose.

The risks provoked by sudden and deep crises were great; the consequences of the depression of the twenties and thirties provided sufficient evidence for that, and in addition to economic collapse it was accompanied by profound political change.

The attitude of politicians and bankers reminded Francis of Marie Antoinette's supposed réplique: qu'ils mangent de la brioche, echoed in modern terms by a successful business friend of Nicolas Sarkozy, who quipped, not owning a Rolex by the age of fifty was the sign of failure. It was another sign of how the rift between leaders and voters was growing.

Extremism fed on economic misery and it was only a question of time before protectionism and nationalism reared their ugly heads again. The bad news came when it became clear the British Nationalist Party would be elected to the European Parliament. It had won over forty percent of the vote in Swanley, Kent, where the Labour vote collapsed, giving the extreme right wing party its first break through in England's south-east.

Labour's collapse was no less than the cry of a desperate electorate as Gordon Brown plumbed new depths of political credibility as he thrashed about trying to fend off disaster, ploughing taxpayers money into the very same banks that had imperilled Britain's future.

Extremists gained ground as the historic working class of British cities, towns and villages disappeared, or were pushed into the Third World, replaced by apolitical immigrants. It was little wonder the BNP won votes when it declared it was going to put Britons at the top of housing list.

In 1928, the Nazis had won only two percent of German vote; five years later as the depression reached its peak, Hitler came to power in a totally unpredictable breakthrough. Economic strife always led to extremism and in Britain, as Gordon Brown was caught in a quagmire of his own making, voters found themselves torn between fear and reason.

Across Europe the pressure was building up and it was only a question of time before the UK gave in to the call of extremist movements of all stripes as the economy faltered and politicians turned the pointing finger towards Europe: a welcome scapegoat that certain were transforming into an image of pettifogging Eurocrats.

Voicing his fears Francis told Tom Barton: 'If we compare the present situation to the thirties we'd be looking at the point when markets had fallen by fifty percent, then a further sixty, before they finally starting to rise again. It was not until 1955, twenty six years later, markets returned to their 1929 level.'

'What does that mean for the investor?'

'Well assuming you didn't lose your shirt in the present crash, and hoping we're not looking at the same scenario as that of the thirties, it'll soon be a very good time to invest as the market can only go up.'

'Maybe I should do something else with my money, because if things don't work out, it could take years to get back to the 2007 level, according to your theory.'

'Put your money into the good banks and good businesses.'

'Good banks?'

'I don't mean morally good, I mean sound banks, those that will survive.'

Sound, Barton thought to himself, wondering if that included the Irish Netherlands.

‘Yes, assuming the survivors will thrive.’

‘Like Ford?’

‘No, but perhaps Google or Microsoft, or new players.’

‘I suppose so,’ Barton said thinking of Tarasov. ‘What about Bloomberg.’

‘It’s a partnership — no shares.’

‘Too bad. Maybe Japan would be a good bet?

‘No, last month their imports and exports experienced the biggest crash since 1957, as for the Nikkei it’s almost dead. Try China.’

Chapter 29 WIMBLEDON

George Pike, Fitzwilliams' chauffeur and personal guard, drew up to the VIP gate of the All England Lawn Tennis and Croquet Club in Wimbledon and flashed the invitations. Fitzwilliams and Kennedy were guests of the Royal Bank of Scotland for the British Tennis Open. RBS maintained a lavish, but discreet corporate hospitality lounge for privileged guests. In their airconditioned Mercedes the two men were oblivious to the millions of Londoners, who at that same instant were sweltering in their offices in one of the longest heat waves to hit the South-East in decades.

A pretty hostess dressed in the 2009 Championship tennis outfit greeted the two bankers and guided them to the VIP hospitality lounge. Once their passes were inspected by security they were each served with a glass of refreshing Champagne. Looking around they were drawn to the vast panoramic window overlooking Court One, its roof closed for the first time in anticipation of an early summer thunder storm. Below them Andy Murray, cheered on by thousands of enthusiastic spectators, was giving a lesson in aggressive tennis to his Swiss opponent.

'So here's to the taxpayer,' said Kennedy raising his glass.

'Taxpayer?'

'Well they're paying for our treat.'

'Of course, the taxpayer…that includes us,' retorted Fitzwilliams.

'Not me,' smirked Kennedy. 'At least in the UK.'

Surprisingly there were few people in the lounge in spite of the huge cost engaged by RBS for its very privileged guests.

'So where is our friend Sergei?' asked Fitzwilliams as he glanced down the menu, which including Shetland Isles salmon with chocolate truffle torte for dessert.

'Probable screwing around with those Russian girls.'

'Players?' said Fitzwilliams raising his eyebrows.

'No, guests, you know models and the like.'

'Oh…. How are his affairs?' he asked, then adding for clarity, 'You know…business.'

‘He’s doing very well, oil’s shot up, doubling since the beginning of the year so he must be raking it in. He’s played his cards shrewdly, still making a lot of money the Russian commodities he’s buying at giveaway prices.’
‘What about property?’
‘That wasn’t his thing, but recently he’s dived into the Moscow market. Prices have collapsed.’
‘I see.’
There was a moment of silence as Fitzwilliams mentally compared the information to his own feedback.
‘Did you see the IMF report on the Irish economy?’ asked Kennedy unable to bear the pause.
‘Says we’re not to blame for the economic crash.’
‘That’s kind of them.’
‘But we’re to blame for overheating the economy. That’s what’s made things worse in Ireland than here.’
‘Hmmm.’
‘It won’t make good reading for the Taoiseach.
‘It wouldn’t, he was Minister of Finance during the good times.’
‘At least we moved our key operations to London.’
‘And we didn’t get too deeply into the Irish property market.’
‘The other silly feckers are up to their necks, can you imagine, seventy percent of lending at home was property-related at the end of last year.’
‘Don’t forget Cassel & Powercourt…and Allen.’
‘As long as they don’t drag us down.’
‘The deal for Allen’s place is settled?’
‘Tarasov signed this morning.’
‘Hmmm. Which one is Murray?’
‘No idea.’
‘The only worrying thing is all this talk of nationalization.’
‘It’s all relative…let’s hope that nothing upsets the apple tart,’ said Kennedy.
‘You mean apple cart Pat,’ said Fitzwilliams slyly poking fun at Kennedy mixing his idioms.
‘Whatever,’ replied Kennedy ignoring the barb and waving his empty Champagne glass at one of the waiters.
Kennedy knew next to nothing about tennis…their presence was strictly limited to meeting Sergei Tarasov, who, since his country’s players had

reached the summit of the sport, had developed a passion for the game, like many other Russians.

Tarasov appeared accompanied by two other men.

'You know Steve Howard and Tom Barton.'

'Ah Tom! Of course, you really get around n'est pas. Dominica, the Aegean, and now London!' said Fitzwilliams shaking Barton's hand warmly.

'Steve, nice to see you again,' he said turning to Howard. 'Still ducking and diving as they say.'

They laughed and patted shoulders as a waiter guided them to a table overlooking the court.

Tarasov attempted to update the bankers on the performance of Dinara Safina, who had just qualified for the quarter finals. But seeing his bemused Irish friends looking around, then out onto the court, he changed the subject. 'So Michael, how is business.'

'Looking promising Sergei, and you.'

'For the moment I'm enjoying the tennis, a lot of my friends are here from Moscow.'

'I can see that,' said Fitzwilliams scanning the players' names on the results board, where at least he could recognise the Russian names.

A waiter brought a magnum of Champagne with six glasses and Sergei ordered a bowl of caviar. He was looking pleased with himself, and justifiably so, thanks to Steve Howard's behind the scenes negotiations he had just bought Brendan Allen's London home. The troubled Irish businessman had been forced into a fire sale, starting with his racehorses, helicopters, executive jet, and now his luxurious London home.

Tarasov, who jumped on Allen's Knightsbridge property, a bargain at twenty million pounds, proposed a toast: 'To my new dacha.'

Glasses clinked and they sipped the excellent Champagne, provided by the British taxpayer, as the caviar arrived accompanied by freshly toasted blinis and a bottle of chilled vodka.

'Steve arranged it for me, a good deal.'

Fitzwilliams smiled with a small nod in Howard's direction.

'There's plenty of great opportunities out there Michael. That's the positive side of the crisis. With quality you can't go wrong.'

'Cash?' asked Fitzwilliams.

'Cash,' replied Tarasov.

'Excellent,' said Fitzwilliams. And it was, the money went straight to his bank to settle Allen's outstanding loan on the property.

Tarasov poured six glasses of vodka then after helping himself to a large spoon of caviar and proposed another toast.

Then changing the subject he commenced, 'What I'm looking at now Michael,' looking more serious, 'is an investment fund that can take advantage of the shakeout that's taking place by investing in prime properties in major cities around the world.'

'Sounds interesting,' replied Fitzwilliams cautiously.

'What I need are partners and a London fund manager.'

'Have you anyone special in mind.'

'What about your bank Michael?'

'It's certainly worth thinking about,' he replied seriously, judiciously matching Tarasov's tone.

'Good.'

'What kind of cash can you put up.'

'Let's say a couple of hundred million. With that we could find the rest on the market, say a total capital of two or three billion, a little leverage and we would be in a very strong position to do what we want, starting in London.'

Fitzwilliams looked at Kennedy who had been silent for once.

'We can do a simulation, it wouldn't take more than a couple of days.'

'What about your government's regulations for hedge funds?'

'Don't worry, Brown's already in trouble trying to organize the banks he's nationalized, it's like trying to herd cats.'

'Cats?' said Tarasov puzzled.

'Forget it Sergei, there'll be no problem.'

'Очень хороший,' said Tarasov emptying his glass. 'Steve, as you know is in property, we'll draw up a list of potential acquisitions. Tom is here for the tennis,' he said with a wink whilst plastering a slice of toast with caviar and refilling the glasses with vodka, 'На здоровье! To us!'

'Sláinte,' echoed Kennedy and Fitzwilliams.

Tarasov may have been pleased with himself, business was beginning to look up. The same could not be said for Russia. Its economy was directly linked to the price of oil and metals, eighty percent of its exports, it was in the doldrums. At around sixty dollars a barrel coupled with a relatively high cost of extraction they were far from oil's one hundred and fifty dollar peak.

The Moscow stock exchange had fallen twenty percent since the beginning of June, forcing Vladimir Putin to order banks to increase lending. Russia was facing the worst economic crisis since its default in 1998. It was a big come down after its invasion of Georgia, when for a moment the Kremlin imagined it was a superpower again.
‘So let’s meet in your offices, say Tuesday.’
‘No problem, my secretary will fix things up, at St Mary Axe.’
‘ЧТо, What?’
‘That’s the address Sergei.
‘Да, Да.’ The Russian looked at his watch, ‘Sorry I have to go, you know a presentation to the Russian players.’
The Russian, together with his two friends, bid the bankers a cheerful goodbye and headed for exit.

‘So what do you think of that?’ Fitzwilliams asked Kennedy.
‘It might be just what we are looking for, if Tarasov’s got the money,’ Pat replied, his voice slightly slurred and face flushed as the vodka took its effect. ‘Howard’s very smart.’
‘Could be.’
‘Well the timing is right, hedge funds are picking up again with more liquidity about.’
‘Who was the other fellow?
‘Barton, Tom Barton, good chap, met him in Dominica, a consultant — knows what he’s doing.’
The meeting with Tarasov had simply confirmed Fitzwilliams’ own calculations. He had lost confidence in the kind made by Greg Schwarz, mathematical models and all that linking commercial property to economic growth and equity performance. His reference point was the US, where prime commercial property auction prices had fallen by half compared to the prices paid a couple of years before as the number of firesales shot up.
Investors like Tarasov were attracted to hedge funds, in spite of the annus horribulus, and many continued to make huge profits.
‘A new property fund would be a good idea,’ Fitzwilliams mused. ‘Our Nassau fund is picking up and we get 1.5% for managing the fund and 15% of the profits.’
There was nothing to lose for Tarasov and other cash rich investors, especially as equity markets looked unlikely to recover quickly in the very

near future.

Tarasov's idea for a commercial property fund was exactly what the Irish Netherlands needed. It was now up to Kennedy to meet and convince investors; the problem was property vacancy rates were rising and rental incomes were falling. Fitzwilliams was however convinced that government debt would inevitably lead to inflation making prime property a good hedge.

The moment was right. Ireland's property empire in London was unwinding and the sell-off of its trophy assets about to start, a feast for the vultures and jackals, and Tarasov planned to be amongst the first served. The heady days of 2007 were long gone when Irish tycoons like Brendan Allen announced spectacular property deals in the City, scooping up iconic London's landmarks.

Besides Brendan Allen, those in trouble included Derek Quinlan. The latter an ex-tax inspector turned entrepreneur, had built an empire fuelled by cheap loans. Together they had burnt their fingers in buying a share in the Citigroup Tower at Canary Wharf from the Royal Bank of Scotland, with loans from Santander and AIB. In 2007, in the market frenzy, they had paid top dollar, at the peak of Ireland's foray into prime international property.

There was ten billion pounds worth of Irish owned property in London, much of it in trouble, and the rush to get out accelerating by the day. Included in the targets Tarasov had set his sights on were iconic hotels and landmark buildings. Amongst these were the magnificent buildings built in the thirties that dominated the north side of Grosvenor Square, which had later become the headquarters of the US Navy in Europe, in another register was Battersea Power Station on the south bank of the Thames.

Along with Tom Barton, Steve Howard entered the fray, opening discussions with China's sovereign wealth fund, the China Investment Corporation, with a view to acquiring the Citigroup Tower and other City properties.

Unlike many of the ten thousand or so hedge funds that existed, the new commercial property fund would not need to draw the attention of investors. The vast majority of such funds managed less than one hundred million dollars, whilst the larger funds managed over two billion dollars. Institutional investors formed the largest group of investors in funds and had the means to carry out the research and risk control. There were considerable profits to be made by banks and managers to handle hedge funds, charging fees in the order of two percent on assets managed and twenty percent on profits.

Tarasov's plan was to attract nouveau riche investors, not only from Russia, but more importantly from Asia. Such investors had a growing appetite for the kind of luxury hotel that catered for their privileged classes, and overseas headquarters to house the business giants that were emerging in the Middle Kingdom. Asian investors, despite the crisis, had been discreetly investing in iconic properties, one of which was the vast Mansion of Prince Roland Bonaparte, which had been restored and transformed into the luxurious five-star Shangri-La Hotel. It had been built in 1896, on avenue Iena in Paris, just a stone's throw from the Trocadéro with breath-taking views of the Seine and the Eiffel Tower.

In contrast to the disaster that had hit the financial world, many hedge fund prospered and had performed better compared to bonds and equities. The worst seemed over and investors were returning to the market, which was to the advantage of hedge fund managers, given their ability to adapt quickly, developing new strategies in a market where opportunities were numerous and distressed property owners were desperate.

Since the onset of the crisis, however, a good number of hedge funds had been liquidated as asset values fell and investors pulled their money out. The hardest hit were those who had been over-leveraged or funded with hot money.

Kennedy's initial task was to put together a team, and quickly. His job was facilitated by the fact that many traders and fund specialists had lost their jobs in the shakeout. Liam Clancy was amongst them. Kennedy first thoughts were to the bank's Dublin investment branch, but then he remembered it had been hastily shut down nine months previously.

A quick call to Human Resources solved that problem and the next morning he received a complete file with a list and details of Dublin's former employees and their respective responsibilities. He then drew up a shortlist of suitable candidates. Liam Clancy's name figured amongst them.

The fact that the Irish team had dispersed made his task a little harder, but after a few calls to Dublin he learnt Clancy was living in Spain. That pleased Kennedy with his fascination for foreign places; it also reminded him of his own beginnings. The lad had added overseas experience to his

CV, probably spoke Spanish, which if not a great asset in itself meant that it had sharpened his wits. The young ex-trader had certainly been through trying times, but if he had survived he would made a good candidate given his prior experience with the bank, and last but not least he was Irish. Kennedy instructed Human Resources to locate the lad.

A call to Clancy's parents in Enniscorthy turned up his address in Marbella and he was promptly summoned to London, expenses paid, where Kennedy, not a believer in procedures, at least for the kind of job he was offering, could inspect him first hand. Clancy did not try to play hard to get. He could not help thinking of the many City jobs that had gone for ever along with the generous pay packages and bonuses that went with them. Tens of thousands of jobs had disappeared and there would surely be many vicious cuts more to come.

Clancy remembered the small group of frazzled Irish Netherland's traders that fateful Friday eighteen months earlier standing forlornly at the bar in the Dublin pub, it was like an Irish wake, where the mourners gathered to drown their sorrows. The sense of shock had been complete; the entire trading section of the Irish Netherlands had been terminated, at a moment's notice and without so much as a by-your-leave.

'There's a good probability we'll have a currency crisis on our hands, so don't bet on sterling, that's why we're hedging our bets,' said Kennedy feigning a hint of insider information.

'What makes you think that Pat?' asked Barton digging for more details, even though the fears Kennedy voiced were evident, even to the least well informed.

'It's easy Tom, propping up our competitors is costing the government between one hundred and one hundred and fifty billion pounds. That's bad for UK debt, which is heading for one hundred percent of GDP.'

'Like Iceland or Ireland.'

Kennedy's face fell; he did not like to see Ireland put down.

'We're not Iceland Tom.'

Iceland had been forced to borrow from the International Monetary Fund to avoid default, and Ireland, in the throes of the severest economic crisis since the thirties, was heading in the same direction in spite of Kennedy's protestations.

‘When I was a kid there were many really poor people at home, you can’t comparable our situation to that.’

Barton let it pass. Forgetting Ireland, Britain was up to its neck in one of the most severe financial crisis ever seen in peacetime with the risk bond yields would be forced up, meaning an even greater debt burden. The government would need to sell almost a trillion pounds of gilts over the next four or five years to keep the Britain afloat, which did not bode well for sterling.

‘In the worst case scenario we could even see a run on the pound. Of course that would affect us less than other banks as we’re in the Eurozone,’ said Kennedy as ever the optimist. ‘I mean with our branches in Amsterdam and Dublin.’

‘Let’s hope so Pat.’

Chapter 30 A LITERARY AGENT

Pat O'Connelly was well into his new novel with Jason Herzfeld was pressing him to complete it whilst the crisis was still in the forefront of readers' interests. It was for this reason Angela Steiner had invited the writer to her offices, situated on rue de Rivoli, between the Louvre and place de la Concorde, for a progress update followed by lunch.

Steiner, his literary agent, must have still been making money, O'Connelly thought, as he admired the architecture, the rent alone must be costing her a fortune. The handsome 18th century edifice had originally been built by the order of Napoleon Bonaparte. But once inside Pat found himself in a modern office building; all the remained of the original structure was its façade.

He took the lift to the fourth floor and made his way to Steiner's office suite. She was a New Yorker and had settled in France some years earlier. Together with Henri Rubenstein, a Frenchman, they created their literary agency, handling, very profitably, the sales and translation rights for American and British bestsellers for the French market.

In 2009, few American writers chose Paris as a place of inspiration. The City of Light was no longer what it had been; the glorious first half of the twentieth century was ancient history. The Champs Elysee had become a shopping mall where there was little that was very French: McDonalds and Abercrombie Fitch jostled for a place with outlets such H&M and Sephora as well as a host of other low market brands. The city, which had once been the incubator for budding foreign writers and future literary prize winners, no longer existed, its cultural landmarks were nothing more than tourist attractions. Joyce, Hemingway, Orwell and Baldwin had long since slipped in history.

Henri Rubenstein handled relations with French publishers and a string of writers amongst them a sprinkling of France's professional penseurs, who were, in O'Connelly's opinion, regretfully taken too seriously, especially by themselves. Angela managed the US end of their business.

O'Connelly, still bathing in the glow of his last success, got the red carpet treatment with a warm embrace from Steiner and coffee quickly served by

her secretary.
'So what's new Angela?'
She laughed.
'I was about to ask you the same question.'
'Well Dublin's fine and the book is progressing nicely.'
'That's good news. Jason will be pleased to hear that. He's worried the crisis will be over before the book gets onto the market.'
'I wouldn't count on that. The crisis has a long way to go before things get better.'
'You think it's that bad?'
'Absolutely, and it's going to get much worse. Jason should know that, he's just a stone's throw from Wall Street.'
'Oh.'
Jason Hertzfeld was one of the senior partners at Bernstein Press, O'Connelly's New York publisher.
'People are less worried about terrorists and all that. The things on their minds today are property prices, job losses, rogue traders and banks.'
O'Connelly's experience with Hertzfeld in Israel had brought him closer to the publisher. The novel linked to the ongoing events in The Holy Land and Gaza had made the top ten list of bestsellers. The novel, based on an adventure in archaeology, was intertwined with the long drawn-out struggle between Israel and the Palestinians, and contained a didactic synthesis of Middle Eastern complexities. To his and his publishers satisfaction sales indicated the reading public's appreciation of the book.
'As you know Pat, times are hard, and we think a literary prize would boost the sales of your new book.'
'Not as easy done as said,' he said flattered at the thought.
'Don't worry about that, that's our problem.'
'Which one are you thinking of?'
'Well there's plenty of them about.'
'I've never really understood how they choose a work.'
'Our problem is the quantity of fiction works published each year, it's really quite astronomical.' She flipped a trade magazine for reference. 'Here,' she said pointing to an article, 'twenty five thousand were published in the UK alone last year.'
O'Connelly showed his surprise.
'One of the tricks is a series.'

He made a noncommittal shrug.
'We thought your novel on the financial crisis could be split into three tomes. I don't want to teach you how to suck eggs, but you know, part one — a prologue describing the events leading up to the crisis, part two — the crisis breaks, the drama unfolds, and three — a happy ending,' she said almost tongue in cheek, adding with a laugh, 'though not for the villains.'
'A good old fashioned Greek tragedy,' O'Connelly replied seriously. 'Well I suppose it's at least in line with what's happening.'
'A trilogy, which would justify the scholarly aspect of a novel for the needs of a selection committee, not only that, it would also build up your readership.'
'Fine.'
'Right. Just look at the profits of Random House, they've shot up thanks to their successful trilogies.'
O'Connelly nodded; he did not follow the business results of publishing houses.
'Profits matter Pat. I don't have to remind you the days of gentlemen publishers have gone. Today all that counts is sales and sales need publicity.'
'Of course.'
'That's why prizes matter. There's a whole stack of them out there, in the States there's the National Book Award, the Pulitzer Prize, and in the UK there's the Sunday Times Literary Award, the Booker prize, South Bank Show, WH Smith and Orange.'
'So what have you got in mind?'
'That's up to Jason, it's his business to do the horse trading.

On the other side of the Atlantic things were looking up — at least for certain banks. One could have asked if banks were chastened by the greatest financial crisis in a century. It did not seem so, at least as far as Goldman Sachs was concerned. The bank was set to be paying record bonuses, and just as the rally in global equities weakened on the news of worse than expected business results. The very same bonus culture that had brought the world's banking system to the brink of collapse was very much alive and kicking. After the government bailout it was back to business as usual for bankers in New York and London as they set about stuffing their pockets again, at the moment unemployment in the US was heading for the ten percent mark and Arnold Schwarzenegger was forced to pay California state employees with IOUs.

As government regulators were closing down troubled banks across the US, Goldman Sachs declared first quarter profits of almost twenty billion dollars. With its thirty thousand employees that made an average remuneration of seven hundred thousand dollars per person. The question was where did this money come from? Profits they said. But profits on what? The disappearance of certain of its competitors was no doubt something to do with the change of fortune as was an increase in earnings on Forex and trading. What was more to the point was whether the bank was profiting from the federal relief programme or not?

Admittedly Goldman Sachs had paid back the ten billion dollars it had received under the TARP programme, financed by American tax payers, the vast majority of whom could only dream of such fabulous bonuses. It was the same story at Morgan Stanley, and on the other side of the Atlantic where British and European banks were in the black again. Incredibly, it was as if the disastrous events of the previous two years had never happened.

Did bankers feel responsible for the crisis they had provoked? Maybe, maybe not. But the rise in the number of gun permits taken out by New York bankers seemed to indicate they felt a need to protect themselves from the thousands of angry citizens who inundated the web with ominous threats. For many of those who had profited during the heady years of roaring profits and bonuses, the idea that lynch mobs were about to storm their Wall Street fortresses or their chateaux in Connecticut had begun to seem more and more real.

Chapter 31 CREATIVE MEGALOMANIA

Sophie drove uncomfortably fast for Barton winding her way along the sinuous autoroute that led to the Spanish frontier some twenty kilometres south of Biarritz. It had taken a little effort, but Sophie had finally persuaded Barton to take time to visit some of the recent and more remarkable architectural achievements in nearby Spain.

As an architect specialized in interior design, Sophie worked with her father's architectural firm, Michael Emerson & Partners, as an independent associate in London. Emerson was known for the design of the famous Dubai Bank building, one of the more startling landmarks in the Emirate.

Their first stop was Getaria, a small fishing port of two and a half thousand inhabitants on the Basque coast, fifteen kilometres south of San Sebastian, where Sophie planned to start their tour with a visit to the recently opened Balenciaga Museum.

Cristóbal Balenciaga Eizaguirre, who was to become one of the world's most famous couturiers in fashion history, was born in Getaria in 1895. His clients included Jackie Kennedy, Helena Rubinstein, the Duchess of Windsor and the Spanish royal family. The museum, a massive block of glass and granite glinting under the summer sunshine, was situated on the flank of a small hill overlooking the picturesque fishing port.

The left wing of the museum was the Aldamar Palace, not really a palace, but a large summer house that had belonged to the Marquis Casa de Torres, the grandfather of Queen Fabiola of Belgium. When Balenciaga was a child his mother took in sewing for the marquis who was to become one of the couturiers most important clients.

The ultra-modern architecture of the museum, perched above the small port, seemed incongruous to Barton, though the idea Getaria remember its world famous son with a suitable monument was perfectly normal. Another of the town's sons would certainly live longer in history than Balenciaga: Juan Sebastián Elkano, the first sea captain to circumnavigate the globe. Ferdinand Magellan's second in command, who when Magellan was killed in the Philippines took command of his ship, returning to Spain in 1522 with just seventeen survivors of the two hundred and forty one men expedition that had set out in 1519.

The museum, designed by the Cuban architect Julián Argilagos, was certainly interesting, as was its contrast with the nineteenth palace adjoining it.

Sophie told Barton of the stories and ugly scandals that surrounded Mariano Camio, the mayor of Getaria, who was behind the idea of building a museum to house Balenciaga's works in 1987. At the outset the project was mired in controversy and accusation: sketches made by the couturier disappeared, as did two pairs of gloves, one in white leather, the other in velvet, and a number of silk scarves. To make matters worse the architect was accused of megalomania. Finally, the design of the museum was finally awarded to the Cuban, a close friend of the mayor, and according to certain stories his lover. The project was however, marred by the scandals; misappropriation of public funding, the dismissal of Argilagos, and the endless delays.

Camio headed the company designated to carry out the construction, in addition he was appointed deputy president of the Balenciaga Foundation's and director of the museum. The construction, initially budgeted at six million euros, rose to twenty one million, leaving the foundation in debt to the tune of one million eight hundred thousand euros.

Whether the stories were exaggerated or not, Barton found the Baroque intrigues fascinating, but what surprised him most was the dimension and the extravagance of the museum, which had certainly cost the Spanish tax payer, not forgetting Brussels, a pretty fortune.

After an excellent fish lunch in the old port they continued their journey to Burgos, where Sophie planned to show Barton the newly opened Museo de la Evolucion Humana. She had contributed to the design of the museum's different levels and the creation of its exhibit rooms.

From Getaria, the drive took an hour and a half, first over the recently build highway that cut through the Basque Mountains in a series of tunnels and spectacular viaducts. They soon left the all-pervading greenery of the Basque landscape, suddenly emerging on a sun drenched plateau. After bypassing Pamplona they soon neared the outskirts of the historic city Burgos.

There traffic was light as the heat of the early afternoon sun reflected off the autopista ahead. As far as the eye could see the city was surrounded by cereal country, the crops had already been harvested leaving a golden yellow stubble across a landscape broken only by a series of small wooded hills.

Barton impressed by the region's infrastructure, which must have been built at great cost, and noted whatever the effects of the ongoing economic crisis Spain would be left with a highly modern system of highways.

Burgos, like many Spanish cities, was compact with the cathedral the focal point of the old town. Sophie knew her way around the city having frequently visited it during the construction of the museum, which did not prevent Barton from pointing to the rose coloured road direction signs that pointed the way to the Museo.

It took less than ten minutes to reach the museum where Sophie parked the car in the underground garage and led the way up to the esplanade and the offices of the curator. There they were met by José Velasquez, one of the co-directors, for a guided tour of the museum and its exhibits.

The complex, estimated to have cost almost one hundred million euros, had been inaugurated just two months previously by Queen Sofía and was still going through its teething problems. The complex, designed by Juan Navarro Baldeweg, consisted of a three buildings clad in glass and aluminium: the Museum of Human Evolution, the Human Evolution Research Centre, and the Congress Centre and Auditorium.

Velasquez explained the design was a representation of the geological or paleontological aspects of the archaeological site, which Barton had not yet visited and had some difficulty imagining. To his untrained eye building seemed vast, out of scale given the number and size of the exhibits. It was reminiscent of the Balenciaga museum, extravagantly built, regardless of cost. It was an immense glasshouse, the unoccupied spaces of which were more than vast: stairwells, halls and corridors. It was an architect's dream, where the question of budgets had evidently been relegated to some obscure bureau in Castilla-Leon's regional government offices, or filed away in some corner of the Burgos City Hall.

Velasquez, wanting a few words with Sophie on the subject of some unfinished details, pointed Barton to the exhibits where he could see the cranium and mandible of Homo heidelbergensis, part of the two hundred original human fossils on display in the museum, by far the largest collection in the world.

Barton, though he knew little of science and anthropology, found himself deeply moved in the presence of the five hundred thousand year old skull of Homo heidelbergensis. As for the rest of the museum it was a sparse didactic presentation of human prehistory, he felt disappointed, to his mind the number of interesting exhibits did not warrant the vast scale of the edifice.

The visit finished, they headed for their hotel as Sophie enthused over the piece of monumental architecture. Barton congratulated her on her accomplishment, very certainly a reference as far as her career was concerned. He was careful to avoid voicing his thoughts, which would have certainly hurt Sophie.

The hotel, situated to the west of the old town, was described by the French guide book as a hôtel de charme. An ancient building tastefully relooked; its original style retained and set off by a clever choice of contemporary furnishings.

'You're not tired Tom?'

'Of course not,' he replied knowing that Sophie was eager to show him the sights.

'Then we'll visit the cathedral, it's closed now but we can still admire its style.'

'Suits me,' he said enthusiastically.

'It's Spain's the third most important cathedral. After that I know a little restaurant.'

The early evening sun reflected from the white limestone walls of the cathedral. It was magnificent. The construction of the Gothic-style Catedral de Burgos had commenced in 1221, and was not completed until 1567. During the intervening three hundred odd years, different architects added diverse elements to the edifice and in equally varying styles.

Barton wondered how long the Museo de los Humanos or the Balenciaga Museum would last. Not long, it was a simple question of materials. Elliot Stone had once told him that architects worked for politicians and politicians knew nothing of architecture. Their ideas reflected the societies in which they lived in, with little or no thought given to durability. What counted was now and the next election.

'A penny for your thoughts,' asked Sophie.

'Nothing, just thinking…,' he replied, before admitting, 'Well, I was only wondering how long the Museo de los Humanos would last?'

Sophie shrugged. ‘It would last longer if we could build it with more durable materials, but that costs money, lots of it.’

‘And they don’t have it?’

‘No, you can see what has happened to Spain, the result of spending money it doesn’t have.’

It was hot, still in the upper twenties, the heat of the day radiating from the massive walls of the ancient city.

‘Let’s go eat,’ said Sophie grabbing his arm.

Chapter 32 DEPRESSION AVOIDED

As the summer neared its end, shareholders, to the immense disappointment of the doomsters who had predicted the end of the world, saw their biggest summer gains in five years with the FTSE 100 forty percent above its March low. Nevertheless, things were not good, unemployment was surging and lending remained weak. Those who had hoped for a quick turnaround there were disappointed.

To the relief of all, another 1930s style Great Depression had been avoided. That did not lessen the anxiety at the Irish Netherlands Bank, where concern was growing over certain of its commercial property loans, more notably those relating to Canary Warf. The bank was part of a pool that had provided an almost nine hundred million pound loan to the Songbird Consortium, sixty percent owner of the Canary Wharf Group. Songbird announced unless it could refinance the loan, repayable in May 2010, it could breach its covenants.

The story of the Canary Wharf development went back to the early eighties, when the American banker Michael Von Clemm, chairman of the bank Credit Suisse First Boston, and the property tycoon Gooch Ware ‘G’ Travelstead, an American property developer and entrepreneur, persuaded the London Docklands Development Corporation and the Government of Margaret Thatcher that a new financial services district, located at the old West India Docks, was viable. They planned to repeat the Boston, Massachusetts, docks redevelopment by the transformation of the Isle of Dogs area in London’s derelict Docklands.

From the outset the project was plagued by a chain of corporate collapses and financial problems. When finally the Canadian developers Olympia and York took over, they too were hit by a recession. But, the project was saved by a new company, the Canary Wharf Group, which in turn was taken over by the Songbird consortium in 2004.

Then came the crisis and the value of City commercial property plunged, as did Songbird’s portfolio. The property company’s liquidation seemed inevitable, threatening the solidity of the Irish Netherlands.

Fitzwilliams, fearing the worst, turned to Tarasov, who was working to form a group of investors that included the China Investment Corporation, a sovereign wealth fund, and Libyan investors.

Canary Warf was not the bank's only problem. Its Dublin end was involved in a vast one billion euro new town development programme in the Pembroke district to the south of the city. Its developer, Allen Holdings, had announced the project would provide thousands of jobs on completion. The project included offices, leisure facilities, a shopping centre, a multiplex cinema, a bowling alley and what the prospectus described as a family entertainment centre.

The new town, strategically located only fifteen minutes by train from Dublin City centre, fifteen minutes to the airport, was to have provided homes for thousands on completion. In addition the Irish developer had planned a new deep-water port, which he then described as one of the most exciting infrastructure projects to be undertaken in Ireland.

Unluckily for Allen, one year after the debacle caused by the collapse of Lehman Brothers, he was in deep trouble, struggling to keep his head above water, as the aftershocks hit Ireland. Unemployment was surging and public finances in a disastrous state.

'If things continue like this Pat we'll have to get into bed with Tarasov.'

Pat nodded, he liked the idea, he liked anything that was unorthodox. The idea of linking up with the Russian opened up vast new fields of opportunity, which to Fitzwilliams' mind were potential minefields.

'We don't have much choice, at least we're free not like our High Street friends.'

'New opportunities are always risky Fitz,' replied Pat reading his mind. 'In the past people weren't afraid of exploring new territory. Now it's others, the Russians and the Chinese who are showing the way.'

'What's this I've heard about Battersea Power Station Pat?'

'Battersea Power Station?' mumbled Kennedy. 'Real Estate Opportunities is involved…a Dublin Irish firm.'

'Fuck Dublin,' snarled Fitzwilliams losing his famous cool. 'We're trying to get out of trouble, not into it. We've enough trouble with Canary Warf without taking on any more lame ducks.'

Kennedy clamed up, it had been his idea to get involved with the developers, considering the four hundred and fifty acres of space waiting to be built on. The site, a stone's throw from his apartment, provided a sad panorama and a constant reminder of the opportunity in attendance as he crossed Chelsea Bridge to drive into the City each morning.

The power station had been closed down and stood gutted for as long as he could remember; a casualty of political dithering. Plans dated back to 1981, making it one of London's longest running property sagas. Only the shell remained, a strange architectural monument in the heart of London. Its rebirth had been launched in the middle of 2008, soon after Kennedy's Irish friends had completed the purchase of the thirty eight acre site, their eyes fixed on a vast development. Then with the arrival of the crisis its value plunged leaving the overambitious Irish developers in debt to the tune of one and a half billion pounds.

Fitzwilliams had reason to fell glum. A way had to be found out of the mire and as prospects in the UK faded the idea of working with Tarasov's seemed, like it or not, a possible solution to the impasse. The British economy was surviving on hand-outs. All together the cost of the nation's rescue, with bank bailouts, capital injections, purchase of frozen assets, guarantees and Bank of England provisions, had reached a barely imaginable one point three trillion pounds, equivalent to over eighty percent of its GDP.

The global economy was not faring much better, with a total of nine trillion dollars, one thousand dollars for every single person on the planet, pumped into its stricken economy.

Britain's share would weigh heavily on its future.

Chapter 33 AUGUST

It was a neighbour who first saw the smoke rising from Jameson's property; at first thinking it was one of the Englishman's weekend barbecue parties he ignored it. But when the billowing smoke turned from white to black and flames leapt into the late afternoon sky he knew something serious was wrong. He alerted the fire services, then jumped into his car and raced uphill to Jameson's, barely half a kilometre away, along a steep, narrow, twisting country lane.

The mid-August bank holiday was not a good moment to have a fire. As the St Jean de Luz fire fighters struggled to reach the fire they were confronted with a heavy tailback of holidaymakers and day-trippers. The crowd had been forced to abandon the beach en masse, after a sudden and violent west wind, an Enbata as the Basques called it, hit them, whipping up dense clouds of sand as it swept up the coast.

The manor was almost two kilometres to the south of Urrugne and it was twenty minutes before the fire-fighters entered into Jameson's property. The first to arrive on the scene had been the immediate neighbours who were helpless. The huge manor and its dependencies were ablaze. Tall flames reached up into the sky surrounded by swirling clouds of white and black smoke. There was no visible sign of life. The onlookers could do nothing but stand and watch the grim spectacle of the magnificent 17th century buildings being consumed by the inferno. The fire-fighters quickly set their pumps up by the large swimming pool, but their task was hopeless and it was not until well past midnight that last flames were finally doused.

Halfon, Jameson's business partner, was contacted at the Hôtel du Palais in Biarritz, where he sometimes stayed at weekends. To his knowledge Jameson was not travelling. It was Sunday and his partner's cell phone was switched off, perhaps he was visiting, or had gone sailing on his boat the Jai Alai, as he often did at weekends.

The next morning the police arrived on the scene to assist the fire-fighters raking through the remains of the manor in search of possible victims. The officer in charge of the enquiry, Commissaire Jacques Cramer of the Police Judiciare in Bayonne, took note of the boat's name and called the capitanerie at the Hendaye Marina. He was informed the Jai Alai was at its mooring, but there was no sign of activity.

With few answers to his questions Cramer ordered the property to be sealed off. Specialists of the INPS, the forensic police department, would be called in the next day for a detailed inspection of the burnt-out ruins. In the meantime, neighbours informed Cramer, Jameson's known next of kin lived overseas, it seemed he was divorced, his son was believed to be living in Ireland and his daughter in London.

In view of the damage and Jameson's absence, Cramer decided it would be in order to check out the boat. The capitanerie had informed him the person best informed on the comings and goings on board was the boat's Spanish skipper, Jose Laborda, who rented an apartment nearby the town hall in the centre of Hendaye Ville.

Cramer called Laborda and fifteen minutes later picked him up for a visit to the marina, a short minute drive away. The Spaniard showed the way to the harbour. On arrival at the capitanerie, he pointed to the Jai Alai, but strangely the Commissaire seemed to have difficult in seeing it, which struck him as bizarre given the thirty metre Guy Couach motor yacht was the least difficult boat to spot in the marina. It was by far the largest vessel present, moored on the quai with its fantail almost staring them in the face.

There was however no problem with Commissaire's eyes, it was he could simply not imagine such a huge boat belonging to Jameson, even if he was well-off.

Cramer felt non-plussed as he was led down the ramp onto the pontoon towards the afterdeck of the motor yacht and Laborda producing a set of keys opened the doors to the lounge area. The Commissaire, a cynical flic, who had visited the homes of many wealthy and famous people during his long carrier in the police, was taken aback by the luxury of the Jai Alai. The lounge alone was larger than his own living room, decorated and furnished in the style of a petrodollar emir.

Everything seemed in order. Laborda pointed to a stairway that led the way down to the next deck and a dining room, followed by another lounge, a galley and other areas. On the dining room table was a bottle of whisky and two empty glasses. Laborda indicated the staterooms were below on another deck and Cramer followed him still agape at the size and luxury of the boat.

He found himself in a narrow corridor, to the left and right were cabins and to the forward a stateroom. There was nothing unusual in the luxuriously appointed cabins. Laborda then pointed to the main stateroom. It covered the full width of the boat. Facing them was a king-size bed that had been slept in, to the right side of the bed a door led to what Cramer assumed was an ensuite bathroom, it was slightly ajar and a light was on.

'Is anyone there?' he called out. There was no reply and he advanced towards the door, cautiously pushing it open. Slumped over the bath was a man's lifeless body and a small pool of dark congealed blood. He pushed the door close, telling Laborda to wait outside. A brief inspection of the body told him the deceased had been shot once in the side of the head and had fallen sideways over the bath.

A couple of moments later he invited Laborda to identify the body. The Spaniard, who seemed a little over curious, looked closely at the body and announced it was not Jameson. Then after a moment's reflection informed Cramer he had seen the dead man with Jameson a couple of days previously on the boat.

There was no arm present and at first view it seemed to be a case of murder. Cramer alerted the criminal investigation department in Bayonne, but there was nothing he could do at the crime scene until a team of forensic scientists arrived.

According to French law, after a serious crime is committed, a procedure is set in motion whereby a prosecutor takes over and an investigating magistrate is appointed to lead the enquiry. The role of the Police Judiciaire, once it had been established a crime had in fact been committed, is to collect evidence, and pursue the perpetrators of the crime pending the appointment of the investigating magistrate. The magistrate then takes charge of the case and police carry out the investigation under his orders.

There were all the signs of an Indian summer in the making as Cramer tried to piece together the mystery of the Jai Alai murder. The thirty three metre ocean going motor yacht, required a full crew of nine and could sleep ten passengers, it flew a Panamanian flag and cost two million euros to run.

The Jai Alai had been bought by Fernando Martínez for more than twenty million euros, and had been sold to a charter company in the Caribbean, owned by Jameson, when Grupo Martínez Construcciones got into difficulties.

Not only the bottom had fallen out of the Spaniard's property business, but the authorities in Madrid were hot on the trail of his hidden assets. The owners of luxury motor yachts could not give their boats away; it was a buyers' market, and Jameson taking advantage of the cash strapped owner, persuaded him to transfer the boat to his Caribbean charter company in exchange for a payment in negotiable bonds to avoid the yacht being seized by the bankruptcy court, or tax-man, in a secret deal set up by Hiltermann.

Jameson planned on chartering the Jai Alai in the Caribbean where he figured he could earn one hundred and fifty thousand euros a week all included, which may have seemed expensive, but with the possibility of sleeping ten guests in its five ensuite staterooms and with financial markets picking up again there would be plenty of clients who would prefer a charter to the cost of buying and maintaining such a yacht.

Jameson had arranged to meet Hiltermann in San Sebastian to settle the deal with the Hollander, before embarking for Aruba in the Netherland Antilles on the Jai Alai with a reduced crew and Laborda at the helm.

The dead man was identified as Jaki Loiola, a local town councillor and Basque nationalist sympathiser, who with a cousin was notorious for his links to construction firms in the border region. Cramer suspected the killing was related to the site of a stalled Martínez residential construction project in Hendaye's town centre.

As with most crimes the first hours and days are the most important. If during that window of time no clear leads were found the investigation loses its urgency, as new affairs appear, and awaiting new evidence. Such was the case for the Loiola murder investigation. Of course the rumour mill was working flat out, after all the killing of Jaki Loiola was the most sensational case the region had known for decades.

The site in question, occupied by a supermarket, had been acquired by Halfon, through the intermediary of Loiola. Loiola then arranged a building permit for Halfon, who then sold the land to Martínez Construcciones for a substantial profit. Days after the sale of the land, Martínez went into receivership and the project stalled, leaving large payments of money outstanding. It appeared that Loiola had been received a kickback relating to the building permit, but refused all responsibility when Martínez went under, pocketing the cash. It surprised nobody and was not the first time that Loiola and his cousin had been involved in bent property deals with in Hendaye and St Jean de Luz involving promoters on the other side of the border.

At the very same moment Cramer discovered the crime scene on the Jai Alai, another gruesome discovery was made by a chambermaid in the Hôtel du Palais in Biarritz. She found a body sprawled across the bed in Halfon's suite. The victim was later identified as Sid Judge, a British citizen and small time swindler, wanted by police in the UK and Florida. Judge had been, it appeared, involved in a holiday home scam operating from Dakar in Senegal. He had been shot once in the chest; according to the police report he had died immediately. There was no sign of a struggle and the drinks delivered to the room at seven the previous evening had been barely touched. The 'do not disturb' sign had been left of the door of the suite.

Two days later as admiring tourists watched, the Jai Alai weighed anchor and gracefully slipped out of Hendaye's marina. The motor yacht was last seen passing Cabo Higuer, heading out into the Bay of Biscay. Certain witnesses were said to have recognised Laborda at the helm, others claimed they had seen Jameson. Whatever. Both men had disappeared and given the power and the range of the ocean going yacht it had disappeared before the police and authorities woke up to its sudden departure.

Chapter 34 JAMESON

The hunt for Jameson intensified after witnesses, a retired couple whose apartment overlooked the marina, told police they had seen Jameson arrive late on the Sunday evening at the Hendaye Marina, accompanied by a tall individual, later they said he left hurriedly and alone. Other witnesses reported seeing Jameson in Biarritz, driving his Mercedes away from the Hôtel du Palais early on the Sunday evening.

The partnership built-up between Jameson and Halfon had turned sour. The collapse of Martínez Construcciones delivered the first body blow to their business. Then property investments in the UK and Spain stalled as finance provided by Hiltermann's end of the Irish Netherlands Banking Group dried up. The flamboyant lifestyle that had become the partners' trademark: extravagant parties, private jets, helicopters, luxury cars and yachts, slowly faded.

Jameson could have charmed the birds from the trees. Instead he found it more profitably to charm money from the pockets of complacent bankers and investors. Halfon on the other hand had not fared so well, time and again losing money with his often ill-chosen get-rich-quick projects.

Cramer's investigations did nothing more than confirm the two men were used to living in grand style, often arriving Biarritz with an entourage of foreign friends, no expenses spared, even more extravagant than the Russian nouveaux riche they kept company with. As for their link to Hiltermann, enquiries to Amsterdam and London confirmed the Dutchman had indeed been the head of the Nederlandsche Nassau Bank and its Nassau Investment Fund. More interestingly questions had been raised by the Dutch banking authorities concerning complaints from certain investors on Hiltermann's relations with the failed Spanish property tycoon Fernando Martínez, and the information from London concerning the disappearance from the bank's Amsterdam branch of an important quantity of negotiable bonds.

All across Spain the crisis was taking its toll. Almost three-quarters of British expatriates in the country were weighing up the idea of returning home; a tough choice for many. Those who depended on their British pensions were hit by the falling value of the pound, others were trapped by the precipitous decline in property prices, then came those who earned their living in Spain and who feared for their businesses and jobs.

About one million Britons lived in the country where they had dreamt of a new life in the sun. After years of prosperity, the dream had withered; few of them had imagined they would be caught up in the worst economic crisis in decades, away from home and in a country where unemployment was pushing twenty percent.

All across Europe the weak pound hit British expatriates hard as the crisis left no country untouched, but it was those who owned properties on the Costas that were hardest hit of all as prices dropped by as much as sixty five percent. For those forced to sell up, the loss would be painful. Others would wake-up to find themselves homeless and broke, forced to return home; their dreams shattered.

Many expatriates had left the UK in search of a better life, to escape the effects of the greatest transformation in society since WWI, neglected infrastructure and poor transport, with education and health services in a piteous shape. To many, who had quit the UK, the country they had known had changed beyond all recognition. Amongst them were those who had grown tired of seeing the rewards going to the bonus culture establishment and their cohorts…and there were those hit by endless influx of penniless immigrants and foreigners who had contributed nothing to building Britain.

Hundreds of thousands of well-heeled UK citizens headed for France and Spain, buying second or permanent homes. Savvy wheeler-dealers like Jameson had made a good living from selling property and services to expatriate Brits, but times had become harder for them as the crisis started to bite.

Owners of expatriate homes concentrated near the channel ports of Normandy and Brittany had never been of interest to Jameson who catered for those who were perhaps more sophisticated. Those who opted for integration into local communities rather than live in narrow expat world; those who chosen Aquitaine in the south-west, and more precisely in the Basque Country with the chic resorts of Biarritz and Saint Jean de Luz.

The good times were forgotten and when the Spanish police started poking their noses into the different developments promoted by Malaga Palms, Jameson had retreated to his home in Urrugne and his original business base in Biarritz, where together with his partner Patrick Halfon they set about trying to save what they could in the growing exodus.

They had never catered for the fish-and-chip or curry crowd, most of their clients were better-off upper middle class, others were wealthy, and a few spoke good French. For some the move was permanent, others kept homes in the UK, but in general newcomers sought apartments or houses in and around Biarritz and occasionally larger properties a little further inland.

During the boom years Jameson had met a great variety of home seekers, including those who had made good in business, well-off retirees, artists, writers, English teachers, skilled artisans, swindlers and criminals, and even those who hoped to make a living from their compatriots. Amongst their predilected prey were those who had taken out SIPPs, personal pension plans, which allowed Britons to cash in their pension to invest in schemes such as property abroad.

There were even a few expats who continued to work in the City, using regular Ryanair services to commute to and from London. As for our two partners they had gotten used to travelling to London or Marbella, but not with the unwashed rabble, preferring to use a private jet and often bringing their friends with them.

Far from Biarritz, in the south of Spain, Liam Clancy had seen his efforts rewarded as slowly but surely he started to make a living by advising a growing number of expats on how to protect their incomes and savings, avoiding unpleasant surprises, avoiding unnecessary transfers of earnings and savings in an unstable currency market, where banks rather than advise clients acted like sharks, ensnaring their unsuspecting clients.

When the offer of a job in the City came from INI, he was at first inclined to turn it down. He had already been thrown to the sharks when Fitzwilliams' bank found itself in difficulties, but after reflection it was difficult for him to resist the idea of working in the City, the mythical heart of banking, where he could heal his wounded pride.

After talking it over with his partners, Dolores Laborda Carvallo and Hugh Murray, they agreed if an offer was serious he should accept it, but at the same time he could continue to help them develop their business in Spain. He had nothing to lose, if the job in London did not work out he would always have the business in Spain to fall back on, and if it worked out with the bank it would be a great reference for their business.

In any case the pull of London was too strong, it was not as if it was Dublin, of which the Irish novelist Roddy Doyle said: ‘It’s a big con job. We have sold the myth of Dublin as a sexy place incredibly well; because it’s a dreary little dump most of the time.’

With the different bits of the puzzle pieced together Cramer learnt that Loiola had business in plans in Senegal with Halfon. The two men had met with Judge and Hiltermann at the Hôtel du Palais, where the Dutch banker was believed to have handed over a large sum of money. Hiltermann then left with Loiola. What happened afterwards was unclear, but according to witnesses at the hotel an argument had followed and a bang was heard. That explained the death of Judge. Towards midnight, Halfon was then seen hurriedly leaving the hotel, and according to Cramer’s theory, he joined Jameson on the Jai Alai, where Hiltermann, Loiola together with two unidentified individuals.

Perhaps the bone of contention was the ownership of Fernando Martínez’s luxurious motor yacht, which had come into Jameson possession in confused circumstances shortly before the Martínez bankruptcy. The deal for whatever it was worth had caused considerable jealousy between Jameson and his partner, with Halfon considering he had been dealt out.

The presence of the two unidentified men on yacht that evening, rumoured to be Basque nationalists, was indicative of a link to Loiola’s crooked property dealings in Hendaye. In any case Cramer established a link between the two murders classifying them as ‘un reglement de comptes’, an expression the French liked to use to describe vengeance killings, the settling of scores, frequently between criminals and the like. Such crimes were low on their list of priorities, and when there were scandalous political implications, including corruption, they were quickly hushed-up.

The economic crisis, which appeared to at the root of that particular drama, seemed to have calmed. It was as though an abscess had been pierced, the pus drained, and the patient though looking tired and pale was on the mend, the worse had seemed to have been avoided. Ahead lay a long period of convalescence. Vast sums of money had been poured into economy and that money would have to be paid back weighing heavily on the patients prospects of a full recovery.

At the time of the Lehman collapse it had seemed the world's financial system was near to meltdown, it had not happened. The massive printing of money by central banks had averted Armageddon, but the pervading market volatility was a sign that all was not entirely well.

The public had tired of the crisis and its related dramas. Halfon was written off, disappeared, leaving no visible trail. With his affairs in France seriously compromised, Halfon, feeling the heat, had slipped off for an undetermined period of time to escape the wolves. His exile, temporary or otherwise, would not however be one of misery. He could look forward to the comforts of a palatial home overlooking the sea on a private beach in the Senegalese beach resort of Saly, where he was developing a tourist project, including second homes overlooking the ocean and a safari resort in the Niokola Koba National Park on the Gambia River, to the east of the country, some seven hundred bumpy kilometres inland.

People were lulled into believing the crisis was over, and like elsewhere, tensions in the small seaside town of Hendaye had fallen; it was though people had accepted their fate. There, two subjects of conversation replaced that of the Jai Alai scandal, as it became to be known. The first concerned the possibility that the San Sebastian Airport, across the Bidassoa River, would extend its runway by two hundred metres — and the effect an increased number of flight rotations would have on real estate values, the second was the choice of the route of the new Paris-Madrid high speed rail link, which would affect the value of property situated within a one kilometre wide band to each side of the future line.

Chapter 35 LINED WITH GOLD

Bankers were hiring traders again and stock markets were looking up; for those who had survived the tsunami it was back to business as usual. Liam Clancy was one of the lucky ones. Armed with his newly acquired experience it was time to look beyond Marbella. The streets of London were perhaps after all lined with gold, he thought as he boarded the Iberia flight to Madrid and London. It must be like this after an earthquake, he mused as he sipped his gin and tonic, once the aftershocks were over you cleared away the rubble and started building again.

Since the explosion of the sub-prime crisis, banks had cleverly learned how to hide their huge liabilities, using special off-balance sheet vehicles, complicit auditors and a host of other tactics to bury them. It was why recapitalisation had been so necessary for Fitzwilliams.

After Clancy's telephone conversation with INI's human resources manager and his convocation to meet Pat Kennedy, he sensed something big was at hand. He had had his fill of the Costa Blanca's silent resorts and the depressing skeletons of naked grey concrete that dotted the landscape. Unfinished condos lined empty streets; homes that should have been filled with happy sun tanned tourists. The facades of those that had been completed were now dotted with 'Venta' panels announcing apartments for sale at giveaway prices.

A calm had settled over Puerto Banús, a resort that boasted the greatest number of designer boutiques in the world. The owners of extravagant yachts were keeping a low profile, that is if they weren't selling. Their Bentleys were hidden from view to avoid vandalism and bikini clad bimbos were discretely sipping their champagne out of view.

Marbella bars and restaurants were dismally empty and come evening the traffic had all but disappeared from the streets. With the collapse of the property market and the once booming construction sector, the trickle of parting expats was beginning to look like the biblical exodus from Egypt.

The flight to London that Sunday morning was full, no doubt Brits fleeing Spain for Blighty, he thought. Madrid's modern Barajas Airport was a vestige of the good times Spain had enjoyed, vast and modern, but as

Clancy wandered around to pass the time between flights, the indications of how serious the economic downturn were everywhere.

During the euphoric boom, sunshine and sangria had tempted many Britons to pull up roots and make a new life on the Costas. But it was now evident that many were returning home for good, packing their bags, forced out by the double effect of a strong euro and a local economy in deep crisis. House prices had fallen by as much as fifty percent, work prospects had dried up, and their courage sapped by the lost illusion of an easy life of endless sunshine, cheap cigarettes and flowing wine.

The number of Latin American faces in departures surprised him, what he did not know was most had one-way tickets in their pockets. In the previous decade, five million foreign workers had immigrated to Spain, but times had changed and with unemployment nearing twenty percent, newcomers were amongst the first to lose their jobs.

One of the largest groups of immigrants hit by the crisis were Romanians, whose homeland was only very recently a member state of the EU. In towns like Alcala de Henares, near to Madrid, the birthplace of Cervantes, ten percent of the population was Romanian, many of whom, unlike the Latinos, had no intention of returning home where the economic situation was even worse than that of Spain.

At the Iberia flight departure gate, it was clear not all of the British travellers were tourists returning home from holiday. The returning holidaymakers were full of life carrying their collection of souvenirs, straw hats, stuffed bulls and the duty frees bought with the last of their euros. The expats were not so young, looked sadder, and their carry-ons more down to earth.

Spanish banks had lent over three hundred billion euros to local real estate promoters and were holding billions of euros of property in guarantee for the loans they had made to now insolvent developers, property that fell in value with each passing day, selling at discounts of as much as forty percent.

Chapter 36 AN ENDLESS PARTY

It was a decade since Britons first discovered they could celebrate Christmas every weekend and enjoy a summer holidays every couple of months. Under Tony Blair and New Labour it had been one endless party. House prices climbed daily with every homeowner becoming richer. To encourage them to spend their new found wealth, ready cash was popped through their letter boxes every morning in the form of gift coupons and 'no questions asked' credit cards. At the bottom of the scale even the unemployed were bombarded with offers of easy credit for holidays, flat screen TVs, home computers and electronic gadgetry.

Smiling Tony's feel good 'I'm with you' and his wave of encouragement became a permanent feature of society, part of normal everyday life. You wanted something, you went out and bought it. The only formality was a quick signature at the bottom of the credit application form, which was rarely if ever refused.

The dotcom bust, or even 911, had little impact on the roller coaster of consumerism. The tragic drama of 911 was transformed into a mega reality show, culminating in a big budget remake of Bush the Father's 'Desert Storm' featuring an Anglo-American coalition routing Saddam's army in the mother of all full colour widescreen blockbusting spectaculars.

The second Texan led triumph was celebrated with a wild feast of consumerism, arranged on easy terms by Wall Street hucksters, catered for by China's cornucopia spewing forth an abundance of mostly shoddy goods to satisfy the craving of an insatiable Western society, consumers who had ditched old fashioned good sense in favour of instant gratification.

It was a defining moment in capitalism, a bloodless revolution. Western consumers had become dissociated from production, a phenomena most visible in career choices of the younger generation, a society where few wanted to waste their time becoming engineers, designers, production managers, foremen or skilled workers. Instead they fixed their ambitions on banking, international marketing, sales and distribution to make a career. But to finance, market, sell or distribute what? Goods manufactured in China.

A Gulf Stream of cash flowed from West to East, a wave of speculative capital, in the belief that the West was finished, a stampede, ignoring the long term implications of nurturing the Chinese giant. Even the sudden collapse of Lehman Brothers, the brutal end of a wild party and the dawning of a new and less happy age, did not stop the flight.

The day after, when the party goers had slouched home, governments and taxpayers woke up with a huge hangover and a gargantuan tab. Leaders were in a state of shock and their unbridled easy money policies in tatters. They ran headless from one summit meeting to another, seeking to avoid the oncoming disaster, one of apocalyptic proportions.

Tom Barton realized he was witnessing one of those once-in-a-lifetime events as over the course of a few short weeks the world's stock markets lurched towards total collapse, with banks and financial institutions facing the spectre of insolvency. It was not unlike the collapse of the World Trade Center in slow motion, as with each instant the unthinkable was transformed into reality. Each day brought its load of bad news. The scale of events provoked by the collapse of Lehman Brothers was comparable to the collapse of the Soviet Union in the last hours of 1991. The plight of the West's economy resembled the devastation of Iraqi army when Colin Powell's forces annihilated Saddam's military on the road to Baghdad.

A glance at Britain said everything, the once great manufacturing nation had opted for a post industrial economy where banking and financial services dominated, those ambitions now lay in tatters. The glittering success of the City of London crumbled under an onslaught of deadly blows. Those blows described by Warren Buffet as weapons of mass destruction; complex financial instruments, which turned on their masters, ripping the fabric of British banking into shreds, leaving the proud nation on the verge of ruin, up to its neck in an ocean debt that would take a generation to expunge.

The level of Britain's national debt had reached such a scale that the thought of a bailout by the IMF was no longer the kind of idle conjecture made by men like George Soros. Eighteen months into the slump people were asking where it would lead…another Great Depression. It was too early to say. But it was clear that the world's economy was facing the most sinister challenge since the end of WWII, where the kind of headline grabbing phrases bandied about by world leaders posturing before the television cameras could change absolutely nothing.

Once, when nations were struck by calamity, courageous men left home in search of gold and new continents, colonies were built, wars were fought and new markets created. At the dawn of the third millennium the only continents that remained to be discovered lay beyond the earth. Colonies had become synonymous with oppression, and wars like those of Iraq and Afghanistan were destined to end in tragedy.

Perhaps salvation would be found as it had been in the 19th century by inventions, made by engineers and with science's new discoveries. In the meantime governments trembled as the crisis approached its paroxysm. Leaders' feared civil strife and the media reported contingency plans to cope with rioting strikers with rumours governments had put their armies on standby. Fears of things to come intensified when television viewers saw riot police called in to protect India's largest discount supermarket chain following a violent wave of looting when it ran out of cash to pay its security staff.

There was little to do but wait. The idea that time would heal was of little help to those who had lost their homes or jobs. As the months passed politicians pointed to a few green shoots, which appeared in the form of statistics. They were of little comfort to the unemployed, only jobs mattered, wages and survival. Job loss was synonymous with financial disaster and the loss of homes. Doomsters forecast UK unemployment reaching three million. The pain was deep and for many their only resource was the meagre benefits handed out by a now impoverished state.

The stock market rebound was as ephemeral as the morning mist and as the weeks and months slipped by the green shoots looked more like drought stunted weeds. Deflation cast its furtive shadow across the nation as inflation fell to a fifty year low with the announcement of pay cuts and wage freezes. Confidence in the pound plunged as the country haemorrhaged its wealth.

The collective madness of bankers had resulted in unwilling British taxpayers owning a large part of the country's banking system and, indirectly, some fifty percent of all mortgages. The first domino to fall had been the Northern Rock, followed by HBOS, RBS and finally Lloyds Bank. After the collapse of HBOS shares, the result of a massive assault by hedge fund speculators, Lloyds was force fed, by a desperate government, with HBOS, with it seemed little thought as to the consequences.

Who would finance the staggering debts of the British government? Who would buy Britain's treasury bonds? Politicians were running out of solutions as the tide of bad news from finance and industry reached flood level. The UK was not alone; governments from Washington to Tokyo, from Frankfurt to Beijing, and from Moscow to Dubai found themselves confronted with the same dilemma.

As the City burnt Gordon Brown fiddled with quantitive easing; the printing of money in undisguised terms. The financial boom had been built on an endless supply of cheap money, unbridled speculation, deception and cupidity, leaving the British and American governments staring into the chasm. Their only solution was to shovel out vast quantities of even more cheap money, most of which simply flowed out, unhindered, into foreign markets.

The Middle Kingdom had become the recipient of the greatest transfer of wealth in all human history. America's richest men, with little consideration for the future of their fellow citizens, place their bets on China. Their money financed direct and indirect investment. They financed manufacturing, outsourcing, purchasing, services or the transfer of know-how and technology, the export and import of every conceivable product, and, in doing so, to the detriment of America and more broadly speaking the West, they enriched China.

The combined wealth of America's very rich exceeded one quarter of China's total GDP. Their power was beyond description, financing, whilst American workers went without jobs, the gleaming steel and glass skyscrapers that sprung up like mushrooms in obscure towns and cities across China, in what was, certainly, the greatest construction boom ever seen in history.

That wealth, both earned and speculative, also financed the construction of a vast infrastructure system. Towns and cities were linked in a vast web of highways, high speed train systems and airline hubs, built on a never before imagined scale. Huge sea ports appeared from nowhere along China's seaboard. Tens of millions of peasant workers flooded into the country's burgeoning cities, and in the frenzy of new wealth every ordinary Chinese citizen capable of mustering a little capital speculated in property and stocks.

Chapter 37 LONDON

Kennedy flashed his black card. ‘Put it all on my tab,’ he told the exclusive club’s barman with a conspiratorial wink. Drinks for everyone, no holds barred, the evening was on him. By the time they staggered out to a line of waiting taxis, the bill had reached five figures and included half a dozen magnums of Dom Perignon and a kilo of caviar. Even Kennedy, not really a drinker, had partaken in the feast, magnanimously lashing out a fabulous tip for the waitress, an attractive Irish girl from Dublin, whose encouragement to the party goers had certainly earned her a well-deserved bonus from the management.

Kennedy was perceived as a cool and successful banker, and his spending a just compensation for hard work. Pat liked to tell people he looked after what could have been described as the public relations aspect of the bank, which was in a sense was true. However, his real talent was that of developing relations with the bank’s rich influential friends and potential investors. He was Fitzwilliams’ friend and eminence gris, and although he had become a rich man in his own right, he owed the banker everything, and never forgot his place in the hierarchy of Fitzwilliams’ world.

In spite of his local boy’s naivety, Kennedy had an extraordinary flair for business. Mixing easily he navigated without the least complex in the world of business and investment, both in the City and abroad, cultivating a circle of rich and famous friends, who trusted his intuition and put their money in the bank’s investment funds.

That Monday he was celebrating a memorable day at a Sotheby’s sale. Tarasov had been amongst those present at for the auction of Damien Hirst’s new works. The Russian had spent millions on the collection of modern art that decorated his homes in the UK and at home. But aesthetics were not his only concern; modern art performed better than stock markets. His investment in desirable works had been propelled to unimaginable heights by a bubble that had outdone that of the stock market. That day’s Sotheby sale had been an important test.

The rumour of scandal was making the rounds. The Art Newspaper reported that Damien Hirst’s London gallery, White Cube, was sitting on over two hundred unsold sculptures and paintings by the artist, worth an estimated one hundred million pounds, excluding a diamond-encrusted platinum skull bearing the name ‘For the Love of God’ said to be worth fifty million.

It was a year since Hirst’s memorable sale on that fatal day in September 2008, a day that would be remembered by the world of finance for generations; the day Lehman Brothers filed for bankruptcy protection in New York, the largest failure in banking history. That day Hirst’s Golden Calf, a gold plated bull in formaldehyde, was sold for eighteen and a half million dollars and a shark, also preserved in the same organic compound, called The Kingdom, was sold for over seventeen million dollars.

Since then the prices of Hirst’s works had collapsed and the oligarch was on the lookout for a killing. The collapse was in large part due to the recession. Russian billionaires had become great amateurs of art, many of them with huge collections, though some of those who had bought Hirst’s works in 2008 were now forced to sell. Tarasov had bought several of those canvases at knockdown prices and the auction would tell him whether his investment had been good or not.

Hirst, already rich and famous, had become even richer and more famous. For certain of his buyers it was another story. A year after that memorable auction, the second-hand trade in Hirsts has slowed down to a mere trickle, with prices down to 2002 levels, but as always a seller’s disappointment was a buyer’s opportunity.

The 2008 sale made almost one hundred million pounds, which had impressed Pat Kennedy no end at the time, though the idea of a dead cow in his living room left him almost speechless.

‘They were stark raving mad. Can you believe it, a dead feckin cow,’ Kennedy whispered to a Russian girl. He had seen a great number of nice enough live cows in his native Limerick and was greatly relieved his friend was not about to buy a dead one.

The number of rich and privileged continued to rise in a society of growing inequalities. Their number not only counted those who had inherited businesses and old money, but more and more those who had been successful in their professions; career bankers, traders, business executives, along with a growing number of innovative entrepreneurs. They were the so-called nouveaux riche who were more susceptible to listen to the Kennedy’s of the world when it came to investing their money. They imagined themselves as informed investors, connected to informed sources via their ever present smart phones. However, they would have been seriously mistakenly in thinking of Kennedy as being one of them.

Such investors moved in herds, and reminded Kennedy of cows, little better than the dead ones, who placed a great deal of confidence in illusory insider information. A nod and a wink from Kennedy was enough for many of them to believe they were privy to an exclusive deal. The problem came when the going got bad, when they panicked, pulling their money out of funds, provoking a chain reaction that upset the finely balanced composition of certain sophisticated funds. The same investors, as a matter of facility and confidence, did not hesitate to put their eggs in the same doubtful basket, without asking too many questions, and especially when they saw irreal returns.

Beyond a very narrow circle of friends and acquaintances few were familiar with Kennedy's background. His home was in Limerick, where he was in fact rarely seen. Whenever unavoidable family events forced him back home, he was in and out of Shannon in the blink of an eye — in the bank's jet. Pat was to all intents separated from his troubled wife, a devout Catholic, who led her own life dedicated to the church and charitable work. Kennedy, who was brought up in the faith, had ambivalent feelings about his marriage vows, but fear of the Church and its laws was deeply ingrained in his mind.

His warm and sometimes naïve nature tucked those fears far away in the back his mind. Those who really knew him would have said he was genuinely sincere, but difficult to plumb. One thing was certain however, Pat Kennedy was determined to lead his own life wherever it led.

His gift for easy-going familiarity made him a generous and exceptional host, with a wide circle of casual friends. The gregarious side of his nature liked hosting parties at his luxurious homes, in London and Biarritz. The other side of him preferred being far from the crowd, free, discovering the world for himself.

Kennedy was seen in London's best restaurants, though he was by no means a fine gourmet, on the other hand he had developed a taste for music and opera; something to do with composers being foreigners and operas being sung in Italian or German. It was true he had learned to appreciate certain well-known arias, and whenever he was heard humming airs from

La Traviata, or some other popular opera, those around him were assured of his good mood, which was mostly the case.

In business, Kennedy was seen as one of the architects of the Irish Netherlands Bank's strategy throughout the difficult days of the crisis. He, unlike the chairman of Allied Irish, who was pelted with eggs by angry shareholders at its Dublin headquarters, was appreciated by shareholders for his constructive and straightforward ideas.

Fitzwilliams, with Kennedy's loyal support, had safely steered the Irish Netherlands through the storm, unlike the management of the Allied Irish, whose savers lost their pensions in the economic debacle. One furious Allied Irish shareholder had even suggested the whole board of the ill-fated bank be replaced by Mickey Mouse and Donald Duck, telling the press, if it were not for Ireland's tolerant society, the chairman and the rest of the board would be hanging by their necks on piano wire.

At the moment Kennedy pondered over modern art and joked about Hirst's dead cow with his charming friend, Hiltermann was sunning himself with Elizaveta Bessmertnova at the Hôtel du Palais in Biarritz. Deeply infatuated with the Russian dancer he had met at evening at the Mariinski in St Petersburg, the Dutch banker had quit Amsterdam to embark on a new life.

That evening after a romantic dinner they returned to their suite. It was not as if they were feeling tired, on the contrary after a separation of two weeks they had a lot to catch up on. The following morning the couple checked-out and left for San Sebastian in a red Ferrari, where Hiltermann was to settle an affair with a client.

He had not however counted on any problem at the Franco-Spanish border, in fact there were no controls and had not been for many years. As Hiltermann rounded the bend leaving Hendaye he was unpleasantly surprised when he spotted a police van stationed in the middle of the bridge crossing the Bidassoa River. It was too late to turn back. He had not taken into account the spot checks carried out by the Police des Frontiers on the lookout for ETA activists, Basque terrorists, at the border crossing.

A tough looking CRS, more curious to see who was driving a red Ferrari than anything else, made them a sign to pull over. When the two unlikely tourists were asked to present their papers, the controlling officer was surprised by Hiltermann's Surinamese passport, the first he had ever seen.

That together with Elizaveta's Russian passport was more than enough to justify a closer inspection.

Further suspicion was aroused by Hiltermann's barely concealed reluctance when the officer pointed to his crocodile skinned briefcase. Simultaneously pressing the gold plated locks it sprung open to reveal a thick unmarked beige envelope. It contained a wad of dollar denominated bearer bonds issued by different Central American governments, and more than one hundred thousand euros in cash. A quick calculation told the police officer the total value of the bonds was not far off three million dollars.

When questioned, Hiltermann blustered, declaring he was on holiday at the Hôtel du Palais in Biarritz. The police captain raised an eyebrow, remarking the hotel must be very expensive in view of the quantity of money he was carrying. Hiltermann dug himself into a deeper hole by haughtily announcing he was the head of the Nederlandsche Nassau Bank in Amsterdam and was going to San Sebastian on legitimate business. As far as the police were concerned his attitude merely aroused more doubts given the number of financial scandals that had recently received so much attention in the media.

Digging into the briefcase a little deeper the police came up with two plane tickets to Aruba, in the Dutch Antilles, from nearby Bilbao via Madrid, and a further twenty thousand euros in cash. Hiltermann and his girlfriend were promptly invited to accompany the police to the Saint Jean de Luz, where after further questioning his passport was withheld and he was released and told return to the hotel in Biarritz pending verification when banks opened the following Monday morning.

Hiltermann had more than one trick up his sleeve and a couple additional passports. By Monday he and Elizaveta had disappeared. The news of encounter in France was played down by Fitzwilliams, who embarrassed by yet another banking scandal, this time affecting his own bank, refused to comment on rumours relating to the Dutchman and the suspected movement of funds to Caracas.

That Hiltermann was also wanted for questioning by the Dutch authorities surprised no one. Enquiries had been made concerning the ownership of certain offshore accounts and loans in his name. His multi-million dollar home in the Dutch Antilles, along with a number of other properties, had been sold no doubt in preparation for his planned disappearance.

Chapter 38 SEPTEMBER

Just over a year had passed since the US treasury announced its rescue of Fannie Mae and Freddie Mac, the two giant American mortgage banks, in one of the biggest financial bailouts in banking history. A week later as the news of the collapse of Lehman Brothers rocked the City of London, Fitzwilliams came to the conclusion the crisis which had been simmering was serious, much, much, more serious than he had realized. The UK was facing its worst banking crisis in history and with the imminent collapse of HBOS the contagion spread with the prospect of the country's entire banking system seizing up.

Fitzwilliams' rush into cash was a desperate move, but if the big banks went under, then smaller banks, like the Irish Netherlands, would be sucked down in their wake. That frantic weekend, as Fitzwilliams tried to unravel the wild rumours sweeping through the City, came a report that the Financial Services Authority was about to shutdown HBOS's ATMs.

He remembered how Threadneedle Street had struggled to find a solution to avoid pandemonium in the country's banking system and how fraught officials at the Treasury had attempted to put a clamp on information, which in turn only led to even more speculation. On the other side of the channel things had looked just as bad as contagion spread to Europe, infecting the Dutch Belgian finance group Fortis which was desperately struggling to keep afloat.

The deroute of Britain's banks could be traced back to the deregulation of building societies under the Building Societies Act introduced in 1986. Demutualization had created specialized mortgage banks like the Northern Rock and West Mercian, whose collapse was brought on by the explosion of the housing bubble, threatening conventional banking and forcing the government into the merger of Lloyds TSB's and HBOS.

In early October as the crisis deepened the Chancellor and the Governor of the Bank of England headed for Washington for a meeting of the International Monetary Fund. Britain's banking system was teetering on the brink of collapse and share values were in free fall. Instant, urgent and exceptional action was called for by the G7 finance ministers and central bank governors.

The following Sunday morning leaders of UK banks met in London to hammer out a plan to save the country's financial system from collapse. Pandemonium would have been let loose on London's Stock Exchange the following morning if a government plan had not announced. The countdown to the opening bell had begun.

That night was a veillée d'armes with Fitzwilliams and his team camping at the bank's headquarters. It was just before 5.30am when Fitzwilliams was awoken from an uneasy sleep by the strident beeping of his cell phone. The caochán spoke in a low urgent tone: 'They've come to an agreement, fifty billion will be pumped into the banks and the "Shred" will go.'

Fitzwilliams woke Kennedy and they headed for the trading room where their head trader sat before an array of screens watching Far Eastern markets.

'Okay Jim let's go, we'll start with the banks.'

The battle of Threadneedle Street was unequal, the leaders of the stricken banks had fought a rear-guard action to avoid what was effectively nationalization, but there was little other option. The meetings had gone on long into the night and after just a few hours' sleep the Chancellor finalized the last points of the plan.

Sir Fred Goodwin, the CEO of RBS, would long remember that ultimate and dramatic meeting with the Chancellor. Goodwin had sat like a felon before his judges; silent, his face blanched, as the death sentence was pronounced. His abortive takeover of ABN Amro had ended in disaster. The government was forced to intervene to save RBS from almost certain ruination as it choked trying to ingest the hugely outsize mouthful forced on it by Goodwin. The Chancellor demanded Goodwin's instant resignation, then announced the government's plan to take control of RBS with a bailout of twenty billion pounds to save it from the same fate as Lehman Brothers.

The plan to inject billions of pounds into Britain's banks was publicly announced at seven on the Monday morning to the immense relief of the City where share prices shot up at the news. The sum was staggering, never before had the country seen a bailout of such enormous proportions.

That evening, when the closing bell sounded on Wall Street, the Irish Netherlands investment arm looked back on its best day ever, chalking up vast profits as banking shares rocketed. Fitzwilliams' gamble had paid off.

The longest day at the Irish Netherlands' headquarters closed when the camp beds were finally stored away. There was little or no risk of insider trading accusations given the ongoing turmoil. Through a complex maze of trades Fitzwilliams had pulled the bank back from the brink and to boot seized the opportunity to buy back large blocks of his bank's own shares. In the heat of the battle, where fear and confusion ruled, audacious action always paid off.

The night had been hugely profitable for both Fitzwilliams and Kennedy. Their Treasury mole and the bank's loyal traders would be richly rewarded for their services. As for Goodwin, suddenly a nobody, he described the Chancellor's action as 'a drive-by shooting', conveniently forgetting neither RBS nor HBOS could have survived the financial maelstrom without government intervention.

Unknown to the heads of just about every financial institution, the Royal Bank of Scotland and HBOS had been secretly kept afloat with the massive input of emergency government funds as Britain looked into the abyss.

Fitzwilliams, thanks to the information leaked by his caochán, had made a killing. Without government intervention and the right timing, his gamble would not have been possible. By his daring action the death knell for RBS and HBOS, signalled the renaissance of the Irish Netherland Bank.

The Bank of England had poured over sixty billion into the two stricken banks in a desperate move to keep them afloat. The occult support for HBOS had begun October 1, two weeks after the collapse of Lehman Brothers, when financial markets went into a series of convulsions that came to a climax on November 13. The money, without which the banks would have gone under, dragging the whole British economic system down with them, was repaid some six weeks later.

Goodwin was treated as a pariah for his role in the bank's financial collapse and the meltdown of a large part of Britain's banking sector. During the secret discussions which led to the effective nationalization of RBS, Goodwin was harshly rebuked for his management style and conduct.

That fatal Sunday evening, as the Treasury hammered out details for an emergency rescue package for Britain's troubled bankers, it was evident to Hoppkins that the fate of RBS was sealed. Later he recounted to Fitzwilliams how it had been brutally clear to all those present, except the bankers themselves, that HBS and HBOS were finished. The game was up when RBS, one of the world's largest banks, found itself in a desperate situation, facing imminent collapse, along with HBOS.

The arrogance and stupidity of the country's leading bankers had led to the implosion of Britain's banking system. 'Fred the Shred' Goodwin had played golf whilst RBS faced the fatidic moment. Given his past authoritarian reputation it seemed incredible that a person of his ilk should have been in control of one of Britain's most important banks. His personality was exposed for what it really was when, on being forced to resign, he emphatically rejected any idea of surrendering the least penny of his multi-million pound pension pay-off.

Chapter 39 GOODBYE TRADITION

Consumers fell into the trap of expediency when banks installed ATMs on high streets, in supermarkets, airports, bus and railway stations, in almost every town and city across the world. Banks created Internet sites to wean customers off personalized services, prompting them to consult accounts via a faceless web of communication.

In the space of only ten years banking was transformed and human contact almost ceased to exist. Old fashioned bank clerks who had once greeted customers with a friendly smile, or a frown, had gone the way of the Dodo. ATMs had replaced human tellers for withdrawals and cold computer screens replaced the helpful bank employee.

Without banks nothing could function, every economic aspect of daily life, be it individual, business or government, depended on them. The power of their transnational mega structures exceeded that of most governments. Almost overnight the familiar high street establishments became faceless giants, whose tentacles reached into every nook and cranny of the world's economic system. Their powers were limitless as they financed trade and commerce, manufacturing and transport, mineral extraction and oil production, property and construction, governments and wars.

Finally, it was the unbridled ambition of top banking executives, men like Fred the Shred, with their greed for wealth and power, that brought about the breakdown of the system, dragging entire nations down in their wake. What had gone wrong? Who was to blame? Had the lack of government supervision and regulation transformed some of the world's best known banking institutions into mindless creatures?

They had willingly loaned money to countless naïve or inexperienced borrowers, who, attracted by low interest rates and lax self-certification, had overextended their modest resources. Almost every applicant, including those to whom home ownership had been an inaccessible dream, suddenly found themselves eligible for a mortgage loan. Modest families became owners of newly built homes complete with granite top kitchens, filled with every kind of modern appliance, marble bathrooms with pulsating showers, HD flat screen TVs and sparkling new SUVs parked in the driveway announcing their proud owner's prosperity.

By what miracle had this transformation been made possible? In simple terms sub-prime mortgages were sold to investment banks, bundled and sliced-up into negotiable securities, then sold to investors on international markets. Mortgages held on homes in Fort Myers, Florida, were sold to hedge funds managed in New York or London, on behalf of unsuspecting institutional investors in Frankfurt or Tokyo.

The high street lending institution that traditionally held mortgages as guarantees against non-payment loans had in a manner of speaking passed the buck. These same institutions, though they continued to receive payments, which were forwarded on, had relinquished all responsibility as a result of the transformation and sale of mortgages in the form of negotiable securities.

Mortgage backed securities were bought and sold by the large investment banks: Bear Stearns, Lehmann Brothers, Goldman Sachs and Morgan Stanley, generating vast profits and rewards for their top executives in the form of staggeringly large bonuses.

The catch came when naïve home owners fell into arrears and defaulted once mortgage interest rates were switched from attractive introductory low interest rate offers to real market rates.

To save the banking system from having to support what had become unsustainable losses, the US government invented a programme that was known by the acronym TARP, designed to buy up toxic mortgage backed securities, thus avoiding a catastrophic collapse of the system. The threat however remained since it was nigh impossible to determine the value of worthless mortgage and consumer debt held by endangered banks and financial institutions, a problem that would trouble the US economy for years to come.

Chapter 40 PALM OIL AND COFFEE

The Irish billionaire Brendan Allen should have stuck to his prosperous commodities trading business, but property had been too tempting in the euphoric years leading up to the crunch. Curiously he had started out by promoting coffee when Ireland was still a nation of tea drinkers. Unexpectedly Irish tastes broadened, the consumption of coffee doubled in the Republic and Allen prospered, diversifying, buying coffee on international markets and then directly from producers.

As his coffee business grew he developed a string of commodity traders from India to Colombia buying and selling tea, cocoa, palm oil and other food commodities. His producers were the world's poorest, often most violent countries. His marketing slogan was fair trade; the reality was however quite different, what counted were profits and the more the better. With his trading company based in Nassau in the Bahamas, his business was beyond the prying eyes of NGOs and their kind, and of course the taxmen.

Whenever Allen deigned to visit to one of the producer countries, a small army of pistol carrying bodyguards followed him. His concept was to establish producers in the poorest countries with the lowest costs like Haiti, where thousands of poor farmers called Cafeieres Natives produced a specialty coffee called Haitian Bleu.

Allen liked to think of himself as a swashbuckling entrepreneur who had built his fortune in a half a dozen poverty-stricken lands where he controlled the production of commodities. Like other adventurers before him, the Irishman learnt how to manipulate corrupt local politicians and authorities so as to ensure the constant flow of his goods, even in disaster and riot prone Port-au-Prince. He had little fear of the cartels, whether they were in Honduras or Côte d'Ivoire, ensuring his political leverage by diversifying into local businesses such shipping, trucking, car hire and hotels. In brief; misrepresentation, deception, collusion and manipulation were all part of his tools in trade.

Pat Kennedy first met Allen almost ten years earlier when he was promoting a project of his own to get the Irish to drink more coffee. But when Pat was ambushed by Irish justice, through his own imprudence, Allen's persistence paid off. He expanded into the UK, creating a chain of fashionable quality coffee shops. Allen then saw the advantages of diversifying his business into property, acquiring warehouses, distribution centres and outlets in strategic locations. Irish Netherlands needed little persuasion to provide the entrepreneur with the loans needed for his acquisitions, thanks in part to Kennedy's encouragement.

With the arrival of the crisis coffee consumption in Ireland fell, for unexplained reasons, and almost as sharply as the price of property. Luckily demand for commodities also fell. Allen had few qualms when it came to compensating for the fall, forcing lower prices from his desperate suppliers, after all fair trade could work both ways.

When times were hard everybody had to make sacrifices, Allen mused to himself, his gaze wandering over London's sprawling landscape as his Gulfstream made its approach to the City Airport. Allen was sure things would get better it was just a matter of weathering out the storm, rolling over his debts. A glance at his watch told him he would be on time for his meeting with Fitzwilliams.

Fitzwilliam's patience with Allen had reached its limits; to his mind he was yet another of Ireland's upstart entrepreneurs and the idea of continuing to finance his extravagant life style and unrealistic investments left him cold. Which did not however prevent him from gloating at the thought of cherry picking in Allen's troubled prime property portfolio, an almost mouth-watering prospect.

A second wave of losses was now threatening the commercial property sector and mounting investor debt could no longer be ignored. A fall of more than forty per cent in asset values meant that almost every British commercial property loan issued over the previous five or six years was in trouble with half of them needing refinancing in the short to medium term.

There were numerous opportunities for the Irish Netherlands, as foreign banks offloaded their distressed property investments. But buying the right properties at the right prices was crucial. This was however made easier as commercial property weighed heavily on the balance sheets of many troubled banks and their borrowers. Distressed assets haunted those bankers who feared calling in loans could trigger a wave of insolvencies.

Though rental yields in commercial property were not great, they could not be sneezed at, and Fitzwilliams, gambling the market was near to its bottom, realized substantial gains were to be made once prices started to rise again. It was time to rebalance his investment books, and according to the time proven tradition of landed Irish Protestant families, dividing his money into three parts: one in real estate, one in business, and the third part at hand.

At the height of his glory, Brendan Allen had jetted around Europe buying property as though he was playing Monopoly. From his Knightsbridge base he ran a ten billion dollar real estate empire, vying with Arab sheikhs and US private equity houses to snap up some of the continent's most prized trophy buildings.

Dubbed King Midas in Ireland, he seduced politicians, lawyers and celebrities, including Bono and David Evans, better known as The Edge, of the U2 rock band, who invested in his deals. As usual few such investors knew or remembered the fate of Midas.

Allen went being a star of the Celtic Tiger's economy to a symbol of Ireland's folly. Many of those who had listened to him saw their investments wiped out, when those euphoric days, built on aggressive borrowing, ended abruptly in the Irish banking crash.

Before the dust settled on Allen's crumbling empire, he decamped to Switzerland, where he continued to live in high style, with occasional appearances at his Knightsbridge home. It was apparent that, far from being destitute, visibly he was still able to live high on the hog. His children continued at their high priced boarding schools, despite their father's financial embarrassment, and his wife was seen shopping in Lausanne in a brand new Mercedes G Class SUV.

Allen told NAMA, Ireland's state-owned toxic loan administration, he would never be able to repay the millions he owed. Many of Allen's investments had already been seized by his creditors, prompting a string of fire sales, which included a yacht, a villa on the Riviera and a number of valuable paintings.

When confronted by the press over his lavish lifestyle, Allen enraged public opinion by replying, 'Extravagance is a relative term. What may seem extravagant to certain is normal to others.' Irish politicians accused him of living the high life in Switzerland after having fled Ireland, leaving investors and the state with debts running into hundreds of millions.

Banks were left holding worthless loans. RBS had financed Allen's property empire in London. Then there was the Irish Netherlands, belatedly pulling the chestnuts out of the fire, foreclosing on Allen's holding in the Citigroup Tower. The former tycoon would be remembered for his purchase of a site, once owned by a brewing group, a few miles south of Dublin city centre. The site acquired in 2006, destined for his ambitious Pembroke residential development, had cost Allen over four hundred million euros. Three years later it could not even be sold for grazing land.

Chapter 41 CALIFORNIA

Something had gone wrong in O'Connelly's California; a state whose economy was equivalent to that of Spain's, the world's eighth largest. Its civil servants were being paid in IOUs and unemployment had reached the highest level in over seventy years.

O'Connelly had always felt pride in being a Californian, since his days at UCLA, and as owner of a home in San Francisco his ties with the state remained close. It was as if it was one of his adopted countries, in the same way as France. Things had changed dramatically and in so little time. The cities, the buildings, the beaches and the perfect weather were still there, as was Hollywood. California remained, in spite of all its difficulties, a playground of the glitterati.

The state, where for ordinary folks, the American Dream came true, was on the verge of collapse. California was on life support; the crisis had hit its economy, its politics and its way of life. The state government was so deeply in debt it was forced to issue 'promise to pay' warrants — IOUs — instead of wages as cash reserves dried-up. At the same time unemployment soared to more than twelve percent; the highest level in seventy years as the state cut jobs and slashed spending on education and healthcare.

In a land where the automobile was king, where cities and their sprawling suburbs stretched over thousands of square miles, the collapse of the housing bubble had made tens of thousands of families homeless and impoverished millions. As the state cut deeply into its welfare programmes twenty percent of Angelinos found themselves living below the poverty line and without healthcare.

The once rich state's economic problems dwarfed those of Iceland and Ireland. The nation's largest state, with a population of almost forty million, found itself in the unenviable position of being the first failed state in the US as its government-issued bonds were lowered to junk status.

Only recently California had boasted, as an independent country, it would have qualified for membership of the G8. So where did it all wrong? O'Connelly asked himself. All of a sudden many hapless Californians woke up to find themselves living in squatter camps that had materialized overnight in supermarket carparks and abandoned lots. Families slept in their vehicles as fathers and mothers lost their once well paid jobs. Vociferous radical groups preached revolution and violence.

Were these portents of things to come in Greece or Ireland? After a ten year long housing boom, homes that had sprung-up besides strip malls and freeways were boarded-up, abandoned, hit by foreclosures and repossessions. Prices had crashed by as much as seventy percent. Developments looked like ghost towns, as homes, the essence of the American Dream, were left to rot under California's mocking blue skies.

It had all started in an orgy of greed and recklessness, and ended, after the initial crash of 2008, with the largest bankruptcy in history when Lehman Brothers filed for bankruptcy protection, on Monday, September 15, later that year.

At the height of California's boom, anybody could walk into a mortgage broker and sign up for a home loan. It did not matter whether the borrower could make the mortgage payments or not. What counted for the seller was the commission that could be earned each time a borrower signed on the bottom line. A system built on crooked hard sell methods, which inevitably led to every kind of fraudulent practice imaginable, as banks, mortgage companies and real estate agents piled into the business.

The introduction of sub-prime mortgages allowed those on low incomes to qualify for loans. However, the crunch came when introductory interest rates were reset and home owners were unable to service their repayments.

One of the main culprits was the mortgage bank Countrywide, headed by Angelo Mozilo, the son of a Bronx butcher, one of its cofounders. Mozilo, known as the Golden Boy, because of his permanent tan and worth, built a network of cronies, composed of politicians and influential business leaders known as the Friends of Angelo. Amongst these were Paul Pelosi the son of Nancy Pelosi, Speaker of the House of Representatives; the Senate Banking Committee Chairman; the Senate Budget Committee Chairman, all bought with sweet-heart mortgage deals at steeply discounted rates.

Whether the borrowers paid or not was not Mozilo's problem, since the loans did not remain on Countrywide's books; they were promptly sold to Wall Street, where with other mortgages, they were bundled together, tranched and transformed into mortgage backed securities, before being unloaded to naïve or unsuspecting investors all over the world.

In 2006, Countrywide financed twenty percent of all mortgages in the United States. In 2008, when Countrywide was facing bankruptcy, it was bought by Bank of America for over four billion dollars, a fraction of its estimated worth when business was thriving.

Mozilo's contract with Countrywide assured him of regular salary increases, guaranteed bonuses and options worth hundreds of millions of dollars. In 2005, he pocketed a total of more than one hundred and sixty million dollars in compensation for his dual role as chairman and CEO, more than that of any other top executive in America's, and no doubt the world's, leading financial institutions.

After an investigation for fraud Mozilo got off lightly with a fine of just seventy million dollars, peanuts considering his estimated net worth — over six hundred million dollars.

One of the first places the newly invented mortgage backed securities made their appearance was the City of London, during what could now be considered as its golden age. At that time, Liam Clancy, whose working knowledge of high finance in those early days of the housing bubble was near to zero, was laying-about wondering what to do next in Enniscorthy, his home town in County Wexford in south east Ireland.

Liam had graduated, sine laude, from Trinity College after struggling for four years in 'Philosophy, political science, economics and sociology'. Although his degree bore an impressive in title, the Celtic Tiger's booming export oriented businesses did not seem to be in a rush to hire him.

Luckily, Liam was told of an opening at the Anglo Irish Bank's investment branch by a cousin. Although economics had been part of his degree course, he knew almost next to nothing of markets and trading. That was of little importance, his cousin's recommendation was sufficient. The bank, given the difficulty of finding staff in Ireland's flourishing economy, would undertake the necessary training for a suitable candidate.

The idea of working in a bank did not really appeal to Liam, but on learning the proposed job was in the bank's trading room, where he had heard fortunes could be made, he perked up. A trader's role, the cousin told him, was to persuade investors to buy the bank's financial products, and beyond everyday trading room activities, was the job of entertaining clients: restaurants, bars, night clubs, hotels, weekends, all on expenses.

Markets always went up and the more money splashed out on Champagne entertainment the greater the rewards. In 2004, Clancy was taking home, including his annual bonus, over one hundred thousand euros a year. It was a joyous time, an age of irresponsibility, and life at the bank's investment branch, situated in a prestigious office building in the centre of Dublin was a gas. Liam Clancy, like his co-workers, did not have the slightest understanding of how banks functioned. Their job was selling securities at inflated market values, products derived from the lure of the easy credit boom that had triggered the property bubble in the US and other developed economies.

In May 2006, Henry Paulson was nominated as Secretary to the US Treasury by George Bush. Some six weeks later, at his swearing in, the first signs of the coming Californian real estate bust were already visible. It was the start of the sub-prime crisis. Banks all over the world were about to discover their books were overflowing with horrendously bad US securities. The French bank BNP was the first to wake-up, halting withdrawals from its funds in mid-2007.

Earlier the same year, signs of stress in the international financial system were being felt, forcing Adam Applegarth, the head of the British bank Northern Rock, to shuttle back and forth between London and New York buying and selling securitized debt. The reasons for the banker's haste went curiously unremarked on Wall Street.

In 1999, the directors of Northern Rock had already realized that mortgage securitization was a smart method of boosting the mortgage lender's growth. Borrowing money on worldwide credit markets was a simpler and less costly way of raising funds than from their traditional savers, which required investing in new branches to attract more deposits.

A specialized offshore firm owned by Northern Rock in Jersey had the task of bundling its mortgages. The sale of the securitized bonds was underwritten by international banks, including Barclays in London, JPMorgan Chase and Merrill Lynch in New York, and UBS in Zurich.

By 2006, sixty percent of the bank's total mortgages were securitized. 'The appetite for securitization, particularly in the U.S. and Europe, remains huge,' Applegarth reassured the bank's shareholders. Putting all his eggs in the one basket was Applegarth's undoing. The bank's business entirely dedicated to providing home loans had become almost exclusively funded by mortgage securitization.

When the global credit crisis broke, US banks were hit by heavy losses, with the result liquidities dried-up overnight. Applegarth found himself at the head of a bank that had just three months of funding reserves for its home loan operations. His system collapsed with the market value of the bank plunging over eighty percent and in February 2008, the British government had little alternative but to nationalize the Northern Rock.

It was a sad end to one hundred and fifty years of history. Founded in the middle of the 19th century, in Newcastle-upon-Tyne, in northeast England, by the merger of two small banks, initially created to help thrifty locals buy homes, the Northern Rock had transformed itself into the UK’s third-largest lender with over six thousand employees.

When in 2001, Adam Applegarth, at the age of 39, became the Northern Rock’s chief executive officer, the bank took off on its ballistic trajectory, its assets growing to over one hundred billion pounds sterling. Applegarth’s ambitions came to a dramatic end with the first run on a UK bank since 1866, when fearful customers rushed to its branches after news of a government bailout was leaked to the press in August 2007.

Chapter 42 BONUSES

Barely nine months had passed since the police were advising City workers not to wear suits, to reschedule meetings and, if possible, work from home. Then it was almost as if nothing had happened, banks were at it again, dishing out bonuses to traders, who explained to a dismayed public they worked hard; adding, if they were inadequately paid they would decamp, as though there was some offshore banking paradise waiting to snap them up.

Stock markets looked better. Fitzwilliams and Kennedy exulted. The end of the recession was in sight and to their immense joy they had survived. The worse was over, the end of capitalism had been avoided, even the luckless savers in failed British and Icelandic banks would be covered by the Financial Services Compensation Scheme.

The City and Wall Street rejoiced at the news bonuses were back in fashion. But when Merrill Lynch paid its top investment banker a bonus of almost thirty four million dollars, it was like a slap in the face to all those who had lost their job or had lost their savings. Even more galling was the news that just two years earlier, Merrill Lynch had been one of the key advisors in the disastrous HBOS-Amro deal, a deal which was to cost the British taxpayer billions. It was true that certain bankers worked perhaps fifty, sixty or more hours a week — no different to a great many poor workers, but bankers forgot they owed their bonuses to millions of shareholders, account holders and taxpayers, who at the end of the day footed the bill.

The absurdity of the compensation and bonus culture was laid open visible to all to see what it really was. When banks made profits, those who worked for them — notably their top executives, were well paid and when they got into trouble those same persons were still well paid, but most maddening of all, when they lost money their banks were bailed out by the taxpayer whilst those same top executives continued to be well paid.

The fine words of Barack Obama were lost on bankers who scrambled to fill their pockets with money that did not belong to them: short-term gains were prized over long-term prosperity, where we failed to look beyond the next payment, the next quarter, or the next election. History would certainly look back on the early years of the twenty first century as an age of extraordinary greed and irresponsibility.

Banking and finance arrogantly brushed aside the fact that the funds they used belonged to countless millions of lesser mortals, whose savings and contributions to pension funds had been entrusted to them, who paid interest on home loans and loans for consumer goods. Savers and small investors were routinely gulled by the offer of introductory low interest rates, mis-sold policies of all kinds, their pension funds mismanaged and were waylaid by stock market fluctuations. Banks had become so used to excessive profits for the benefit of a privileged few, who surreptitiously skimmed the vast sums of money that flowed through the system each day, that they forgot the age old principal of inherent trust that should exist between lenders and borrowers, the very foundation on which the banking the system was built.

It was a curious turn of events when the Prime Minister, Gordon Brown, Chancellor of the Exchequer under Tony Blair, led the hunt by announcing: We have to clean up the banking system. The British government bore its share of responsibility in the debacle; after all it had encouraged banks in the plunder of the money entrusted to them.

Inevitably the witch hunt led to an attack on Fred the Shred's luxurious home, forcing leading banks and financial institutions to reinforce security measures for their personnel as a climate of fear set in. The media naturally poured oil onto the flames whilst fanning the public's fear with an avalanche of bad news headlines announcing job losses and closures.

For more than a decade a great many working class people had been persuaded they could enjoy the pleasures that only the better-off had been able to afford. Goods that had once been considered luxuries were democratised. Ordinary working class families could enjoy the pleasure of two holidays a year in the sun; often in far off places. Tom Barton had observed them first-hand — at other end of the world — in Kovalam, an unlikely holiday resort situated at the southern tip of the Subcontinent, where working class Englishmen could belatedly enjoy the privileges of a dead empire; lording it up in their white Freddie Mercury vests, shoulders tattooed and oiled, heads shaven, dragging their forbearing misseses behind them. The scene had reminded Barton of a Southend bank holiday weekend…under the heat of the tropical sun.

Even the unexpected stock market upswing did little to change the country's outlook; a bleak future filled with rising unemployment and the threat of civil unrest and violence. The rich and the wealthy would certainly need protection if the reactions of the newly impoverished classes turned nasty. For the first time since the Thatcher years, and her destruction of trade-union power, anarchists appeared on the streets with likes of Fred the Shred becoming the targets of their ire.

Chapter 43 A MEETING IN PARIS

O'Connelly left his apartment on the Right Bank, overlooking the Seine, and headed in the direction of the Marais where he was to meet with Liam Clancy, the ex-trader from whom he had bought his Dublin house. It seemed that Clancy had rebounded and landed himself a job in the City at the Irish Netherlands Bank. The young Irishman promised to be a good source, providing valuable background details for his new book.

On the pavement outside O'Connelly's fine Parisian apartment building, he deftly sidestepped a skid of dog shit and a little further a used capote. Paris was living up to its reputation; seen from a distance it was a postcard, closer it was grubbier. Parisians got used to the inconveniences of their city, they closed their eyes to the faults, but from time to time these were brought back into focus — especially when they stepped on a packet of their canine friends' defecations.

As he crossed rue du Faubourg Saint Antoine, he could not help noticing the black faces; more and more Africans filled the city. He had nothing in particular against Africans, but he could not help wondering why the French government condoned the relentless flow of immigration when there were millions of former immigrants unemployed in the so-called run-down 'cities' that surrounded Paris intramuros. Perhaps they were unable to stem the flow.

Over the last decade the number of immigrants in city had seen a spectacularly increase, it was not unlike southern California where the Mexican and Asian populations seemed to have increased enormously during his absence. Only a couple of days early he had passed a group of small school children, not far from République, where only one could have belonged to the France of Asterix. Of course it was politically incorrect to make unwanton remarks about the increase in the number of immigrants, and as a successful writer he knew it would be suicidal to voice his opinions, as inoffensive as they were.

It was evident that over the next generation or so the population would change beyond anything his grandparents could have ever imagined as children. A few immigrants succeeded into penetrating the establishment.

Even though Nicolas Sarkozy had appointed ministers issued from the immigrant population. Window dressing to O'Connelly's mind. The vast majority of immigrants were second class citizens; like ancient Rome or Athens, cheap labour was needed for the tasks that the grass root populace refused.

He pulled himself out of his reverie as he crossed Place des Vosges. The hotel, Le Pavillon de la Reine Hotel, catered mostly for tourists seeking Parisian charm and history, normally business people booked into the usual modern hotel chains in and around the Opera district.

He entered into the courtyard through the coach doors on the north side of the square. The ivy covered hotel, though its name indicated the queen's pavilion it had in fact never been a home to a French queen. The 17th century residence had been recently renovated and transformed into a boutique hotel attracting many stars and celebrities. The square had been built by Henri IV who never lived to see it completed; the king was assassinated in his royal coach driving through Les Halles.

Knowing the prices of the rooms, he figured Clancy must be doing well. Once inside he spotted Clancy studying the books and the biblos that decorated the elegant lobby and lounge areas.

'Swotting up on French history?'

'Sort of,' replied Clancy with a wry smile.

'How's the hotel?'

'Nice, the rooms are a bit small, but I like the history of the place.'

'What are your plans?'

'The weather is nice so I'm doing a bit of tourism. Let's take a walk.'

'Suits me.'

They left the hotel and strolled into the gardens in the middle of the square.

'How's life then Liam?'

'Looking up. As I told you I've joined the Irish Netherlands in the City. I'm working with Pat Kennedy, their number two.'

'That's great.'

'I've read your last book. I liked it.'

'Good.'

'Downloaded it onto my iPad.'

'iPad?' O'Connelly was not even aware his publisher was selling his novels in eBook format.

'Yes, picked it up in New York a month ago.'

‘The book?’

‘No the iPad.’

‘Let’s take a coffee over there,’ said Clancy pointing to the café, Ma Bourgogne, on the corner of the square beneath the arches.

O’Connelly ordered a small strong French coffee and Clancy a café au lait.

‘Are you enjoying the house in Dublin Pat?’

‘I like it, a good place to write.’

‘I thinking of buying a place in London, a bit expensive. I suppose I should wait a while to see how things work out. By the way how’s your friend…’ he paused searching for her name.

‘Laura.’

‘Yes.’

‘She’s fine, still with the Irish Cultural Centre here in Paris.’

‘So what are you doing with Kennedy?’

Chapter 44 DESMOND CASEY

Desmond Casey joined the exclusive club of Ireland's nouveau very riche in 2008, along with those of the like of Brendan Allen and Derek Quinlan, who had become national heroes. The dream was short lived, barely a year later Casey found himself opting for voluntary bankruptcy with debts amounting to four billion euros. The vast fortune amassed by the London-Irish businessmen during the economic boom had simply evaporated.

In 1970, Casey had set out to make his fortune in London. Well-spoken and a smartly dressed, the young man was hired as a runner by a City brokerage firm. After a couple of years he graduated to junior broker working the phone to sell investments.

A decade later, Casey returned to Ireland, sensing conditions were ripe to launch his own business. The years spent in London had provided him with sufficient money to put a deposit on a couple run down houses in an up-and-coming Dublin suburb. After a quick he renovation job he sold them at more than twice the initial price and repaid the loan taken out with the National Dublin Bank. Then, by repeating the experience, he quickly built up a capital and invested it in the construction of small housing estate on the outskirts of the city.

Fifteen years later Casey found himself at the head of an international empire with property assets in Ireland, the UK, Spain, Croatia and Morocco, employing more than five thousand people in London and Dublin. At the height of the Irish property boom, he was one of Ireland's richest sons.

During the early years of his meteoric rise, Casey realized Ireland was headed for a long period of prosperity and economic expansion. On the recommendation of National Dublin's then managing director, he bought shares in the bank on the basis of CDFs, or contract for difference.

His experience in the City had taught him a few of the finer points of investing. The contract for difference market offered Casey a certain number of advantages: there was no set future price and no set future date. A buyer simply agreed to pay or receive the difference between the starting price and the price at the point of liquidation of the contract. In addition there was the advantage of leverage, with ratio of up to 20:1, he could boost his potential profit — just as it could increase the losses.

At that time banking share prices went in only one direction — up. So as the value of the shares in the National Dublin Bank rose, so did the borrowing power of his property development business; his assets providing the necessary guarantee. The problem was Casey came to believe that prices could only go up and progressively he increased his wager.

As Casey's property development business grew over the course of the boom years, he continued to use it as a guarantee to cover his position, gradually increasing his shareholding in the National Dublin Bank to thirty percent of the bank's total share capital. That was fine as long as prices went up, but with the collapse of property values and the subsequent collapse of Irish banking shares Casey was hit by a double whammy. Under the burden of failed property loans, the National Dublin Bank collapsed, as did other leading Irish banks. From a peak of twelve euros, the value of the shares Casey held fell to a mere twenty cents, a calamity that led to the nationalization of the bank.

Casey had squandered the fortune he had built up in a senseless gamble on the notoriously reckless National Dublin Bank. Casey, like the banks, had become addicted to leverage at a time when Ireland had become intoxicated by it. His disastrous investment in National Dublin Bank cost Casey Holdings more than one billion euros.

But Casey still had a trick or two up his sleeve. He decamped to London where bankruptcy laws were less onerous than those in the Republic. There he applied for voluntary bankruptcy in London's High Court. In Ireland he would have been banned from running a business for up to twelve years, whereas in the UK, Casey would be debt-free in a year, in spite of the billions he owed. That did not however prevent the Court from seizing his properties and just about everything else he possessed to cover his debts.

Chapter 45 LONDON

From his luxuriously appointed offices on Victoria Street in London, Ronny Gould had seen it coming; he had been in property for three decades and had had his ups and downs. He gamble had paid. Whilst the banking world and property firms failed to see the looming financial and property crisis, Ronny had piled into cash.

In the early nineties after a close encounter with disaster, he was forced to sell off almost all of his property empire; the road back had been long, but Ronny had learnt his lesson and was now very much wiser. He had witnessed the hordes of lemmings plunging over the edge as they chased deals which made little sense in terms of serious financial investments.

Ronny cashed in at the top of the market and with a war chest of five hundred million he patiently waited for the right moment to move into commercial property. Cash was the name of the game, his hard learned lessons taught him to avoid bank credit, however good the deal seemed. Each time he bought a property he bought it for cash in the knowledge that whatever happened to the market the rents would roll in and the property would always be there.

Gould was what the press would have described as a rough diamond, brought up in the East End of London, son of a Jewish family, he rarely saw the inside of a synagogue, but often took the brunt of latent anti-Semitism, giving Ronny a very thick skin. As he grew older, whilst retaining undertones of his Cockney accent, he became more polished and made friends in the City, though many of the old establishment denigrated him as an upstart ‘Jewboy’.

Times had changed and Gould frequented the rich and even discovered it was good to be known for giving to Jewish causes. The East Ender frequented charity events and was careful to be seen talking to the Israeli ambassador, or one of the Rothschilds.

As he approached his sixtieth birthday, Gould resolved to leave a lasting mark on the City of London, he’d show the world he was not a mere flash in the pan, one of those ephemeral bog hoppers who thought they’d made it. He would build a monument to a poor boy’s rise to riches from the harsh environment of London's East End: a vast four hundred million pound crystal tower in the heart of Britain's hallowed financial home, a city block away from the Gherkin, the London home of the Fitzwilliams' bank, to which he had confided the task of putting together a pool of investors for the construction of the Gould Tower.

Gould, true to his word, put up one hundred million in cash for the project. On completion, his headquarters would be located at the summit of his future landmark on Shoreditch High Street. His tower would include sixty thousand square meters of office space, plus residential apartments to provide the City with top of the market accommodation.

Few had been ready to risk their money with Gould, but Fitzwilliams saw Gould's project as a perfect investment for the Europa Property Fund's first landmark venture in the heart of London's City. Times were hard and such ventures were rare if not non-existent in the capital's cash strapped environment.

As the property market showed its first feeble signs of picking up, it seemed that Gould's gamble had paid off, perhaps he was not the most cultivated of investors, but he was hard headed and knew how to pick winners and that was what interested Fitzwilliams. The Caseys of this world were reckless cowboys, surfing on speculative waves; they had no long-term vision and no real intuition.

Chapter 46 A NEW RELIGION

Ohlsson, now an ageing member of the arcane Valhalla Club, an activist group, pondered the IMF announcement that the IMF that the global economic growth for the year would be a fraction over zero, which at first glance seemed positive, at least to his and his friends way of thinking. The catch was the world's population would at the same time grow by over one percent, the equivalent to almost one hundred and fifty million more hungry mouths to feed.

'It's about time our so called environmentalists realized that economic growth is not the driving factor in global warming and all the rest, it's the unrestrained growth of the planet's population. If we stopped having more babies the world would become a better place,' Ohlsson told his friend John Ennis.

'And alas, the world will progressively become a poorer place. More people running after fewer resources.'

'There's not much we can do about it John, you just have to stop and think the economic world is not controlled by governments, rather by a few vast impenetrable business corporations like Microsoft, Google, Exxon-Mobile, Citigroup, Wal-Mart, Coca Cola, Sony and IBM.'

'They decide what we buy,' added Ennis.

'Right, and what they want is more consumers.'

'The more the better!'

'Their influence stops not only at consumerism, they also control the way we think and behave. It's they who decided what we buy and where we buy it, they're the strings pullers, deciding whether the goods we consume be manufactured in the US, Germany, Japan or China.'

'Are they concerned about the environment, I mean the state of the planet?' asked Ennis.

'Indirectly so John,' replied Ohlsson, 'What I mean is as long as it contributes to sustaining their businesses. What happens to the goods they produce after you've bought them is less important than the idea of pleasing customers who will come back for more. What happens to all that plastic doesn't really concern them unless they are forced by law to do something about it. Of course they will fight laws they don't like through their system of lobbying.'

'I know what you mean, the other day I was looking for a gift for a two year old, but when I saw the quantity of plastic from China in the form of useless toys I was astonished.'

'What we should do if we want to build a sustainable society is to drastically reduce our population.'

'You want to kill them off?' said Ennis in mock horror.

'It wouldn't be a bad idea. Seriously though, in a little over a century the population will have almost doubled on this small island. Image two times more of everything.'

'It's good platform for the Greens.'

'The Greens are too politically correct, they are part of the new religion. This subject is much too sensitive; it touches questions of immigration, culture and even traditional religions. Think about Catholics and Muslims, look at the negative image of China's one child per family policy.'

'I suppose you're right.'

'Imagine the world has another eighty million mouths to feed every year, twice the total population of Germany!'

'And our politicians condone that?'

'Of course, just consider how the financial crisis effects peoples living standards and you will see governments taking urgent measures to put order back into a system, one that is slowly destroying our planet and is becoming life threatening for countless millions.'

'Isn't that part of this new religion?'

'I suppose so. The Earth, it's hanging in space like a jewel, a precious jewel with very finite space and resources.'

'I like that, Charlie Duke, if I remember rightly.'

'Good memory. But what financial pundits, television channels and newspapers should hammer home are the consequences of globalization. I mean pushing the human race beyond the ecological limits of our small planet.'

'We've been fighting against deforestation for decades and our calculations show the world is losing its natural capital at a rate equivalent to five trillion dollars a year as a result of deforestation alone. That makes the losses in the financial sector look small!

‘Our survival’s not merely an economic option. If our resources are depleted at a greater rate than replacement then our world will surely come to a dire Mad Max end.

‘Remember what our friend Jared Diamond told us about the sudden decline of earlier civilizations and the depletion of resource. Ecological collapse is the inevitable consequence of economic success. Resources that appeared to be inexhaustible to us fifty years ago are shrinking at an ever increasing pace with the BRICs racing to transform their economies into consumer societies.

‘If we think of Churchill’s words in 1942 — Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning. The old man would have been astonished to see the Britain that has been spawned by consumerism and perhaps he would have changed his words to something like: It is the beginning of the end of our way of life.

‘Churchill was right to be cautious, the war lasted three more years, and this crisis, which the UK has got itself into through its own fault will probably last longer.’

‘Yes, and whilst we at it, it’s about time people gave up this obstinate nostalgia for empire with the huge problems the country is facing and try to player a greater role in Europe and make the world a better place.’

Armageddon had been avoided — by a whisker. Nation’s had emerged bankrupt or crippled by backbreaking debt burdens. Personal savings and pension funds had shrivelled. But, as the dust started to settle the first to emerge from the wreckage were the banks, and to the astonishment of all they were soon up to their old tricks. It was not long before people started asking who had been screwed. Self-serving bank chiefs were again to ladling out huge bonuses, to themselves and their traders’.

Unemployment in the UK had shot up; three million homes were without a single family member in work. Government statistics belied the real depth of misery, overlooking the millions of others who had dropped out of the system, surviving on benefits or charity. Certain had even abandoned the idea of ever working again, with joblessness an accepted way of life, as Britain slide back to the days of the ‘State We’re In’.

This grim scenario did not however stop a flood of foreign workers arriving, whose wage demands were so low that grass root Brits could not compete. Armies of low paid foreign workers cleaned the nation’s streets, ran its hospital services, served burgers and occupied just about every other menial job niche. For those who had been left behind in the struggle to survive, ambition was transformed into winning the lottery, or the hope of become a celebrity in Britain’s Got Talent or X Factor — a new variety of Ephemeroptera.

Chapter 47 DUBAI

We haven't heard from Dubai in a while.'
'That doesn't mean the problem has gone away.'
'Dubai Holding's in trouble.'
'That's controlled by Al Maktoum.'
'Yeah. Designed to consolidate their infrastructure and investment projects.'
'They've missed loan repayments.'
'What do you expect from that kind of place?'
'What do you mean? They're monarchies like the UK and their financial system is dodgy.'
'Not quite Pat!'
Barton laughed as Kennedy grinned sheepishly.
'All those skyscrapers are assets, someone will end up buying them.'
'If they're not bombed by Iran.'
They both laughed.
'Being serious for a moment Pat, every time they complete one of those buildings, it adds to the market over-supply. So it's going to take some time before the situation sorts itself out.'
The doomsters rubbed their hands with joy, seizing on the news to shout I told you so. Barton had to admit to a grim satisfaction; he was one of the few who had not stood idly on the side lines.
The news that Government of Dubai would restructure Dubai World shocked investors. Dubai was the champion of the real estate bubble where no idea had been too outlandish. The brief statement announcing the news had been issued just as the Emirate shutdown to celebrate the Muslim feast of Eid al-Adha nicely coincided with the long Thanksgiving holiday weekend in the US, catching investors by surprise. Banks and financial institutions in the know had been short selling Dubai World for months in the certitude it could not meet its obligations.
In just five weeks the world's tallest building was due to be inaugurated by Sheikh Mohammed bin Rashid Al Maktoum and the public would be able visit Burj Khalifa's observation deck, 828 metres high, and enjoy the

spectacular view over a skyline of half-finished buildings and empty construction sites. Dubai's once booming economy had to all intents gone into default and its property sector had all but collapsed. Hundreds of projects worth more than three hundred billion dollars were cancelled, shut down or hobbled, causing property prices in the emirate to plunge by as much as sixty percent.

Dubai World, headed by Sultan Ahmed bin Sulayem, managed businesses and projects for the Dubai government. It included Nakheel, the property developer promoting Palm Jumeirah and The World, both built on reclaimed land off the coast. Dubai World's outstanding liabilities represented nearly three quarters of the Emirate's total debt, and the mere thought the company could be in difficulty, caused the cost of insuring against its possible default to jump higher than that of Iceland's, reducing the value of the Emirate's leading state owned companies to junk status.

Tarasov and Kennedy had been momentarily taken by the idea of investing in Dubai — to Fitzwilliams dismay, but with the growing rumour that The World was sinking into the sea, true or not, Tarasov put a quick stop to the idea, preferring to focus his attention on London and Moscow. Work had stopped on the artificial islands, sandbanks as Fitzwilliams called them, and there were few takers for existing commercial property in the Emirate.

Tom Barton wondered about the fate of the vast numbers of Indian workers in the Gulf region, many of whose families were now deprived of remittances, transfers that represented a large part of India's foreign revenues. Kerala would be most seriously affected, as it accounted for about a quarter India's labour force in the Gulf's hard hit construction industry.

The news stunned politicians and fear of a domino effect ripple through financial markets, leaving investors wondering which country would be next; Greece, Spain, even China. Leaders were left grappling with the consequences of the crisis with little time to reflect on the causes or the shape of things to come.

Not all felt concerned by the bad news. There was Tony Blair for one. He had little to worry. Since he had quit office he had become one of the richest ex-prime ministers in British history. His property included a palatial residence in Buckinghamshire, bought for almost six million pounds, and a home in London that had set him back another five million. After handing over the reins of power to Gordon Brown, Blair's personal wealth had grown at a phenomenal rate. The same could not be said for the mass of now disillusioned Labourites who had voted for him.

Chapter 48 THE FRAGRANT HARBOUR

After boarding the Cathay Pacific 747, Barton settled into his first class seat, it was almost like a miniature cabin. He checked out the route map and noted they would overfly Russia; a much shorter distance to Hong Kong than via the Gulf.

As he scanned the map his eyes paused over the Middle East, it was a reminder of how his life had changed in the two years since his first visit to Dubai. He remembered how he had been amazed at Emirate's incredible skyline and how he had tried to reconcile its extraordinary ambitions with economic realism. Just a few days before his departure for Hong Kong, a report told of how The World, one of Dubai's artificial archipelagos of islands, designed to resemble the globe, was sinking back into the sea. Surely a warning of the dangers of overambitious projects, something that he should bear in mind during the fact finding trip to China; his first for Fitzwilliams, under the auspices of and financed by the banker's Dublin think tank.

The owner of 'Ireland' had committed suicide, while the man who bought 'Britain' was serving a seven years jail sentence in Dubai after being found guilty of fraud. As for the rest of the project it was reported as being comatose. In total, over two hundred real estate projects had been cancelled and many others been put on hold, including Tiger Woods' residential golf course project and Nakheel's kilometre-high tower, after the spectacular fall of property prices.

It was not his problem he gratefully thought as he prepared for the night ahead in his first class sleeper. Arrival at Hong Kong's Chek Lap Kok airport was scheduled for seven the next morning, where he would be met and driven to the Peninsula Hotel in Kowloon.

As he put his head down the newspaper reports he had just read ran through his mind. His task was to assess the appetite of Chinese investors for overseas prime property. After expanding at a yearly average of just over ten percent since 1978, the Chinese economy was thriving. However, the burning question was not if, but when China's growth would slow down, or even stall, as inevitably happened after such expansive economic cycles. On the surface things looked extraordinarily good, but after thirty years of phenomenal growth, China reminded Barton of the US housing market before the sub-prime crisis broke.

Such economic cycles had taken place in Germany, Japan, Italy and more recently Spain. The trouble was events happened on an ever accelerating scale and already predictions of a hard landing for the overheated Chinese economy were being voiced by observers.

It was the old story of markets being blind to the obvious. In China's case the economy was essentially a command economy, where government objectives were set regardless of real need, in an environment where investors were protected from market vagaries and short sellers. For the moment, money continued to pour into the country, with investors blissfully ignoring the question of sustainability.

The Nederlandsche Nassau Bank was represented in Hong Kong by a Dutch expatriate, Felix Roosegaarde, whose principal task was to maintain relations with the Chinese importers of Indonesian timber, and the suppliers of Indonesian importers of Chinese manufactured goods. The banking commissions earned on such trade had long assured Amsterdam of steady but not very exciting revenues.

Roosegaarde was caught between two stools as Barton's visit coincided with the Canton Fair, which suited Barton fine as he wanted to form his own opinions without the Dutchman tagging along. Roosegaarde, however, arranged a series of meetings for his visitor with various bankers and businessmen, amongst them Angus MacPherson of HBOS, whom Barton found particularly interesting, without the arrogance of certain bankers he met. Both men had experienced changes of fortune. In the case of MacPherson, he had suddenly found himself confronted with a life changing situation following the bank's bailout, with the prospect of returning to an uncertain situation in the UK. A come dramatic down after ten exhilarating years in the adrenalin driven atmosphere of Hong Kong and China.

MacPherson's offer of his experience to help Barton with his fact finding mission to China was warmly welcomed; Barton found no threat in accepting the Scot's assistance. His task was not to invest in China, nor attract conventional Chinese investment in the UK. His goal was to offer a refuge to the rich, a place where their money would be safe, where they could find a home for their families if things ever turned sour, because if

China ever got into serious difficulties it would be like that of Dubai's on a scale of tectonic magnitude.

There was little doubt as to the extraordinary success of China's great cities: Beijing, Canton, Shanghai, Tianjin, but what would happen if and when the property bubble burst. Already reports echoed newly built cities, empty, with vast vacant shopping malls and unused infrastructure. Australian TV had reported sixty four million unsold apartments. It all sounded like the Spanish property bubble. Home construction consumed the greater part of the China's cement and steel production; the manufacture of household appliances and furnishings was equally dependent on the sector's continued prosperity. And last but not least was property-linked infrastructure: roads, railways, airports, utilities and so on. When the bubble burst the whole economy would stall.

In China's case there were however complicating factors. Amongst Barton's 'must read' information was the story of a Chinese billionaire, a certain Jin Libin. It recalled, in a certain manner of speaking, his own flight from impending disaster, though Jin Libin's solution was much more dramatic: the luckless businessman set himself on fire to escape his predicament. Jin Libin's heavily indebted business, unlike Western businesses, in hock to banks, owed money to private lenders, in fact ten times more than it owed to the banks.

The importance of the story lay in the fact that a large part of China's domestic credit sources, lay outside of the country's conventional government controlled banking system. The central bank's tightening of credit and raising of interest rates had little effect on cash rich individuals, who recycled their reserves into higher yield investments, more precisely to businesses that were willing to pay double or even triple digit rates for short-term, uncollateralized loans.

This underground banking system offered depositors rates of twenty or thirty percent. Money was lent to cash strapped firms hit by the governments tight credit policies, with wealthy families pouring an estimated one trillion renminbi into businesses and underground banks. Deposits and loans were unsecured, that is in the conventional sense, and often agreed by a simple handshake between two individuals.

John Francis had described the functioning of traditional Chinese, and more broadly speaking Asian capitalism, where luckless defaulters ended up armless and legless in a barrel. Gambling and speculation were part of

China's long history, the difference was modern technology and communications amplified what would have been the risk incurred by one or two families, transforming it into a nationwide risk.

To those who wondered what the end game was, the answer was simple: greed, speculation and the Chinese love of gambling. The biggest question was what kind of business was capable of generating the kinds of profit necessary to repay such usurious rates of interest. If it was a bubble waiting to burst, then a disaster was in the offing, and when the inevitable came tens of millions would be ruined and countless businesses would collapse.

The Pearl River Delta was China's main economic centre and its two principal cities, Guangzhou and Shenzhen, amongst its richest cities. A mere thirty years earlier, Shenzhen had been a small unimportant fishing village across the border from the British colony of Hong Kong, three decades later it was a huge twenty first century city, home to many of China's leading high-tech companies.

Shenzhen was China's very first Special Economic Zone, created by Deng Xiaoping in 1978, as part of his Open Door policy. The choice had been a wise one, the Pearl River Delta, which linked Guangzhou to the South China Sea, had for centuries been one of China's most important economic centres with its huge industrial cities, such as Dongguan with its grimy factory-filled suburbs.

With the addition of Shenzhen, the Delta became one of the world's manufacturing powerhouses. In the forefront was the electronics giant, Foxconn, which as well as assembling Apple's iPhones, produced a vast range of personal computers and electrical components. In addition was a host of other manufacturing businesses, producing everything from toys to textiles; a mountain of goods 'Made in China' that were shipped to every corner of the globe, creating an immense source of wealth for the province; the greatest manufacturing centre the world had ever known.

Barton made it clear from the start that his goal was to discover China for himself. He was not an expert, but in the previous eighteen months he had seen more of the world than many others would see in a lifetime and more especially had acquired a perception of how it worked.

China, according to one observer, had built the equivalent of a new Rome every two months over the previous decade. With seven to eight million people entering China's workforce each year, Barton wondered if the incredible machine was outstripping demand. It would not be surprising with endless stories making the rounds of futile infrastructure projects. Roosegaarde was certainly not far off the mark when he had warned him China was Ireland on steroids. However, it seemed impossible for the central or regional governments to restrain the construction industry without putting millions of building workers onto the streets.

With the knowledge that China's investment in infrastructure accounted for a significant percentage of its economy, Barton set out to explore the New South China Mall on the outskirts of Dongguan, a city of ten million, a few miles to the north of Shenzhen.

It was described as the world's largest shopping mall. Something had however gone wrong, it was a ghost mall, its five levels with their endless corridors designed to house one thousand five hundred stores, were to all intents empty. A mere handful of units had been leased since its completion in 2005. Most were now abandoned, all that remained was a Spar supermarket, a McDonald's and a drugstore.

It was a powerful reminder of Spain, where ill planned investments ended up in bankruptcy for lack of buyers. An economy could not prosper indefinitely without a return on the capital invested. If the same errors were repeated on a national scale, China's economy would sooner or later end up as indebted those of the West, in the best case the US or the UK, and more seriously that of Ireland or even Spain.

The paradox was the millions of poor workers who had and continued to pour into China's cities had not the slightest hope of ever owning an apartment with the kind of wages they earned: a couple of hundred or less euros a month.

Providing adequate housing for poor workers was a hopeless task and the fine apartments built in Beijing, Shanghai, and overlooking Hainan's beaches, seemed to be built for the sake of building, or for pure speculation. The planning model was outdated. There was little or no economic justification for yet another high speed train link, highway, airport or steelworks.

Before heading for Beijing, Barton made a detour to the picturesque province of Yunnan, in the south-west of China, and its capital Kunming, a city of more than six million inhabitants. Nearby city planners had built an entire new town to accommodate the overflow of the Kunming's growing population. Unfortunately for them the planned demand was not forthcoming. More than one hundred thousand new apartments stood unoccupied in the suburb of Chenggong, unable to attract new residents.

Apart from a few construction workers and security guards, the new town was almost empty. The malls and office buildings stood forlornly waiting for shoppers and office workers. The stadium was a home to pigeons. There was an air of abandonment, the new town, built in the middle of nowhere, was conceived without the least attention to its transport needs.

In Beijing, not too far from his resplendent five star hotel and the hustle and bustle of the capital, was another example of wasteful planning. The Wonderland Amusement Park, built in the early nineties, was falling into a state of decay. The theme park resembled a ghost town with its Disney-like castle and medieval ramparts besieged by encroaching vegetation and crops grown by local farmers.

The park's promoters had foreseen everything, all the ingredients for success were present: canals, windmills, even an Arc de Triomphe and a Plazza del san Marco. It was to be the largest amusement park in Asia, but then a clash over land rights brought the dream to an end; nothing remained but deserted buildings, motionless escalators, dark corridors and empty shops. Barton wondered who had paid for it, as surely someone must have. Thousands of workers had been employed to build the park by construction firms and suppliers. Where were the promoters? Who carried the burden of debt? The banks? What other financial disasters were hidden from view?

Barton discovered the curious English village at Songjiang, near Shanghai, an enigma with its mock-Tudor buildings and red telephone boxes? The incongruity of it all was astonishing, Thames Town, an English village built in the heart of China. Barton realized the vast country was full of amazing surprises. Thames Town was complete with a market square, a church, cobbled streets, a pub, a fish and chip shop, Georgian-style houses and even a castle. A statue of Winston Churchill smiled benignly at the rare visitors, but even stranger were statues of James Bond and Harry Potter.

Apart from the newlyweds, who chose the backdrop of the village for their wedding photos, it was deserted, another ghost town, no townsfolk, empty shops and no traffic.

A one hundred kilometre train ride away, in the huge port city of Tianjin, planners had their eyes on another ambitious project; to build an international finance centre to compete with Shanghai. Tianjin boasted of being the centre of Chinese private equity, attracting investors with generous tax breaks, but any visitor could see a massive glut of office space, the evidence was everywhere, supply was outstripping demand at a punishing pace.

Barton could not avoid the damning conclusion that China, in spite of its spectacular growth rate and marvels, would need years to fill its empty cities and the millions of square metres of office space standing vacant. If a crash was coming, in one, two or three years, those at the top already knew and would be planning a safe haven for the hard times to come.

Chapter 49 ELECTION YEAR 2010

The world was two years into the crisis. In London, as 2010 dawned, Gordon Brown's day of reckoning approached. It was election year and Brown commenced with a pitifully amusing announcement to the press, he was ready 'to fight for Britain'. The Prime Minister was forced to admit he would be the underdog in the forthcoming elections, an evidence to all but the most staunch of Labour supporters.

Britain would soon have a new government, but with the clouds gathering over the EU, optimism was not on the cards as Greek credit ratings fell for the first time in a decade to BBB+. Eyes were nervously turning towards Spain and Ireland as their economic prospects darkened. As for Iceland, its voters had finally woken up; nearly a quarter of them signed a petition asking their president to veto a bill to repay three and a half billion pounds to the British government. The payment was to compensate two hundred thousand brainless British savers who lost their money when the Icelandic online bank, Icesave, collapsed.

But disasters were however relative. On January 12, 2010, Haiti was hit by one of the world's worst quakes in many decades, provoking a quarter of a million deaths. The country's capital, Port-au-Prince, was practically destroyed and the lives of millions of Haitians, already amongst the world's poorest, took a turn for the worse.

Portugal, Ireland, Italy, Greece, Spain in spite of their economic woes were rich compared to Haiti and could count on the help of their partners in the EU and by the IMF. But the risk of contagion and multiple defaults due to excessive government deficits was real and fears for the euro were already being voiced.

As opposed to a Keynesian approach, austerity was becoming the fashion with the very same politicians; those had so recently spent as though there were no tomorrows, vociferously promising all round budget cuts.

Tony Blair resurfaced to testify before the Chilcot committee, adopting an almost evangelical tone as he defended his war in Iraq. 'It had made the world a safer place,' he said, and as for Saddam Hussein: 'he was monster and I believe he threatened not just the region but the world.'

Blair's decade, one which entangled Britain in one of the most morally controversial foreign policy decisions in modern times, had ended in economic disaster. On leaving the hearing it was no surprise the now discredited former leader was jeered by the public.

Far from the issues facing Britain, Tom Barton was fascinated by the tribulations of high ranking members of the Chinese Communist Party. It was a contradiction in terms that many of the Communist elite were prominent members of the China's nouveaux riche. But when yet another scandal hit the web, with death of the playboy son of a high-ranking government official, it bode ill for the credibility of the country's leaders as they jostled for leadership of the all-powerful Politburo.

Li Xiaolong, son of a leading Politburo figure, whom Barton had been introduced to on his visit to Beijing, had killed himself at the wheel of a red Ferrari Spider that had spun out of control in the early hours of the morning during the Autumn Festival holiday in Beijing.

In spite of the efforts by the police stage a cover-up, news leaked on the web informed the public Xiaolong had been killed instantly in the crash, which was not the case for his female passenger, who was seriously injured. Lurid details described the driver and his passenger as being naked at the moment of the crash, and, according to hospital reports, both had high levels of alcohol and cocaine in their blood.

All English language references to the accident were quickly removed by censors from online Blogs. However, news of the scandal soon resurfaced in Hong Kong and circulated freely on Chinese language Internet sites to the delight of scandal hungry surfers. Police, in a farcical effort to cover-up the scandal, even tried to convince Xiaolong's room-mate at Peking University, he had left to pursue post graduate studies elsewhere.

High level corruption in China was nothing new, but in the past it had been relatively well hidden from the public view. But with the democratization of Internet, the wild behaviour of the privileged offspring of top China's officials revealed the extravagant lives of those at the top. The question of how the sons and daughters of top officials attended high fee paying universities in Britain and the US, when their parents earned a few thousand dollars a year in their government jobs, could have puzzled Westerners, but in China few eyebrows were raised. That Xiaolong drove a Ferrari costing hundreds of thousands of dollars would have certainly shocked his revolutionary grandparents, real Communists, but not China's new generation whose reaction was more often a knowing snigger.

Murder, skulduggery and corruption had become rampant at all levels of the Communist Party, in government ministries and state-run enterprises. The flaunting of privileges had become part of daily life in China. The trappings of power and corruption in the form of high priced luxury cars and extravagant watches were openly displayed. So called princelings and their offspring were openly accused of abusing their power and amassing fortunes through graft and corruption.

'Westerners, who cosy up to powerful Chinese politicians are wed to their rise or fall,' John Francis warned Kennedy. A piece of information which would not however prevent Pat from making questionable friends, as he always seemed to do.

'What about censorship?'

'If you're asking does press and media censorship exist in China, the answer is yes!'

Kennedy was pleased; at least he had got that right.

'But, you should remember that censorship exists almost everywhere. Take the UK, here you have your libel laws with court-imposed gags that prevent the media from publishing anything contrary to the interests of for example royalty and the top elite. Then there are restraints fixed by the establishment through what we usually call politically correct attitudes, for example those relating to religion or what may be construed as racist. On the other hand it's always open season for sniping at politicians and celebrities, providing libel laws are respected and politically correct attitudes are observed.'

'So what about the political class in China?'

'The press is controlled by the state, so anything political is treated with kid gloves, on the other hand Internet poses a different kind of problem. English language sites are strictly controlled, but strange as it may seem Chinese language sites are freer, perhaps because many blogs have such a minute audience, though when there is a buzz rumours spread across the web like wildfire.'

'Political rumours?'

'Yes, one blog recently received over three hundred thousand comments on one of its politically related stories.'

'Sounds free to me.'

‘Perhaps, but scandals rarely get aired by the media, though things seem to be changing. Inequalities are now visible to all, as is corruption. There are more and more angry clashes with authorities on a wide range of issues: the expropriation of land, pollution, injustice and so on.’

‘So what’s this I’ve heard about a Ferrari?’

‘You mean the accident in Beijing?’

Kennedy shrugged; he had no idea where the accident had taken place.

‘It was the son of a prominent member of the politburo.’

‘Politburo?’

‘It’s like the cabinet in the UK, the government core if you like.’

Chapter 50 A DRUNKEN BROKER

How could a single broker destabilise the world oil market?' asked Liam Clancy.'

The rumour is going around he was pissed.

'It seems like he bought seven million barrels of crude oil from his laptop.'

'Five hundred and twenty million dollars' worth!

'Whatever he did he pushed the price to an eight-month high.'

They all laughed and ordered another bottle of champagne.

'He's from Brentwood in Essex.'

That brought more howls of laughter.

Barton wasn't amused, he had regularly played the market buying and selling oil futures and to learn a drunken broker, from Essex, could destabilise trade was worrying to say the least.

He was familiar with the kind of brokerage that traded in oil futures. His own broker in New York ran a small highly experienced team, discretely buying and selling up to a hundred million barrels a day for their customers; oil companies, refiners and producers, government agencies, trading houses, banks and individual investors.

Most of those present, with the exception of Barton, were used to the kind of drunken night out on the town traders were famous for.

After such a night out the rogue trader in question was unable to explain how he had bought over five hundred million dollars' worth of crude in the middle of the night, causing the market price to jump by one dollar fifty, the kind of swing that only happened after an event of geopolitical significance.

By the time the brokerage unwound its positions, losses totalled almost ten million dollars, equivalent to the firm's annual trading margin.

'Needless to say the stupid bugger was given the boot!'

Barton knew exactly how the system worked; buying and selling futures, betting on the rise and fall of oil prices, but what astonished him was a drunken trader had at one point been trading seventy percent of the global market volume.

'It cost him his job and a one hundred and fifty thousand dollar fine.'

'No, it was reduced by half because of potential financial hardship!'

They were now almost hysterical with laughter, as Barton wondered what kind of chaos they were capable of provoking, considering the trader had been able to take positions on such huge volumes with so little cash up front and no limits.

It was reminiscent of Fabrice Toure 'Fabulous Fab', a Goldman Sacs trader, who testified before a Senate committee in 2007, to reply to questions linked to one of the bank's CDOs named Abacus, a product which he had been responsible for trading. Toure was replying to allegations he had defrauded his own clients following accusations that Abacus, a complex mortgage-backed bond, was designed to fail. According to the SEC, Toure had been responsible for the creation and sales of a series of such mortgage-backed bonds, which had cost investors large sums of money.

Fabrice Toure, a Frenchman, was a graduate of France's prestigious engineering school: the École Centrale in Paris. After graduating in mathematics, he went on to obtain a Masters in science and engineering management at Stanford. He then joined Goldman Sachs in New York, where in 2007, as a vice president he was responsible for Abacus.

'Fabulous Fab' created his own nickname after writing an email to a colleague: 'The whole building is about to collapse anytime now...Only potential survivor, the fabulous Fab...standing in the middle of all these complex, highly leveraged, exotic trades he created without necessarily understanding all of the implications of those monstrosities!!!'

The Wall Street Journal reported Goldman Sacs had paid Toure more than two million dollars in 2007, the year of the so-called Abacus deals. The trader, known for his expensive tastes, lived in a New York apartment that cost him four thousand five hundred dollars a month, where his frequent and noisy parties were the source of frequent complaints from neighbours.

The trader boasted of selling Abacus bonds to 'widows and orphans that I ran into at the airport' in Belgium; 'poor little sub-prime borrowers won't last long'; and describing 'Frankenstein' CDOs as 'a product of pure intellectual masturbation' that 'had no purpose...were absolutely conceptual and highly theoretical and which nobody knows how to price.'

Toure quite naturally denied all of the allegations. His arrogance, according to the Washington Post, 'bested previous displays of hubris by the automotive, oil, and tobacco industries'. Provoking the question of whether Toure and his colleagues were 'criminals or merely a big bunch of jerks.'

The mortgage trader became the embodiment of Wall Street's mind-set following a sensational report in the New York Times. The newspaper recounted how Toure's emails became public. It seemed that his laptop, containing the damming emails, was given to a New York artist and filmmaker by a friend who explained he had stumbled on it in the garbage room of a downtown apartment building.

At the end of 2009, after two years of high drama, bonuses were back at Goldman Sacs. The mega bank, said to be the most international bank in the world, was again in control of the situation. It was described by its detractors as an octopus with tentacles reaching deep into the White House. In 2010, even Lloyd Blankenfein, the bank's head, publicly described it as a casino.

Chapter 51 BOOKS

O'Connelly's return to Paris helped him put his ideas into perspective. Travelling and moving from one home to another had always proved to be a creative tool. Stuck in one location produced introspective work and crimped his style, which always influenced by local media news. Having been a journalist at the International Herald Tribune, part of The New York Times Company, in Paris he had been weaned on world events. An experience one step removed from writing good novel.

As a successful writer people often asked him, how many copies must a book sell to be considered a success? It was not an easy question. Everything was relative. O'Connelly remembered when his first book passed the fifty thousand mark. However, he had grown sceptical when certain authors spoke of their sales; there was a big difference between the number of books printed and those sold, without taking into account returns. The sale of hard backs and paperbacks made a considerable difference to him in terms of royalties, the former selling at three or four times the price of the latter.

His books went through three publishing phases: first a hard back followed about a year later by a quality paperback and finally a trade paperback. So as far as royalties were concerned, which mattered most to his bank account, it could take up to two years before he knew whether his book had been a real success or not, regardless of it being proclaimed a bestseller by the media.

It also determined the relationship with his agent and publisher, which in turn dictated advance payments. His last two books had sold over one hundred thousand hard backs, which earned good money for all concerned. A hefty advance payment was an encouragement to produce quality and commercially successful writing, which was his goal, although he liked to get his message for posterity in between the lines.

He had been lucky in having a good agent, and a good publisher, from the very start, which had been largely due to his own 'insider' status, being a known journalist for an international newspaper helped. Of course the choice of subject matter was vital.

Many successful first novels were biographically based, selling a few thousand hardcover copies. His own was a mix of fiction and non-fiction in a high profile political drama that attracted considerable public interest. The success of his style and the actuality of his story ensured a handsome book deal with his publisher together with a high profile marketing campaign for his second novel.

Chapter 52 EYJAFJALLAJOEKULL

Iceland was back in the headlines, it was not however its banks that were making problems for Pat Kennedy. All flights in and out of the UK and several other European countries had been suspended as an ash cloud from a volcanic eruption on the island moved south amid fears of engine damage.

The volcano was spewing ash high into the atmosphere and the forecast indicated that wind would push it towards the UK and European airspace for some time to come.

Pat Kennedy had considered it a matter of pride to pronounce the volcano's unpronounceable name correctly, Eyjafjallajoekull, after all he had established himself as the head of foreign policy at the bank and was reputed to be multilingual, even if that was somewhat of an exaggeration.

Kennedy had diligently applied himself to developing what at the outset had been a smattering of Russian, then as the bank became more involved with Tarasov, he engaged a Russian teacher, who to her surprise was astonished at the banker's ability to assimilate the language, in spite of his almost total impermeability to all questions of grammar.

Pat had discovered that a few words of Russian was a good opening gambit for his mild flirtations with the attractive young Russian women he met at Tarasov's frequent receptions and social events, who found the oligarch's friend amusing compared to the other stuffed shirts they met, and though they often spoke excellent English they did not discouraging him from using the language of Tolstoy. Tarasov was amused by the likeable Irishman's success and did nothing to discourage him; on the contrary, the closer Kennedy felt to all things Russian, the more it suited his plans.

Pat liked the label 'polyglot' and made every effort to justify the sobriquet by taking advantage of his frequent visits to Biarritz and Amsterdam to develop his linguistic talents. To the dismay of his friends and acquaintances he was able to pursue conversations in three or four languages at the same time, which caused a certain amount of confusion, but his thick skin and naturally loquacious disposition overcame all obstacles. The elephant-like memory that had served him in his early career in accounting and fiscality, was now put to good use expanding his growing vocabulary list.

With the chaos caused by the ash cloud he was forced to postpone his visit to Moscow. The negotiations with Tarasov would have to be carried out at a distance, which was not as problematic as it would appear, as the principals had already been established; it was the drafting of the details and legal points that needed finalization.

There were however plenty of other distractions in London to keep his curiosity satisfied. Amongst these was his growing interest in art. It was a good time for art investors and Kennedy had become one without even realizing it. His Battersea apartment boasted a couple of new works picked up at the Sotheby's auction rooms in Paris. Pat often stayed at the Intercontinental and had discovered the auction rooms just around the corner on the Faubourg St-Honoré. The original woodprints were not big, twelve inches by eight. It was Gauguin's name that had attracted him, then on a closer inspection, it was the aged black-ochre appearance of the print, stamped on thick century old ivory paper, that appealed to him. It seemed to transport him to the exotic past and to the painter's Pacific island paradise.

The fact that he could carry to two prints off, wrapped in a small packet, decided him, and after a swift series of bids they were his. Arriving back in London he spent the best part of an hour trying to figure out where he would hang them. With their small gilt frames they had an astonishing charm. Finally he chose a shaded wall panel in his large living room protected from any direct sunlight.

Pat had the added pleasures of knowing such treasures would never go down in value, they were excellent investments. He had made a similar experience in China, where during his visits to bankers' offices and exclusive hotels, he had discovered rare porcelain and collectors' items, witness to centuries of Chinese history and generations of artists and fine craftsmen. A visit to the Mausoleum of the Nanyue King in Canton, little known to many of China's tourists, had been a revelation to Pat, of course he had heard of the Great Wall, of the Xi'an Terracotta Army, but he had not realized the depth and breadth of China's history. The discovery set him on the path of finding a suitable trophy that would fit into his London apartment, one that would contrast, but not clash with his collection of modern art: a blue and white Qianlong porcelain vase, a permanent reminder of the opportunities that the Middle Kingdom's twenty first century revenge offered.

Pat Kennedy's visit to China opened his eyes to a world unknown to him. He was staggered by the unsuspecting power and wealth of a new generation of Chinese business leaders, as ruthless as the British adventurers who had carved out a piece of the decadent Qing Empire for themselves in the 19th century and transformed it into Hong Kong. A new generation of entrepreneurs were with their newly acquired riches restoring the glories of Imperial China, repatriating the treasures that had been dispersed overseas, lost over a century of tumultuous change, one that had led to the emergence of modern China.

Not only were there many incredibly wealthy individuals in China, there was also the Chinese state, which had amassed a mountain of cash to be invested in museums and art collections. A way of investing in its people's future, though many of its poorer citizens would not have agreed as the cost of daily life soared beyond their reach.

China's contradictions were part of the paradox that confronted Westerners like Kennedy. On the one hand were the workers of China's industry, most earning a couple of hundred dollars a month, and the fabulous wealth of its business and political elite. Hong Kong was part of that paradox; at one end of the scale the very poor lived in abject misery and at the other end fabulous riches were accumulated. Even well paid expatriates struggled as rents reached an all-time high, they along with many middle class Hong Kongers were now forced to seek more modest accommodation in areas of the city their predecessors would have considered below them.

Inflation was at a fifteen year high with Hong Kong's currency pegged to the dollar, aggravated by the Fed's policy of low interest, which meant real interest rates in the thriving city were in negative territory. To make matters worse the Hong Kong dollar had declined against the Chinese yuan, making nearby China expensive in relative terms.

Francis, an economist and historian, saw a parallel between China bursting forth from the frontiers of its ancient home, after centuries of reclusion, invading Europe and the US with its mercantilist policies, and the Mongol invasions of the Euro-Asian landmass in the 11th and 12th centuries.

In those distant times, Europe lived in its own hermetic world, where the mysterious Orient was ruled by Prester John, inhabited by strange monstrous creatures. Europe had not known invasion since the barbarian tribes poured in from the steppe in Roman times: Goths, Vandals, Lombards, Suebi, Frisii, Franks, Huns, Avars, Slavs, Bulgars, and Alans.

When the Mongol hordes suddenly appeared at the Europe's gate, its kingdoms were divided; fighting their age old wars for territory and regional power, their forces led by knights with heavily armoured cavalry and poorly equipped foot soldiers, conceived to fight European battles against like armies.

The Mongols brought with them a whole new dimension of warfare and leadership, defeating and stunning European Kings in bloody battle one after the other. It was the same with the modern Chinese. Europe had slept on its laurels, believing in its superiority, seeing the rise of China in the early eighties as a new and promising market, an opportunity and not a threat.

By accepting huge trade imbalances, year after year, decade after decade, in the hope these would eventually right themselves, the West had laid the foundations for its demise as the predominant world force. By exporting its know-how and technology, subcontracting the manufacture of everything from low grade goods to civil aircraft, high speed trains and computers, the West had achieved the fastest and greatest technological transfer in human history.

By the time West's politicians had woken up to their error it was too late. China had accumulated vast monetary reserves, had acquired modern technologies and had turned the table selling everything from military hardware to aircraft and high speed trains to the world at incomparably low prices.

The attitude of the Chinese leaders was not unlike that of the Mongol Emperors to its subjects and enemies. Güyük, the third Great Khan of the Mongols, on receiving the emissary of Innocent IV replied in a letter: 'Thou art the Great Pope, together with all your princes, you must come in person to render service and pay us homage. Only then will we acknowledge your submission. And if you do not follow the order of God, and if you ignore my command, I shall know you as my enemy.'

The Mongols demanded that every nation submit — in the same way as modern China, or be destroyed. Equally, the Mongol empire, like modern China, was not just another state; it considered itself the supreme universal power.

The willingness of the West, and more specifically the UK, to kowtow to the Middle Kingdom, was one of the contributing factors to the mass extinction of its manufacturing industries. Western governments had little control of their industrial base compared to that of Beijing; China's government determined policy, controlled banks, set five year plans and stimulated growth through its monetary policies.

In Europe and the US, businesses were controlled by individuals, as they always had been. Individualism and liberalization was Western capitalism's model. Business owners were uniquely interested in profits, it was their raison d'être. What happened to the society they lived in was the responsibility of their governments and of little concern to entrepreneurs.

The Chinese were not alone in their approach. India with its Wild West capitalism had bred families like that of Mittal, who had bought steel mills across the planet, shutting down high cost production plant in Europe after acquiring their technology, producing cut price steel in the huge run down, polluting, ex-Soviet combinats of Kazakhstan.

Both China and India relied on their vast populations an inexhaustible source of cheap labour. Whilst their megapolii were rich with well-paid white collar workers, most factories employed near to slave labour. These robotniks were fed by hundreds of millions of poor peasants and the factories in which they worked were supplied with raw materials dug from the ground by wretchedly low paid miners working in abject and dangerous conditions.

In recent years, men like Kennedy and Barton, and so many other Westerners, belatedly discovered China. They were part of the flood of generally naïve newcomers, willing to kowtow in their ignorance to the new power, who knew little of China and its long history as a powerful industrial nation, an imperial power that had reigned over much of East Asia for at least two millennia, and which during centuries had supplied Europe with quality manufactured goods and technology.

Few remained of the old British Hong Kong hands, long retired to Blighty with their fading memories — shadows of Britain's imperial past, those who had witnessed the shambles of Mao's Cultural Revolution, those who had unwittingly opened China's floodgates to the West in the early seventies. The new generation, ignorant of the past, was amazed by China's modern face and its industrial power, but they were not the first to have been astounded by the Middle Kingdom's wealth and might.

When Portuguese, then Spanish navigators, arrived in China in the early part of the sixteenth century, they discovered an immense developed nation administered by a vast and highly organized bureaucracy. Its peoples were not only farmers, but also skilled artisans: manufacturing silks, porcelain, valuable furniture and a multitude of manufactured goods that were exported across Asia, to India, the Middle East and Europe.

At that time China dwarfed all other nations on earth. At the end of the sixteenth century Lopez de Velasco described China as the world's largest kingdom at a time when Philippe II ruled over the world's greatest empire. As Emperor of the Holy Roman Empire, King of Portugal and Spain, Philippe ruled over a large part of Europe as King of Germany, Italy and the Netherlands. Spain and Portugal had by then conquered the New World: Mexico, Chile, Peru, Brazil, Florida…as well as the Philippines, establishing colonies in Africa, India, Malaysia and the Pacific.

Finally what would have been a confrontation between the Iberians, who ruled over a large part of the known planet, and China, the most populous nation on earth and its greatest centre of manufacture, was transformed into a mutually profitable trading arrangement, which was to continue until the middle of the 19th century. Chinese goods were exported to Europe and the New World in return for the silver mined at Potosi, in what is now Bolivia.

At that time most of China's peoples lived in abject misery, oppressed by its imperial system. Whilst in the New World the Iberians enslaved its peoples for their own profit.

Globalization dawned in 1521, when Magellan, whose expedition, the first to circumnavigate of the globe, sailed west across the Pacific from New Spain (Mexico), and arrived in the Philippines (by extension a Chinese tributary). Magellan was killed off the island of Cebu and Elkano, his second in command, a Basque from Getaria, completed the voyage returning to Spain in 1522.

Trade did not however begin until Urdaneta discovered a return route across the north Pacific to Mexico in 1565. Thus commenced three centuries of trade between China, Mexico and Spain, on specially built galleons averaging up to two thousand tons and over fifty metres long, each capable of carrying up to one thousand passengers. This highly profitable business was finally replaced with the invention of steam ships and the opening of the Suez Canal in the 19th century. As for the Portuguese they exploited the eastern route via the Cape and India, establishing a colony in Macao, on the mouth of the Pearl River, which prospered as a trading port over four centuries. In 1999, Macao was finally returned to China.

In the course of the 19th century China's power was undermined by a weak and corrupt administration, leaving the path open for foreign invasion. This period was known as the 'national humiliation', it lasted from the mid-19th century, and continued under Mao, until Deng Xiao Ping ousted the Gang of Five in 1978, and implemented the reforms necessary to modernise China.

In the new millennium, China had simply refound its place amongst nations, its modernisation was no inexplicable or mystifying transformation. What prevented many first timers from understanding this, was a bewilderment due essentially to their own ignorance reinforced by the gulf that separated the two opposed cultures — that of Western capitalism and that of Chinese national identity, accentuated by the almost impenetrable barrier of language.

It was now Europe and the US that found themselves on the receiving end, as their governments were confounded by the long and persistent decline of their respective country's manufacturing industries, attended by the inevitable decline of job opportunities, and incomes, for their respective citizens.

More than a decade had already passed since Americans had started to replace their falling incomes by debt. Credit had become the opium of the American people. In Europe's the problem was complicated by another event: the euro, which had been badly conceived from the outset, and Greece, one of the Eurozone's smaller members, was amongst the first to pay the price for that error.

Few Chinese had ever heard of Greece and even fewer could have fixed it on a map. As for Greece's marginal role in Europe, now threatening to bring down the EU's house of cards, it was as abstract to the average Chinese as the Ningxia Hui Autonomous Region of China was to the average European.

Chapter 53 MARRAKECH

It was Kennedy's first visit to the Maghreb. Russia he had understood. In China, in spite of the vast cultural shock, he had discovered a mercantile spirit not unlike that of the British, at least the vestige of what he dimly recognised had once been the gung-ho winner take all attitude of those who had carved out an empire forged by raw capitalism. Marrakech compared to the rest was an incomparable cultural shock, a city torn between the Middle Ages and the world of Internet and iPhones, where jetsetters and tourists mixed with Bedouins, goat herders and snake charmers.

The theme of the conference was 'Investing in the Arab World'. A contradiction in terms with the scene that greeted Pat's eyes as the car made its way through the medina and Djemaa el-Fna its vast market place. It looked more like a Hollywood set built for a remake of 'Sinbad the Sailor' with Pat imagining Errol Flynn in the role of Sinbad, swashbuckling his way through the market and its exotic throng; a medieval potpourri of trickery and thievery, where naïve, awed, tourists were fleeced by swarms of trick-a-the-loop merchants and snake charmers of every species.

Though used to luxury Pat Kennedy marvelled at the opulence of his riad, it was worthy of its name, Dar es-sallam. A haven of peace situated in the heart of the medina and its narrow streets intended for the passage of hand carts and donkeys, where homes were hidden by their plain uninviting walls and small windows covered by wooden shutters. Within the forbidding walls Pat discovered a shaded courtyard; the silence interrupted by only by the trickling of water from a fountain set on its cool mosaic covered floor and a dove cooing between the potted palms and flowering shrubs. The sound of the odd passer-bye was shut out by the stout walls and heavy wood doors reinforced and decorated with solid brass rivets and embellishments. Directly above was the bright blue sky, but little direct sunlight filtered down into the courtyard where cool shadows reigned. The long gone builders of the Medina had designed its homes to keep the heat of the fierce Moroccan sun at bay.

The tranquillity of the setting was however an illusion as fear grasped at the hearts of those who had invested in property in the Alaouite Kingdom. Behind the appearance of normality in the red city, described as daughter of the desert, investors were in a state of near panic after property prices had dropped by up to forty percent over the preceding two years. The king proposed reforms, but his royal promises did little to allay the all-pervading fear.

Wary investors had backed away in the wake of the economic crisis and the permanent threat of instability in the Arab world. Would it be Morocco's turn next? The experts tried to explain the Alaouite Kingdom was different, but the experts had been wrong in recent times.

As the crisis became a permanent fixture on the world's economic landscape. Developers, such as Martínez, had left whole swaths of prime Mediterranean coastal sites looking like ghost towns after credit dried-up leaving investors struggling to make ends meet. As social tensions rose to the surface, observers feared the slightest incident could tip the Arab world, eaten by the lack of work, into chaos. A demonstration transformed into a riot, a bomb, or some other unimagined incident could spark a revolt and transform investor's fears into a riot.

Kennedy's recent visit to Cairo, Sharm el-Sheikh and the hotel resorts on Egypt's Red Sea façade, had confirmed the boom was truly dead. The coastal resorts of Egypt resembled an all-in package tour version of Dubai: a surfeit of new hotels set against a desertic backdrop, the difference being the absence of oil and gas resources to finance its leaders' ambitions. The urgency of East Asia was absent; the service was willing, but poor, the industrial potential zero. His stopover in Cairo simply confirmed the presence of teeming millions and nothing but hungry mouths to feed.

Autocrats had reigned North Africa for decades, from Suez to Marrakech. What the future held for them was anybody's guess. For experienced orientalists the hope for democracy in the tradition bound Arab world was slim. Fifty years of independence, following a century or more of colonial rule, had certainly brought improvements, but galloping demographics had transformed the hopes of many of its inhabitants into bitter deception.

The Arab world was ready for a new experiment, but what kind of experiment? Democratically inspired capitalism, or radical Islam?

As Kennedy thumbed through his 'Arabic for Dummies', printed in Romanised script, the maid, who came with the riad, suddenly appeared, followed by a visitor.

'Salem alekum,' said Kennedy in his Irish brogue trying out the first words of the first lesson.

‘Alekum salem,’ replied his visitor smiling and politely amused at Kennedy’s linguistic effort.

It was Laurent David, an expatriate Frenchman, who had represented the interests of the Irish Netherlands Bank in Casablanca, Morocco’s business capital, for many years. Up to that point in time his main business with the bank had been limited to organising the occasional mortgage for better off Brits buying second homes.

David’s linguistic skills were one of his principal qualities. He spoke perfect English, be it with what could have been described as an almost theatrical French accent. However, it was his dialectal Arabic skills that had enabled him to become a successful middleman. David represented wealthy Moroccan families disposing of their traditional family homes in the medinas of Morocco’s Royal cities and more notably Marrakech, when a riad became a must for showbiz stars and other personalities. Before the crisis broke, landowners had, with the help of David, piled into the booming market, selling their ancient farming and grazing lands at hugely inflated prices for tourist developments, hotels, shopping malls and golf courses.

‘Ah Laurent, nice to meet you.’

‘Likewise,’ the Frenchman replied extending his hand.

‘How’s the property market?’

‘Well, you know what Thomas Jefferson said about avaricious adventurers,’ said David, pausing to waiting for Kennedy’s reaction.

Pat Kennedy looked blank, he didn’t like puzzles.

‘Instead of employing their capital, if any they have, in manufactures, commerce, and other useful pursuits, make it an instrument to burden all the interchanges of property with their swindling profits, profits which are the price of no useful industry of theirs.’

‘Been swanning around again Pat?’ asked Fitzwilliams in a deliberately needling tone. ‘You could at least say Morocco was interesting.’

Kennedy shrugged.

‘Is that all?’

‘It’s not ready for us.’

‘I could have told you that before, saved you the trouble of sunning yourself under the palm trees.’

Kennedys pouted.

‘By the way did you see this Fitz?’ he said pointing to a newspaper, eager to change the subject. ‘They’re going to transform Sandacres pub into a Tesco!’

‘What!’

‘They’re turning our local into a Tesco.’

‘A pity, but it’s not as if the euro had collapsed,’ Fitzwilliams replied laughing.

The sandy peninsula of Sandbanks in Dorset was the home to a good many millionaires and one of the most expensive corners of the British Isles if not the world, and its well-heeled residents did not appreciate the idea their exclusive leisure sanctuary was about to be invaded by what they saw as a vulgar downmarket brand.

‘What did you think, they were going to open a branch of Harrods’s food store?’

‘Noo…but perhaps Waitrose would have been more in keeping with the tone of the place.’

‘You think Tesco’s an eyesore?’

‘Yesh,’ replied Kennedy wondering if Fitzwilliams was pulling his leg. ‘Looking over the harbour, yes.’

‘It seems they don’t need planning permission to convert a pub into shop.’

‘Well, if they’re not going to knock down the building then why not.’

Chapter 54 YET ANOTHER SCAM

Barton was not totally surprised when he received a mail from Halfon, announcing he had acquired a large block of shares in a mining company called Gambia River Minerals. As the name seemed to indicate, it held mining rights to gold and other precious metal deposits in Senegal. The company planned to open a large mining complex in the south of the country where according to a Senegalese Ministry of Mines' report an ore body existed, containing viable deposits of gold, silver, copper, lead and zinc, proven by geologists. The company announced its intention to raise capital by a flotation on the London Stock Exchange and was offering early investors preferential shares.

Barton checked the website of Gambia River Minerals and found downloadable company reports including: geological surveys, maps, details of concessions and letters from ministers. The site was well designed and convincing. A little more research showed that Gambia River Minerals was the clone of an FSA authorized company.

He remembered meeting one of Halfon's partners in the Basque Country, David Jameson, a Londoner, whom he had instantly recognised as a conman. It was evident Halfon was running a well-organized boiler room scam, like so many others found in the murky corners of financial markets and especially in the mining and property businesses. What always surprised Barton was how gullible investors fell for such scams; the answer was as always to do with cupidity, the lure of easy gains.

Halfon's mail gave the impression his company, BRIC Securities, was based in the UK. In reality it was nothing more than a £100 off-the-shelf Gibraltar company, though its letterhead announced a prestigious address on Aldersgate Street in the City of London.

The director of the Senegalese company was listed as a certain David Kessler. The name rang a bell. Kessler had been arrested on suspicion of fraud related to online financial services for FOREX trading, stocks, futures and options. The fraudster had narrowly escaped jail by absconding after being remanded on bail pending further investigations, resurfacing some months later at an investor's conference in Dakar, where he met and teamed up with Halfon.

Kessler reported, 'We are confident our concession will prove to be one of the Senegal's most important deposits of precious metals. Our plans are to start production in 2013.'

Their objective was to raise twenty million pounds from investors by pressurized selling, then using offshore structures to launder the funds. With Kessler's experience and know-how combined with Halfon's cunning, they set-up a network of offshore front companies in Gibraltar, Switzerland, Andorra, Hong Kong and Dominica. Salesmen were hired and trained in pressurized selling techniques; their plan was simple, if the story was repeated often enough they would end up snaring enough naïve investors to finance Halfon's crooked business plans.

As funds rolled in, the partners in crime diverted the funds to expanding their business into Spain, where they could take advantage of endless opportunities offered by an ever increasing number of distressed property firesales. They bought homes and apartments at knockdown prices, transferred them to an offshoot of Malaga Palms, then resold them to Russian and other inexperienced punters via websites and high pressure selling.

They worked in the knowledge that the FSA and overseas authorities would take years to unravel the web. They dismissed any thought the EU fraud investigation agency, Eurojust, could catch-on to their game; it was submerged under a mountain of complaints from investors who had lost their money in the financial crisis.

They built a legitimate façade of brokers to peddle shares in the mining company, used genuine companies to keep accounts. Real mining engineers were employed to carry out surveys and prepare reports. There was talk of flotations, but in reality Halfon and Kessler siphoned off the capital raised, announcing, from time to time, rescheduling pending the receipt of suppliers tenders for machinery and production plant.

From a legitimate call centre in Dakar, their skilled expat salesmen sold shares issued by subsidiaries companies of Gambia River Minerals and Malaga Palms. Their holding in Gibraltar banked investor capital, which was siphoned off to various accounts in the Caribbean.

It was a classic boiler room style company with its unregulated offshore financial structure using high-pressure sales techniques to sell shares in high-risk companies at inflated prices.

In the UK, it was illegal for any person or firm to provide investment advice or to arrange investments unless authorised by the FSA. Fraudulent offshore investment firms such as Halfon's Gambia River Minerals or Malaga Palms used cold-call techniques to sell shares using UK listed telephone number to fool their victims.

Halfon had long privileged Gibraltar, a paradise for every kind of scam imaginable, using it as a base for managing the funds that flowed into his diverse business operations, benefiting from its advantageous financial services legislation. He, as many others, used a European Union mechanism which permitted firms authorized to provide financial services in one jurisdiction, to provide those same services in another jurisdiction, without the need for authorisation in the second jurisdiction. Thus, Halfon's Gibraltar incorporated firms, were authorised to provide banking, investment and insurance services throughout the EU, since Gibraltar was part of the EU by virtue of the UK's membership.

Chapter 55 MOSCOW

So what do you think Pat?' Fitzwilliams asked, as Kennedy thumbed through the thick memorandum of understanding that formed the basis of the merger agreement between the Irish Netherlands Bank and Tarasov's InterBank Corporation.

'Well it's not looking good at home,' said Kennedy referring to Irish ten-year bond yields that had just hit 8.64%.

'Allied Irish is beginning to look like Anglo Irish just before it was nationalized.'

'Everything's up for sale. Did you see what that ejjet said in Dublin?

Fitzwilliams was silent, absorbed in his thoughts.

'There's a large for sale sign above the country's entire banking sector.'

'Well it's true Pat.'

'He even said, if a somewhat reputable buyer walks in the door between now and five o'clock, I'd be encouraging people to deal with him.

Speculation on AIB had reached fever point as the cost of insuring ten million euros of AIB subordinated bonds for five years rose to almost eight million, and the cost of insuring the same sum of senior debt for five years was half that. Fitzwilliams well-informed sources had told him AIB would soon be in state ownership.

'It's no great surprise Fitz. It's been evident for some time, banks back home can't fund themselves alone,' said Fitzwilliams finally.

'That's clear, but what I meant was the memorandum.'

'Oh, of course. Well I suppose it's best if the Irish bit was put on the back burner, you know focus on the City. It's a pity, but there's nothing we can do about it. It's the end of a piece of banking history.'

'Look at it like a beginning. I mean you're still in control.'

Fitzwilliams shrugged his shoulders. His family had founded the bank and controlled it for several generations. But it was he who had transformed it, moving its centre of operations to the City of London, privileging the UK end of the bank's business, then, with Kennedy, expanding its business into Europe through the merger with the Nederlandsche Nassau Bank. But his next move would be a step into the unknown.

The nearest Kennedy had ever been to Russia was in the late nineties when he had visited Tallinn in Estonia. It had been one of his early forays into the world beyond the shores of Ireland, apart from his trips to London and Amsterdam.

The goal of his visit to Moscow was to ensure the final preparations for the signature of the merger agreement between the Irish Netherlands Bank and Tarasov's InterBank Corporation by Fitzwilliams and Tarasov the following Monday. The creation of a new City based banking group, the Irish Netherlands InterBank Corporation (INI), would open the door to almost unlimited riches for Fitzwilliams, especially in the development of Russian natural resources and more in particular in the oil and gas industry, and for Tarasov a solid presence in the City of London and the means to finance his vast business empire.

Kennedy arrived at the historic Metropol Hotel, two minutes' walk from the walls of the Kremlin, in the sleek limousine that had been waiting for him up at the VIP arrivals point at Moscow's Sheremetyevo Airport. He was accompanied by Galina Shatalova, the personal assistant to Tarasov as she described herself, a classical Russian cold beauty.

Kennedy was promptly checked-in and followed Galina, accompanied by the day manager, to the suite reserved for him.

'Mr Tarasov will arrive from St Petersburg late this evening and he will meet you for breakfast tomorrow morning,' announced Galina with a business like smile. 'In the meantime I am responsible for you and have booked seats for us at the Bolshoi this evening, a performance of Giselle.'

Kennedy nodded in agreement. He was not averse to passing the evening with the Galina even if she did look a bit frigid.

'So Mr Kennedy, I'll pick you up at eight, sharp,' she said taking her leave.

With little else to do Kennedy checked out his new surroundings. From the window of the suite he could see the Bolshoi Theatre, and from the city map he found with the hotel information folder, he noted Red Square was just a short walk from.

When the Metropol had built at the start of the 20th century, it was a symbol of Tsarist Russia's burgeoning prosperity. Muscovites were soon calling it 'The Tower of Babel of the twentieth century'. Its Boyarski restaurant, originally the Russkaya Palata, was one of Rasputin's favourite haunts.

The hotel's history was turbulent and totally unpredictable for those who had built it. Not much more than a decade later war and revolution broke-out ending the reign of the Romanoffs. The Bolsheviks moved their government from St Petersburg to Moscow requisitioning the Metropol and transforming it into the Second House of the Soviets, the nearby National Hotel being the First House of the Soviets. In the late 1920s, the Metropol became a hotel again, a world-class hotel for foreign guests, then, during WWII it was transformed into a residence for foreign journalists in the USSR.

When Sergei Tarasov learnt the Moscow municipality government was planning to sell the hotel as part of its privatization program, he had thought of adding it to his list of trophies. However, he was not alone, and soon turned his attentions to a new project, the construction of a vast hotel and residential complex on the banks of the Moskva River, opposite the Kremlin, which he baptised XXI, a symbol of the new Russia.

The site was an island opposite the Alexander Garden, two kilometres from the Moscow International Business Centre in the Presnensky District. Eighty floors were planned and the tower would include a hotel, which he boasted would outshine the Metropol in luxury and class. Given Moscow's lack of hotels, especially those catering for the top end of the market, the kind Russians adored, Tarasov was assured of success.

His natural curiosity getting the better of him, Pat checked his watch, then calculated he had enough time to make a quick tour of the hotel and its surroundings.

After a quick tour of the vast lobby and a glance at the hotel's restaurants he was seduced by the atmosphere. The Metropol was one of Moscow's monuments of modern history, described by the brochure as the Russian capital's most luxurious and certainly most iconic hotels.

Equipped with his map he left the hotel and a few minutes later was walking through the Resurrection Gate, past the tiny Kazan Cathedral and the State History Museum, to Red Square. Красная площадь, he repeated to himself, delecting the words. He was overawed by the vast panorama and the exhilaration he felt before the powerful emblem of what had been Soviet Russia. Instantly, he felt his sojourn in the mystical heathen city would be a revelation, a defining moment in his life, at the heart of the

Russia, the land he had prayed for on Sundays as a child in Limerick City cathedral.

Back in the hotel he showered and dressed for the evening at the ballet. It precisely eight when Galina arrived. She was stunning, wearing a fabulous black off-the-shoulder evening dress, a simple string of pearls, with her long blond hair adorning her shoulders. A limousine picked them up and dropped them in front of the New Bolshoi, barely two minutes from the hotel, where they were led to their box by a serious Soviet like matron.

Kennedy was dazzled by the crowd; there were an astonishing number of beautiful and exquisitely dressed women. Apart from his recently acquired collection of modern paintings, Pat was not what could be described as a patron of the arts, at least performing arts, though on many occasions he had attended concerts and plays in London, where such outings were expected of bankers by their friends and clients. This was something different; there was an air of excitement and anticipation. There was an indefinable feeling of being present in a parallel world. It was if he had passed through the Looking Glass and was surrounded by the elite of another dimension.

The ballet was magic, even the interval when they drank Champagne and ate tiny caviar and smoked salmon blinis. Kennedy goggled at the crowd and Galina made small talk informing him they would return to the Metropol for a light dinner after the ballet as he had a full programme ahead of him over the course of the following four days.

The next morning Galina was present at nine, ready to accompany Kennedy to his meeting with Tarasov at his home on the outskirts of Moscow. It was the rush hour and their black Mercedes GL advanced painfully through the heavy traffic. That did not indispose Kennedy who eagerly took in all that Galina pointed out to him, especially the striking, unique, monuments to Stalinian architecture, which seemed to echo a dark past.

Tarasov’s fabulous mansion lay in the exclusive Moscow suburb of Rublovka, on the western outskirts of the city, the capital’s most exclusive residential district, where many other rich Russians had built their vastly extravagant homes. The thirty acre estate was hidden behind a high wall dotted with CCTV cameras, hidden in a forest of birch and pine, an hour from the city centre.

Tarasov welcomed the Irish banker with a broad and warm smile. Pat, a confident and close friend of the Russian's future associate, would be an important man in his plans. Kennedy responded with the same enthusiasm, he was enjoying the moment, meeting his friend in a real, though perhaps kitsch dacha, at the heart of the Russian's world.

'Pat my friend, did Galina look after you?

'Yesh,' replied Kennedy not entirely sure what the Russian mean by 'looked after'.

'Tell me what would you like, chai or coffee?'

For once Kennedy replied chai, it sounded more exotic. Tarasov then led him to a huge reception room, decorated in the kind of baroque style certain wealthy Russians seemed to appreciate, and strangely, overlooking an indoor swimming pool.

'You like swimming Pat?'

'Yesh, I like to swim when I'm in Biarritz.'

'Ah Biarritz, very fashionable today for Russians, it was one of the Tsar's favourite places.'

The chai was served by a maid on a platter accompanied by a bottle of vodka and three glasses. A few moments later they were joined by an older man who resembled a fatherly Joseph Stalin.

'Let me introduce you Pat, this is my good friend and shareholder of the bank, Nikolai Yakovlevich Dermirshian.'

The last name seemed to ring a bell, and the face was vaguely familiar.

'Nikolai Yakovlevich is one of our founders and one of our most important shareholders Pat,' said Tarasov.

At that same instant, Galina appeared, making a sign with her thumb and auricular to Tarasov, who excused himself and left the room.

'Mr Kennedy!' said Dermirshian with a predatory smile, 'We seem to have met before.'

Kennedy racked his brain, a few milliseconds passed, then the penny dropped. His enthusiasm suddenly evaporated.

'A financial transaction, if my memory serves me well,' Dermirshian continued, his smile transforming into a diabolical grin.

Kennedy gasped.

'Call me Kolya,' said Stalin grasping Kennedy's limp hand in a powerful grip and shaking it vigorously.

Chapter 56 FITZWILLIAMS

Fitzwilliams had survived and with each new morning he congratulated himself on having done so. Looking closely in the mirror of the private dressing room that adjoined his office, readying himself for his departure for Moscow, he was not only pleased with what he saw, but also understood, and not for the first time, his class always would survive. It was the parvenus who paid the price, as they should. His stroked his cheeks with his well-manicured hands, his skin glowed, given the price of the face cream he expected nothing less, his permanent tan was fresh, not overdone, his blond hair, only slightly greying at the sides.

He stepped back to admire the full view in the mirror, his noble head set-off by a pale blue shirt, styled specially for him by Crombie & Sons, with a matching tie. His pin stripe suite was cut in an elegant gentleman's style, unchanged for decades, though tailored in the finest of modern cloths. Not unlike Michael Douglas, he thought idly and without vanity, remembering the film based on a Wall Street banker, but without being able to put a name to the title.

He had every reason to feel pleased with himself, with the creation of INI his personally worth would rise to well over one and a half billion pounds, making him one of the richest men in the United Kingdom.

Fitzwilliams was forty seven, perhaps a touch too young to be at the head of the old family bank, and certainly the youngest leading banker in the City of London. His destiny was different to men like Kennedy, who had not been brought up to command, who had arrived where they had by chance, and, to a certain degree, he was forced to admit, by their natural and acquired skills. Fitzwilliams fit well into the class of men who pulled the strings in Britain's financial institutions, he was not an arriviste, he was above the Blairs and Browns, small middle class men who rode to glory on populism, men who rose, then after a brief moment of glory fell, condemned to history.

Fitzwilliams had never been destined for a place in politics, a calling his family had always scorned, a tradition that had paid and contributed to the family's survival through the turbulent years of Ireland's political history during the late 19th and better part of the 20th centuries. He was the continuation of a family whose origins could be traced back to the Norman Conquest; they were part of a centuries old Anglo-Irish aristocracy and were proud of their Anglo-Norman heritage. The family's leadership was the task that he had been entrusted with after David Castlemain's, tragic adventure in the Caribbean some years earlier.

It was not however an undertaking for the weak hearted; it took courage and enterprise to guide his family's fortunes through the risks of modern day banking. Things were different from the days when his great-grandfather entered banking in the early nineteen twenties. It was his means to survive the upheavals caused by the tribulations of the newly created Irish Free State, a time when many Anglo-Irish families were pressured into flight — abandoning their great landed estates.

Fitzwilliams was a leader, a builder, and he was now poised to spread his empire to Moscow, fortified by the idea that the Keynesian concept of pouring tax payers' money into an ailing economy was beginning to produce the first stirrings of hope. The markets had scuttle-butted along what seemed to be the bottom of the curve for months, perhaps in fear of another catastrophe waiting to happen, and as the government threw mountains of money at lame duck banks. Then, miraculously, share prices rose, the long announced green shoots suddenly appeared in every garden, politicians jumped on the occasion to point to the success of their policies, and low and behold banking profits bounced back into the black.

Everyday reality was quite different. A large part of the forgotten mass of working-class homeowners, at the bottom end of the spectrum, was not so lucky as creeping depression slowly took hold, owners trapped by a combination of mounting unemployment, falling wages, negative equity and growing mortgage costs.

It seemed that a turning point had been reached. For many it was the first good news since Blair's well timed resignation in June 2007. The images of Tony Blair, Britain's charismatic leader, striding across the world stage, camping the role of a superpower, had set many a British heart beating, whatever his or hers political leaning, long after Britain's empire had faded into history. As George Bush's best pal, Blair had leaned on America's might, the power of the English language and above all the City of London's supremacy as the world's leading financial centre surfing the wave of globalization.

Regrettably it was all an illusion. Britain, like the other larger European nations, had lost its place as a world power. Of course there was still an aura of past glory, but like other middle sized powers, it had to take into account the BRICs…the new kids on the block. What Britain had failed to realize, in its euphoric illusion, was its future lay in building Europe, finding a central role in the Union, as it no longer pulled the kind of punch needed to face the US or China as an equal.

The threat of financial meltdown had the pulled the carpet from under Britain's feet with the humiliating nationalization of its leading banks. The illusion of general wellbeing created by the media had suddenly evaporated; it had been no more than a thin veneer that hid a nation living on credit, emulating the fleeting success of a football champion, a rock artist, a talk-show star, a CEO in the City, or a politician. A semi-detached house in Romford was no more than what it had been before the boom; a semi-detached house in Romford.

It suddenly seemed as though everybody had had their hands in the cashbox; that is except the unemployed, pensioners and working people. Those at the top in the public sector and government got all the advantages whilst the bosses pocketed the profits. In the course of the previous decades the rules had been slowly and subtly changed in favour of the rich as the average man saw his pension fund dwindle and his hard earned savings swallowed by bankers and their fellow travellers.

Banking had become a self-seeking and self-serving oligopoly totally disconnected from its customers. Men like Fitzwilliams and Tarasov had seized the opportunity offered them by weak government and poorly regulated markets, developing their interests not only in banking, but also in property, services and utilities.

It would take at least a decade for most businesses and individuals to recover from the crash, providing there were no more aftershocks. Britain was to all intents and purposes bust, and billions would be needed to pay back its debts, raised by higher taxes and spending cuts.

All of a sudden the world had changed and finally the curtain was drawn on the last pathetic act of Britain's imperial role with the Shadow Foreign Secretary announcing the nation's diminished role in a speech: 'It will become more difficult over time for Britain to exert on world affairs the influence which we are used to.' After Blair's last glorious fling, a page of history had been turned and Britain would have to accept a lesser role in world affairs, leaving America to fight its own wars.

There was no New Deal to save Britain as the burden of sovereign debt prevented a sustained Keynesian effort to invest in utilities and infrastructure to revitalize industry and absorb the growing army of unemployed. Entire countries and whole swathes of populations were caught in the West's self-made trap of globalization.

Barely a dozen years had passed since Tony Blair swept to victory, promising a new age and a New Britain. His moment of glory had been brief, his mistakes many and his legacy Gordon Brown's Britain, a state as dull and unpromising as that of Britain's post-war leader Clement Atlee. Cool Britannia would be remembered as a fleeting moment of euphoric grandeur that made London the financial centre of the world.

Seen from a 2007 standpoint, the events of the previous three years would have been inconceivable. No one could have imagined international banking's star performers collapsing into bankruptcy and nationalisation. Northern Rock was the first to go under, then came Bear Sterns, followed by the devastating bankruptcy of Lehman Brothers with the debacle of mortgage giants Fannie Mae, Freddie Mac hot on their tails, and finally the British government's forced nationalisation of HBOS and RBS. It was tectonic shock of Hollywoodian magnitude.

During the preceding years, few had paused to consider the words of wisdom written by Adam Smith more than two centuries previously: 'No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable.'

Fitzwilliams' was about to launch a fundraising campaign to finance the expansion of the Europa Property Fund to capitalize on the slump in property values. He planned to raise half a billion pounds in fresh equity capital from institutional investors and private individuals prepared to put in a minimum of thirty to fifty million pounds each to leverage finance for a portfolio of first class acquisitions.

Though a window of opportunity had opened for Fitzwilliams' property fund, the losses of large banking groups continued to grow, forcing many of them into asset firesales to offset a mountain of non-performing loans.

The dark days were far from over with the world struggling to find a way out of what was probably the worst financial fiasco in history. It dwarfed that of 1929, Ponzi's scheme, the Teapot Dome, the South Sea Bubble and tulip bulbs. As for Madoff he was almost reduced to a walk-on role in the drama as billions turned into trillions.

Inversely the conditions for the launch of Fitzwilliams' property fund could not have been better and leveraging the two billion for the new fund would pose few problems. The new fund would offer flexible terms to investors, with incentive fees based on performance over the duration of an investment, rather than annually.

Though the commercial property market had begun to stabilise, developers saw their projects thwarted for lack of capital and the lack of debt financing. It was a situation that the Europa Property Fund's managers could take advantage of; acquiring stalled landmark property projects at firesale prices, then pumping in fresh capital to complete construction. They set their sights on multi-billion pound projects such as the Wood Wharf development in London's Docklands, where a two hundred metre tower designed by Pelli Clarke Pelli was planned, or the forty eight floor Pan Peninsula Tower, a residential development at Canary Wharf, where during the boom apartments had been sold to wealthy City high-flyers and overseas investors.

Chapter 57 AN OLD FRIEND

Kennedy swallowed hard and tried to compose himself, his eyes bulging as would those of a frog contemplating a serpent, as he stared at the thick set figure. Almost forgotten images flashed through his brain. At first he had not recognised the Armenian, who now looked like Joseph Stalin's ghost, older, his hair white and his moustache fuller. It was the evil smile that brought the memories of Tallinn rushing back.

Ten year had passed since he had said goodbye to the Armenian in a grim Soviet style apartment on the outskirts of the Estonian capital. For almost ten years Kennedy had lived in the idea his secret was forever hidden after Erikkson went down with the Marie Gallant off the southern coast of Cuba in a tropical hurricane.

Holy Mother of feckin Jesus Christ! He swore under his breath as he recalled the khaki kitbag that had contained five million dollars in forged one hundred dollar bills packed neatly in chocolate boxes.

Dermirshian lifted his index finger to his lips, 'In banking secrets are important Mr Kennedy n'est ce pas.'

Kennedy spluttered.

'I think it's a good moment to toast to our cooperation,' said the Armenian pouring two glasses of Vodka to the brim and handing one to Kennedy.

'Твоё здоровье!'

Kennedy swallowed the ice cold Vodka in one gulp just as Tarasov returned.

'I see you are friends already.'

'How you say in English?' asked Dermirshian, 'Almost like old friends.'

Kennedy choked.

'You'll get used to our Vodka Pat,' said Tarasov giving the Irish banker a friendly thump on the back, thinking it would help the vodka on its way down.

Ten years before, Pat Kennedy had been unwittingly involved in the Tallinn transaction with Dermirshian, a deal set-up by a corrupt Swedish banker, Stig Erikkson. Only the Armenian would have remembered the affair, that is unless he had confided their dirty little secret to Tarasov.

Fitzwilliams was met in the VIP arrivals area of Moscow's Sheremetyevo Airport and led directly to the oligarch's armoured Maybach limousine. With sirens wailing and flashing blue lights the limousine, joined by two black Mercedes SUVs, left the airport. Reaching the outskirts of Moscow the convoy hogged the central lane, normally reserved for police, emergency services and high ranking government officials, as it sped towards the city centre and the Hotel Metropol.

The Russian spared no expense to demonstrate his power and influence in the Russian capital. The managing director of the Metropol, surrounded by a crowd of fawning assistants, met the VIPs on the hotel steps and led them through the vast Art Nouveau reception hall at the mezzanine level. They were ushered to the lift, up to the fourth floor, and to the magnificent early 20th century style presidential suite overlooking the Teatralnaya Ploshchad and the Bolshoi Theatre.

'Welcome to Moscow,' Tarasov said theatrically as he took one of the bottles of chilled Champagne from a silver bucket placed on an antique table in the suite's splendid reception room. He opened the bottle with a flourish and poured the foaming liquid into three glasses, then handing one to Fitzwilliams, and the other to Kennedy. Then lifting his glassed he beamed and addressed his guest: 'Майкл, добро пожаловать в Москву, па здоровье.'

'That's welcome to Moscow Michael and good health,' said Pat proud to be able to show off his linguistic skills to Fitzwilliams.

They lifted their glasses.

'Sláinte mhaith!' replied Fitzwilliams.

'Sláinte agus táinte!' Kennedy rejoined adding 'wealth'.

'Help yourself gentlemen,' added Tarasov inviting them to a tray spread with miniature blinis and a crystal bowl of glistening caviar.

'For our programme tonight we have booked a box at the Bolshoi, a performance of the Nutcracker.'

'Excellent,' said Fitzwilliams flattered by the attention of his Russian host.

'But first, if you are not too tired, we shall spend a short while looking at our business for tomorrow.'

Galina appeared on cue presenting three folders containing the final version of the memorandum of understanding and its annexes, which Fitzwilliams had already received from Kennedy and approved. They went through the motions of thumbing through the papers and then with little else to do headed off for the obligatory VIP visit to Red Square and the Kremlin Walls.

Under a blinding wall of spotlights and a barrage of flashes, cameras turned zooming in on Sergei Tarasov and Michael Fitzwilliams. In the presence of Prime Minister Vladimir Putin, at the new headquarters of Tarasov's InterBank Corporation, the two bankers surprised the business world with announcement of the creation of the first major Anglo-Russian banking alliance.

Tarasov's arrogantly proud tower, situated in Moscow's new financial district, was a symbol of Nova Russia, thrusting skyward amongst its peers in the form of a futuristic crystal the tower was a challenge to the best the world had to offer.

It was good news for investors in the UK, as it was in effect a recapitalization of Fitzwilliam's INB Holdings Plc., backed by InterBank's extensive holdings in Russia's major oil and gas producers.

The newly created INI Banking Group would be a new force to be reckoned with in banking, as it reached from the Atlantic to the Pacific, across the Eurasian continent, for the development of Russia's vast oil, gas and mineral resources. Putin underscored Russia's ambitious plans for the development of its financial sector and announced the construction of a new World Trade Centre in Vladivostok, a cornerstone for Russia's plans to counter China's ever-growing influence on the northeast Pacific façade.

Such plans whet the appetite of Nikolai Yakovlevich Dermirshian, who after a long criminal career, could not avoid seeing the internationalization of the Russian economy in terms of an extension to his mafiya related empire and links to other criminal organizations, amongst them the Chinese triads, that enjoyed the protection of corrupt senior officials, operating in Shanghai, Tianjin, Shenyang, Guangzhou and Hong Kong.

That evening, in a tête-à-tête during the gala dinner given at the Metropol Hotel, the bankers agreed that apart from the political chest-beating, their immediate priority was the INI Europa Property Fund. They concluded that Kennedy should immediately head for Hong Kong with a view to establishing relations with important Chinese investors.

Kennedy wallowed in his gung ho reputation, he was an unconventional go-getter, who projected his natural enthusiasm into business relations, seeking new business ventures and creating new relations in the most unexpected quarters. Though his infuriating self-confidence was seen by Fitzwilliams as a quality, the exotic drew him like a moth to a flame.

The majority of experienced investment bankers tended to be cynical with a dislike of risk; nothing was more natural in a business where few were capable of even approximately forecasting future trends. Some of course had lucky streaks, but as casino owners knew only too well they never lasted. Most investment bankers were survivors, wrong guesses and narrow escapes made them very cautious men.

‘Nikolai Yakovlevich has good contacts in Hong Kong and Macau,’ Tarasov confided to his partner, ‘and he seems to have struck it off with Pat.’

If Fitzwilliams had been attentive he would have perhaps remarked the slightest edge of doubt in Tarasov’s voice.

Then after a brief instant of thought, the Russian added, ‘Though it’s probably best if Kolya stays in the background for the moment, when the moment comes he can arrange all the introductions Pat will need.’

‘Excellent, we should also get Tom Barton involved, he knows property and that part of the world…and perhaps Pat’s new man, a young Irish lad… Clancy’s his name I think,’ Fitzwilliams enthused looking in the direction of Kennedy, who seemed strangely dejected. ‘Quite a bright lad I’ve heard, anyway Pat will look after the arrangements.’

Pat nodded.

‘I’m sure you know best Michael,’ said Tarasov. Such details were not his problem.

The INI Europa Property Fund was what was commonly described as a ‘hedge fund’, a term that had once been used to describe private unregistered investment pools, using special hedging and arbitrage methods to trade in equity markets. Modern hedge funds had evolved into sophisticated vehicles as had the instruments traded and tools employed.

Unlike mutual funds, open to the general public, hedge funds were private and very discrete investment vehicles, usually structured in the form of limited partnerships, and reserved for exceptionally wealthy investors.

Such funds were mostly incorporated in non-regulated offshore locations, though they were generally managed in the US or the UK. London based managers required authorisation from the Financial Services Authority and were obliged to respect UK rules and regulations, on the contrary the US had no requirements obliging a hedge fund to register with the Securities Exchange Commission.

As far as investors in the UK were concerned, hedge fund regulations were set out in the Investment Companies Act of 1940. Once set-up, all a hedge fund needed to function was a modest administrative structure, and could operate from a small office or apartment, often located in an exclusive district of London. In general the minimum investment required was one million dollars though that varied from one fund to another.

All an unsuspecting passer-by would see in London's Mayfair district was a few discreet nameplates. In the case of the INI Europa Property Fund it was technically administered from a Knightsbridge address and there was of course no nameplate. The fund's day to day operations were effected out of Dublin, where managers kept track of matters such as accountancy, movements of investors' money, and portfolio evaluation. The fund's physical and legal locations were distinctly separate, its registered headquarters, for tax purposes, being situated in the Cayman Islands.

Barack Obama's early hedge fund bluster was, very conveniently, forgotten, 'put on the back burner' as his American banker friends would have described it. Offshore islands in the Caribbean and elsewhere had shrugged off Obama's, and other leaders, rant, which in any case had not had the slightest effect on their business. Looking back, future financial historians would justifiably write Britain lay at the heart of these legalised fiscal paradises. With three crown dependencies: Guernsey, Jersey and the Isle of Man, and its fourteen overseas territories, including the Cayman Islands, the British Virgin Islands, Turks and Caicos, and Gibraltar.

Its huge capital dwarfed the size of the INI Europa Property Fund's modest structure. INI, whose registered offices were situated in Saint Mary Axe, was appointed custodian of the fund's portfolios; held its capital and managed the leveraging of investment funds using securities in the fund's portfolio as collateral. INI also hedged bets to offset possible losses should the commercial property market turned sour.

Property management was handled by a series of service firms who reported to the fund manager, who transmitted the reports to the appropriate INI department.

Fitzwilliams beamed, he set down his glass, stood up and discretely opened a crib note. Gathered before him at a luncheon held in the Savoy, was an assembly of prominent guests to celebrate the fusion of his bank with that of Tarasov's, to form the INI Banking Corporation. It had become a rare event to see such a large number of quality investors, clients and friends gathered together given the morose atmosphere of the City.

Tarasov was an important stake holder in the new banking group. Surprising, given the difficulties of the Russian a year earlier. Questions would have been in order, but the fact so many of the rich and nouveaux riches had bounced back eluded the question.

The oligarch had indeed been in difficulty, but it was his 'godfather' Dermirshian who had come to the rescue, propping up the bank with vast injections of money, the source of which was lost in a complex web of ephemeral offshore vehicles. The aging mafiosa had little desire to see his life of luxury and his yacht on the French Riviera vanish in a crisis that was not of his making, and of which he understood little. With Dermirshian's links to the murky world of Russian power and the underworld, channelling the profits from his extra-legal activities into the legal banking system was part of his business. The fact that these came from the smuggling of timber, precious metals, oil and gas, not to speak of drug and human trafficking, or deprived the Russian state of tax and export duties was of little importance. Given the scale of the crisis that had hit Russia, its leaders did not look too closely at the means its bankers employed to stave off peril when danger threatened.

Organized crime had existed in Russia since the days of the Tsars, then known as вор в законе. After the fall of the Soviet Empire many ex-government workers turned to crime to survive, joining the mafiya, including ex-KGB men, and veterans of the Afghan and Chechen wars. Poverty and mistrust of the state had led to widespread corruption, contributing to the rise of organized crime, as the new criminal class erected a legal business façade behind which organized crime flourished.

Chapter 58 SARAH KAVANAGH

Sarah Kavanagh was delighted. In spite of the grim predictions for the future, the homes of the rich in London were going for more than £3000 per square foot and much more, which according to her boss made the city one of the most expensive and desirable places to live in the world. That was good for business and it meant Sarah was sure of a job.

When she had been called back to London from Dominica, following Malcolm Smeaton's problems, she discovered prime property was booming again, at least for the rich who were ploughing money into real estate. It was the middle class that was suffering, people like Nicole, her mother, struggling to maintain their living standards. However, in Nicole's specific case there was little to complain about. Everything was relative and Nicole compensated for higher taxes by raising the rents on the homes she rented out in London to business expatriates. She at least was pleased London was becoming too expensive for a large number of the city's middle classes.

The weakness of the pound sterling made London attractive to buyers from Hong Kong where prime property prices had reached an extraordinary £7000 per square foot. Once again, the very rich were investing in their well-established old world sanctuaries: London, Paris and New York, where property was good value and political stability was assured.

Chapter 59 MONTENEGRO

A dozen or so private jets stood under the blazing sun parked on the tarmac of the almost humble Tivat International Airport; a sure sign that a special event was taking place in the small newly independent state of Montenegro.

Once the heat of the day retreated, guests sipping their evening cocktails on the poolside terrace of the luxurious Splendid Spa Resort, situated in the heart of Bečići, just one mile from Budva's Old Town, they could admire Tarasov's yacht anchored in the bay, its lights twinkling against the star studded sky.

Suddenly a rocket curved up into the dark, bursting in a spectacular shower of light announcing the start of the evening's festivities; a spectacular display of fireworks. The oligarch's guests paused to watch the brilliant figures traced in the night sky as waiters filled their glasses with champagne; amongst them were crowned heads, billionaires, bankers and discreet political figures.

Ostensibly the event was to celebrate Tarasov's birthday, his fiftieth, and Montenegro had not been chosen by chance. The small nation had only recently gained independence from the remaining rump of the forgotten Yugoslavia. The extravagant celebration was part of a strategy to put the small country on the society map, not only transforming into a tax haven and select destination for jetsetters, but also an exclusive fife for the very rich.

More discretely, given the politically correct need for crisis low-profile, Sergei Tarasov and Michael Fitzwilliams were celebrating the birth of their new banking empire. The newly created INI Banking Corporation, with its headquarters at Saint Mary Axe, now spanned the world: London, Amsterdam, Moscow, Hong Kong and of course the Caribbean; managing property, energy and commodity investment funds.

For Fitzwilliams it was a personal triumph; he with his family controlled a decisive share in the new structure. The banker was no mere figurehead; he was an 'oligarch' in his own right. In less than a decade he had expanded his banking empire from a middling Irish bank, providing loans and mortgages in the Republic of Ireland and the UK, to a powerful transnational financial institution present on three continents.

Amongst the guests was Saif al-Islam Gaddafi, one of the sons of the enigmatic Libyan leader. Saif was one of the major investors in Marina Montenegro, for which INI was to lead a banking pool that would invest half a billion euros destined to transform it into the finest leisure port in the Adriatic if not the Mediterranean.

With billions to invest from the oil and gas revenues of his country, the Libyan had become one of the small country's key investors. After decades as an international pariah, Libya had gained a veneer of respectability. Amongst his friends, Saif now counted a number of powerful personalities, including English lords, who discreetly pulled strings at Westminster and in the City of London. The Libyan even counted Tony Blair as a family friend, and had been seen in Corfu with Lord Mandelson along with one of the Rothschilds.

Montenegro had become a fashionable spot for the very rich. Only two months before Saif Gaddafi had thrown his own very discrete and private party in Budva to celebrate his thirty seventh birthday. His list of guest had included Prince Albert Rainier of Monaco, Oleg Derispaska the Russian oligarch, Peter Munk, Polish billionaire Yuri Kovalchuk, Lakshmi Mittal the India steel billionaire, Austrian investor Martin Schlaff, and Montenegrin Prime Minister Milo Djukanovic.

On a visit to London, Saif, surfing on Libya's wealth and newly found place amongst nations, was a guest of the Duke of York at Buckingham Palace. At another reception at the LSE he was praised by a professor in glowing terms: 'I've come to know Saif as someone who looks to democracy, civil society and deep liberal values for the core of his inspiration.'

Saif Gaddafi responded in a risible speech telling his listeners: 'In theory Libya is the most democratic state in the world.'

Chapter 60 GOOD NEWS

On learning the news Pat Kennedy could barely conceal his joy. The vile bastard was dead. After three months of anxiety, after his past returned to haunt him, his most earnest prayers had been answered. As an errant Catholic he thanked God, but it was four days before he could discretely celebrate the event with a glass of Champagne at thirty thousand feet on an Air France flight to Nice.

Avoiding the prying eyes of the press he had opted for a discrete scheduled flight and on arrival in Nice he took the helicopter shuttle service to Monaco. There he was picked up by one of a fleet of black Mercedes on standby for those arriving to pay their respects to the evil villain and driven to his villa.

Life was full of unexpected surprises, some of them good and some of them bad. Pat wore the luck of the Irish on his sleeve, he was blessed with more good fortune than any man could normally expect. The news of Dermirshian's sudden death had caught Pat by surprise, and a very pleasant one at that. An inconvenient witness to his past foolishness was happily dead and would soon be buried — gone forever.

If it was a moment of incommensurate joy for Pat, but the death of the mafiosa created problems for Tarasov and his friends, problems that needed attending to immediately. Amongst them was the Gaddafi family fortune, which the Armenian had been charged with putting beyond the reach of British and American authorities. In behind the scene diplomatic circles, unhealthy rumblings over the Gaddafi family and their incursion into capitalism were embarrassing certain Western leaders.

Other mourners had already flown in from Moscow, Yerevan and beyond. Dermirshian's death was sudden; he had collapsed after a morning swim in his pool. Certain of those present were gathered less to pay their respect to the patriarch than to settle the question of who would inherit his evil empire.

In Armenia, the capo, little known outside of a close circle of mafiyosa underbosses, consiglieries and corrupt politicians, was behind many major businesses and had financed leading political figures before and after the fall of the Soviet Union. He would be remembered for his brutal methods; those who crossed his path often ended up dead, others were arrested by his police friends and thrown into prison. Whenever unwise Russian reformers, in their crusade against corruption, got too close to his affairs in Switzerland or in the Principality they were discretely discouraged or eliminated.

Tarasov was present; carefully watched, as were all guests, by the DGSE, the French secret service, in spite of his efforts to slip into the Principality unseen, to pay last respects to his godfather and protector.

Dermirshian had been among those who, during the Wild West period following the Soviet debacle, had diversified his criminal activities. At the outset the addition of legitimate banking and property investment companies had been a facade, but it soon eclipsed the Armenian's underworld business as post-Soviet Russia prospered. This did not however mean the end of his criminal activities, which continued to flourish in the broader sphere of a globalised world.

The unexpected death of the no longer young mafiyosa, described as a warm and generous man by his friends, left many negotiations in suspension. Officially retired, he had continued behind the scene, dealing, amongst other things, with many of the unsavoury aspects of international business linked to the dictators of the former countries of the Soviet Union in Central Asia, and the Arab world.

Through a multitude of offshore companies and accounts he channelled revenues from the illegal trade in oil, shady hotel and real estate deals, payment of arms purchases, the movement of cash and bullion to dictators' retirement funds, commissions on government contracts, in brief all that was hidden behind the veil of secrecy that occulted the links between organised crime and big banks transacted via their offshore entities.

The Armenian, with his thick white hair and Stalin style moustache, had maintained an almost grandfatherly relationship with Tarasov. He had been the wily, intuitive leader of his вор в законе organisation, feared and respected, as Pat Kennedy had learnt to his great chagrin.

Dermirshian counted Gaddafi amongst his friends and facilitated trade between Libya and Europe, to which a large part of its oil and gas was exported. The Gaddafi family were part owners of the Italian ENI oil company, holding shares in Fiat, and in Finmeccanica; Italy's leading aerospace and defence firm. All this, together with the Libyan's holdings in the UK, had to be carefully and very discretely managed to avoid embarrassment to certain of Gaddafi's friends, those who were not too fastidious about who they did business with.

Gaddafi's sons, the talk of Britain's business magazines, fawned on by UK politicians, bankers and business leaders competing for their favours, had been amongst the frequent visitors to Monaco and more precisely to the Armenian's villa.

At the height of the crisis incomplete office towers dotted Moscow's 'Moskva City' business district. Developers were hard hit by the credit crunch and prices had all but collapsed after Russia's oil boom petered out. Forlorn tower cranes watched over semi-abandoned construction sites. A couple of miles from the Kremlin, a dusty windblown car park was all that remained of the construction site for the prestigious 612 metre high Russia Tower. Tarasov's new headquarters was however an exception; work continued, be it at a somewhat slower pace, thanks to Dermirshian's covert funding, an arm that had enabled Tarasov, unlike many of his less fortunate Russian friends, to survive the worst of the crisis.

Tarasov jumped in when troubled Russian banks pulled the plug on construction projects including the half built Federation Tower. With hundreds of thousands of square metres of office space available there were few buyers. Property magnates found themselves fighting for their lives, forced into firesales, the greatest rush out of property in a century, which for the INI Banking Corporation proved to be extraordinary opportunity.

Chapter 61 THE BABY BOOMERS

John Francis did not consider himself to be one of the baby-boom generation, he was born in February 1940, a little too early to have enjoyed some of the advantages of the early period of the consumer society. On the other hand his generation had never known a time when work was hard to come by. His generation saw credit as something almost shameful, not to be talked about. It was those who came a little after him who were the first to experience the full advantages of the consumer society, imported into Britain from America; a generation now accused by some of being the most selfish generation in history.

The generation reaching adulthood at the beginning of the second decade of the third millennium, owners of iPhones and such electronic marvels, would not be so lucky. They were faced with a crisis that would certainly be much more drawn out than politicians pretended. To make matters worse they were condemned for not being of the same the metal as those who had lived through the Great Depression, fought WWII, and survived the rigours of the post-war austerity.

Once a university degree had been the key to success, then suddenly, almost overnight that meant very little, especially when it came to finding a job. The prospect of unemployment, or underemployment, hung over the future of graduates like the Sword of Damocles, whose lives would be considerably more difficult than it had been for the generation their parents'.

Whose was the fault? Had the baby-boomers condemned their children by offering democracy and capitalism to Russia and China? Had they created expectations beyond the reach of their children in offering them access to higher education?

Francis certainly did not feel uncomfortable about being a member of his own generation. The hazards of history had played an important role. Those born in the years of austerity that followed WWI were not responsible for the Depression or Hitler's war.

In retrospective, the late fifties-early sixties were seen as carefree years. Francis remembered them as years during which he and those like him had worked, with few holidays and tight budgets. National Service had ended leaving soldiery to the professionals, allowing those who had embarked on a career to progress. It was a time when Harold Macmillan, in 1957, had told Britons they had never had it so good, which was true—in comparison to the war years and the bleak austerity that had followed. Life in Britain at the time of Macmillan's government was simple to say the least; bananas were hidden under the counter, kept only for the most favoured customers. Family cars were so rare Francis could play cricket with his pals in the middle of the Pimlico's streets.

Compared to 2010, those were the good times, without the same material needs, with full employment, a guaranteed career…before jobs were exported to China by globalization, a process that left countless school leavers without the meanest hope of finding work.

Francis had grown-up under the shadow of the Soviet Union. When an enraged Khrushchev, backed by his massive nuclear arsenal, harangued the West by banging his shoe on the speaker's rostrum of the United Nations Assembly in New York, he felt a shiver of fear like the majority of his contemporaries in the West.

The real consumer society came later, much later, in the mid-eighties when people could look to a future of ever-growing wealth, when the horn of plenty started to flow over. Not only that, but people lived longer, in better health, they were also better educated, enjoyed foreign holidays and discovered the world. Life became easier as the hard chores of the previous generation gradually disappeared with the appearance of washing machines, dish washers, microwave ovens, when modern designer kitchens became commonplace. People became better informed with the arrival of cable television and more recently Internet. What had been luxuries for the previous generation had become essential for families that thought nothing of owning two or more cars.

The crisis brought change. Suddenly higher education was no longer free and graduates were no longer guaranteed a job. A university education meant little or nothing for many and for the new generation the future was transformed into one of diminishing expectations.

Chapter 62 REAL CLUB DE TENIS

Vyacheslav Babkin was an honoured guest at the Real Club de Tenis de San Sebastian. He was not a player, but his daughter's boyfriend, Iñaki Guttierez, a rising star in Spanish tennis, was scheduled to play in the ATP Challenger Tour Tournament being held the club.

Bixintxo Bazurko, a Franco-Spanish real estate developer and a longstanding member of the club's committee, was there to welcome Babkin and Maria, accompanied by Fernando Martínez. The Russians were guests on the rich Spaniard's motor yacht anchored in the Bahia de La Concha from where they would be able to enjoy the firework display that Saturday evening.

The weather was splendid, a clear blue sky with temperatures expected to reach thirty degrees in the afternoon. Whilst Maria mixed with the players, Bixintxo invited Babkin and Martínez to lunch in the club's restaurant where they could shelter from the blazing sun. Bixintxo was proud of his home town, where in the 19th century the King of Spain had built a summer palace overlooking La Concha, San Sebastian's magnificent bay.

At precisely the same moment Bixintxo ordered lunch in the chic tennis club, on the other side of Spain, almost one thousand kilometres diagonally to the south-east, Liam Clancy was sitting in a Benidorm bar where he about to attack a much more plebeian lunch: Shepherds Pie and chips, accompanied by a pint of chilled lager. He was back in Spain for a week, tying up the ends before his move to London, via Biarritz where he was to meet up with Kennedy. He was making the best of the sun as London promised to be hard work with few breaks.

Almost all the customers had their eyes fixed on an extra-large TV screen at one end of the bar. The subject of their somewhat blurry interest was an English football league match. The airconditioned bar was a refuge from the hot midday sun, a place where they could idle the afternoon away before preparing themselves for an evening of more serious drinking. The accents varied from Essex Estuary to those of Newcastle, Liverpool and Manchester. Many of the clients sported sleeveless T-shirts displaying a variety of tattoos on their shoulders or encircling their biceps, a good many wore heavy gold chains. They talked loudly, gesticulating for emphasis. Their closely shaven heads glistening under the lighting of the bar. There was a scattering of females, bottle blonds, also drinking beer, their conversation regularly punctuated by shrieks of hysterical laughter. The beer was cheap, it was home away from home, and better still, the weather beat that of Romford or Wigan.

It was Clancy's first trip to Benidorm; he did not like what he saw. He hardly considered himself a snob, but the forest of concrete was a far cry from his former Croke Park home in Dublin, and another universe compared to the bucolic village landscape of Enniscorthy. Doubtlessly there money to be made in Benidorm and judging from the way the British working class were spending their money on it beer and cigarettes they seemed little affected by the crisis back home.

The bar was one of a small empire of bars, restaurants and discos, owned by a Londoner, Bill Halcrow, who had made a pile in Benidorm catering for his fellow Brits in search of sunshine and cheap beer. Clancy had run into Halcrow's son, Vince, by chance at a Marbella disco, who appeared as Liam was trying to help a couple of Russian girls decipher the cocktail list. Vince insisted on offering them a bottle of champagne at his table and Liam didn't need much persuading given the price of the champagne, and the company of his newly made Russian friends, Anna and Svetlana.

Liam was soon handing his visiting cards around, impressing his new friends with exaggerated stories of the property market and his business as a financial consultant in Spain. The night was long, and Liam a little worse for wear, was talked in to accompanying Vince, just as dawn was breaking, to Benidorm…three hundred kilometres in a taxi.

Vince had painted a glowing picture of the popular resort, to the north of Marbella, where, according to his story, the opportunities were endless…in spite of the crisis. Clancy was disappointed by what he saw; the Brits did not resemble those he had met in and around Marbella. On top of that he was not impressed by Bill Halcrow, whom he saw as an East End gangster made good.

Hurrying back to Marbella, Liam could not help feeling a little disappointed by his visit, but the next morning, when he into the two Russian girls taking a mid-morning coffee on the terrace of a beach front bar, it cheered him up no end. Invited to join them, he discovered they were staying with the family of Vyacheslav Babkin, a Russian oligarch who had made a reputation for himself on the Costa Blanca, owner of a vast and luxurious villa beachfront villa, as guests of his daughter Maria.

'Come to San Sebastian with us,' Anna said half-jokingly to the good looking young financier. 'You can meet Vyacheslav Babkin and Maria.'

A quick check on his iPhone and Google maps informed him San Sebastian was not more than an hour by road from Biarritz. There was nothing to lose, it was even an opportunity and being able to tell Kennedy he knew Babkin would certainly stand him in good stead. Clancy took them up on the offer and the next day found himself on a flight to San Sebastian in the very pleasant company of the two girls, ostensibly for a tennis match.

Liam boasted of his job in the City, though he did not let on he was one of the growing exodus of young Irish men and women following in the footsteps of those who were forced to quit Ireland, in the search of a new future. Tens of thousands of young men and women were leaving the Republic at an alarming rate, many under the age of twenty five. They left for the US, the UK, Australia, Europe and just about every other destination. Emigration was reaching a record high and Ireland was facing both a brain drain and a demographic crisis. The spectre of emigration was a social tragedy for a country that vaunted the skills of its educated youth.

It was a sad turn for the Celtic Tiger, not so long ago famed for its double-digit growth. Those who thought that Ireland could survive on the remittances of its overseas citizens as it had done in the bygone years were mistaken. Ireland was facing a dismal future as government debt soared and unemployment surged. Real-estate, once one of the motors of Ireland's economy, lay trapped in a quagmire, as hundreds of thousands of new homes lay empty for lack of buyers.

Would Disney's version of the Emerald Isle, complete with leprechauns, horse-drawn caravans and folksy villages, have to be pulled out of dusty ministerial archives to serve as a model to be relooked for the promotion of tourism? Could Ireland rely on crisis stricken Europeans and Americans to spend their euros and dollars? Perhaps they could count on the Chinese? Probably not. It would be a retrograde means of stimulating growth in a world that had suddenly appeared more vicious.

London and the world was Liam Clancy's hope for a better future and he was determined to seize it with both hands. His gamble on Spain looked like stalling as its economy plunged in what was building up to be its greatest economic recession since the Civil War. Dolores and Hugh were just about keeping their heads above water. It was time for them, with his help from London, to shift gear and start to set their sights on the über rich.

Spain would certainly follow the same path as that of the Greeks? Unemployment was climbing at a startling rate to levels not previously seen in the developed world since pre-war days. In Marbella he had heard disquieting stories of salary reductions, tightening of budgets and desperate families. The word cortado had become commonplace.

That did not discourage Clancy, despite the avalanche of bad news, there were still plenty of rich about, amongst them Russians who were beginning to appear as buyers on the Costa Blanca.

Chapter 63 A FRENCH FERIA

The ancient city of Dax lay some sixty kilometres to the north of Biarritz, about half an hour by road on the N10, if Sophie respected the speed limit. The city was famous for its spa first established by the Romans with its thermal springs and mud baths. That was not however part of their programme, the Feria was the main attraction, five days and nights centred on the theme of bull fighting and drinking.

They were booked into the Splendid Hôtel, an art deco masterpiece. No sooner than they were in the lobby Kennedy appeared with a broad grin on his face and rigged out in the white uniform and red scarf of the festayre. Since his first visit to Biarritz seven or eight years before he become a bull fighting aficionado and a regular visitor to the Bayonne Festival and its corridas.

Bullfighting was a long tradition in the south-west of France, where in addition to the Spanish corrida, when bulls were killed in mortal combat, were the courses landaises an ancient form of bull running that involves specially raised cows and bulls and does not involve bloodshed. It is a dangerous sport, where injuries are not infrequent for the human protagonists. Like in Spain the animals, both the bulls and cows, which take part in the courses landaises are breed for their fighting spirit. The sport pits sauteurs and écarteurs against the animals, the former executing flying leaps over the charging bulls head on, whilst the latter confronting the charging animal by performing a series of passes, without cape, as close to the horns as is reasonably possible. At the Dax Feria, the cows were replaced by bulls every four years during the course landaises.

From Saturday until Wednesday five corridas were programmed and Sophie had tickets for them all. Barton wondered if it was overkill, but he kept an open mind as Sophie had not stopped talking about the finer points of the tradition since they had left Biarritz. He had already seen bullfights in the South of Spain and was curious to compare the two.

Kennedy kissed Sophie on the cheek and shook Barton’s hand before introducing them to Clancy who had arrived the day before from Spain. He was excited and raring to go with the thousands of visitors expected over the coming days.

‘All set?’ asked Kennedy. ‘You have your scarves and white clothes?’

‘Of course,’ said Sophie laughing at his excitement.

‘It’s at eight, the mayor hands over the keys to the festayres.’

‘We’ve got plenty of time Pat, just give us time to get our gear on.’

The previous day Sophie had got Barton the complete outfit in Biarritz: a couple of white shirts, white pants, white shoes and a red scarf.

Liam was in a dream. His visit to San Sebastian had been a roaring success and here he was with one of the UK’s most successfully bankers about to watch a bullfight. Things must be looking up he thought, remembering a freight train he had seen at the border crossing loaded with hundreds of up market BMWs and Audis…heading south.

Chapter 64 THE GUILDHALL

It’s funny how people have short memories. They’ve forgotten how George Osborn had called on Britain to learn how to run an economy from Ireland.’
 ‘Lucky for him,’ Kennedy said looking up from his papers.
 ‘Is that all you’ve got to say Pat?’
 ‘Well we had a good decade up to 2007.’
 ‘Because of low company taxes.’
 ‘That policy worked.’
 ‘Did it? Well you could say that the market looked after itself.’
 Pat clammed-up, his intuition told him he was about to receive a lesson.
 ‘Wrong! The idea the market can take care of itself is foolish. The banks and the property market were allowed to run wild. The same went for wage policies.’
 ‘Well we did alright out of it,’ Kennedy replied weakly.
 ‘You’re kidding Pat. If there had been a little more regulation and restraint we wouldn’t be in the shit we’re in today.’
 Pat would have liked to remind Fitzwilliams’ his negative opinion of the prime minister had not prevented him from enthusiastically applauding his speech at the Guildhall the evening before along with an audience of four hundred leading British and Chinese business leaders. Like so many other bankers, businessmen and politicians, Fitzwilliams liked having his own ideas confirmed, and when the PM declared he wanted more order in the world of finance and banking he felt vindicated; filled with sense of self-satisfaction.
 David Cameron declared, as though suddenly waking-up, that China’s economic growth over the previous five years was an event historic of importance. He continued by telling his audience what they already knew, namely China’s growth for the year to come would exceed ten percent and spoke of its importance to the UK. Fitzwilliams whispered to his neighbour it would be even better if it was the other way around.
 John Francis smiled at the incongruity of the PM’s words, even as Cameron spoke speculators in New York were shorting China. Forecasts of double-digit growth did not add up and the risk of a huge bubble was on the

books. Gordon Chang, the author of The Coming Fall of China ten years early, still believed in his prediction, though for the moment events appeared to belie his words.

That certain hedge funds were betting against China was ominous. It was one thing for a Sunday Times economic journalist to spout contrarian ideas, and quite another to bet hundreds of millions by shorting the market. It was not good news and one more shock to the world's fragile economy would certainly derail its hesitant recovery.

John Francis recalled Al Jazeera's story of Ordos Shi, an entirely new city in Inner Mongolia, a province in the north of China, built at huge cost, generously equipped to house one million people, a ghost city, almost entirely empty. In China's large cities, vast areas of office space lay unoccupied, tens of millions of new apartments remained empty, as construction continued to surge, a phenomena the recalled Spain prior to its property crash, but on a much vaster scale. To compound the problem Chinese banks had lent trillions for property development with hugely inflated land values as collateral. It was as if China was fuelling its own version of the sub-prime collapse.

The idea that China's incalculable millions could own their own homes was a reminder of George Bush's promise to ordinary Americans. Whether they could afford them was not an issue, growth would supposedly look after that, based on the erroneous assumption satiated Western consumers could consume more Chinese imports. If China's bubble burst the troubles of a few Eurozone nations would be dwarfed.

With riots and demonstrations threatening the stability of the Greek government the danger of civil unrest lay much closer to home. In Dublin a cement truck, daubed with the words TOXIC BANK, was rammed into the ornate iron gates of the Irish Parliament. In Lisbon demonstrators filled the streets protesting against the government's austerity measures and in the centre of Madrid mobs confronted the forces of law and order. Trouble loomed large in the UK as the number of strikes increased to a level not seen since the days of the general strike in 1926.

Of course other countries besides Greece, Spain and Portugal had been profligate. The question was why? What had drawn once cautious European nations into the morass of consumer debt and lax government spending? There was of course the euro and low interest rates, but that argument, suggested by the yapping jackals of the City and its media supporters, was too simple.

All good financial sense had been thrown out the window by the illusion of wellbeing created by bankers and political leaders during the period leading up to the financial crisis. It had no doubt contributed to the disaster, but that did not provide a satisfactory answer to the question as to why.

The lack of political realism could however be measured by the comments made by the American Embassy in Reykjavik, relating to Iceland's ability to weather the crisis recently published by WikiLeaks: Given the intense financial media scrutiny Iceland has been under for the past two months, it can be argued that the country's economy, major conglomerates, banks, and financial markets have actually weathered the storm fairly well. As the Wall Street Journal put it: 'The jury is still out on whether it is anything more than a rough spot.'

Chapter 65 GLOBALIZATION

Xavier Delauny crossed the English Channel to join INI in London as the financial sector was convalescing, recovering after the disaster that had hit the UK banking industry, which had threatened the sector with systemic collapse. As a specialist in systems security he had been hired by INI as part of the in-house team set-up to supervise the work of their IT service providers. It was a well-paid job. Luckily for Xavier banking security came at a high cost, which precluded any idea of subcontracting work to Mumbai, or any other offshore service company.

The global labour market in specialized professions, the so -called knowledge economy, which had in the past been reserved for the West, was undergoing a rapid transformation due to the growing availability of higher education in countries such as India, driven by the development of digital processing and high speed Internet technology. The pressure of low cost offshore subcontracting was weighing heavily on wages paid to IT specialists in London and just about every other service centre in developed countries.

Ten years earlier Xavier would have been well paid because of the relative rarity of his skills, but since then salaries had stagnated, in spite of an ever growing demand for qualified IT specialists. The knock-on effect of the crisis and the availability of low cost alternatives, seriously affected the pay of engineers, accountants, medical analysts and countless other white-collar workers.

A point of no return had been reached. The dominant place occupied by Western economies and their workforce was now in danger. The transformation brought about by communications and technology had now reached into every nook and cranny of the planet’s economy, opening the market to those who, in the past, could have never dreamed of competing in markets that had always been the reserve of Westerners.

What had commenced as outsourcing low skills at low prices was turning into a backlash as the number of university graduates doubled, offering a supply of highly qualified workers for added value jobs. The barriers that separated the West from the rest have fallen as the number of university students in China and India overtook those of the US and Europe in the fields of IT, technology, engineering, science and mathematics.

The golden days were gone when expatriates in Hong Kong dominated banking and business in a wide range of positions. Within the space of a decade, technical, managerial and professional roles were occupied by locals and the number of expatriates dwindled. At the same time the cost pressure in manufacturing and service sectors, once driven by Western companies, rebounded, hitting labour costs in the US and Europe, forcing their economies to adapt to the global market demand as competition from emerging economies grew.

Globalisation had commenced in Hong Kong, when its entrepreneurs began outsourcing low-skilled, low-value tasks in nearby Mainland China. In 1979, Shenzhen was established as a Special Economic Zone by the Chinese government for reasons of its proximity to Hong Kong, at that time a booming British colony. Since those early days outsourcing was transformed into a global business demanding high-skills for complex products, as demonstrated by the assembly of Apple products at Foxconn in Shenzhen, the world's largest maker of electronic components, with its one and a half million employees.

The growth of transnational corporations, that owed their loyalty to none but their shareholders, functioning wherever conditions were most favourable in the global market place, left workers exposed to global change, where even those with solid educational backgrounds struggled to maintain a middle-class lifestyle, precipitating large swathes of the West's salaried workers into precarity and exclusion.

Western nations found themselves confronted with growing social instability and perhaps strife as unemployment, inequality and institutional poverty became fixed parts of society as governments failed to come to terms with change.

As competitive pressures increased and global options grew for businesses, educational excellence became essential for those who could afford it. Middleclass families were forced to invest in competitive advantage for their offspring: sending them to the best schools, colleges, and universities. Those relegated to lesser known universities, for economic reasons, would be faced with a narrower choice of job opportunities, and certain would end up as part of an ever-growing highly qualified, but low paid workforce.

Delauny like many others of his class voted with his feet, selling his skills to the highest bidder, as politicians struggled to adapt, their ideas fixed in the past, proposing out of date solutions to new and complex problems, unable to come to terms with the progress of global capitalism.

Xavier was one of those fortunate enough to have chosen a sector of increasing importance as Chinese and Russians, led an underground economic war, hacking into the West's government, business and banking IT systems. The battle for economic power took another turn in what promised to be a fight to the death, where the winner took all.

Chapter 66 SHADOW BANKING

The annual World Economic Forum at Davos had raised the problem of shadow banking, pointing at the nebulous world of fast-growing structures that were slowly encroaching on the business of traditional banking institutions, escaping the kinds of legal constraints imposed by regulatory bodies.

‘In 2008, the Western world’s banking system underwent a huge crisis of extraordinary proportions. Only government intervention prevented a catastrophic meltdown,’ commenced a report submitted to Fitzwilliams by his think-tank. The report continued: ‘In spite of the massive quantities of money poured into the economy almost all the countries concerned fell into a recession that still endures and will almost certainly get worst.’

Fitzwilliams indifferently tossed the report onto the table and looked at the ceiling.

‘So what now?’ he asked Francis.

‘That’s difficult to say, but we certainly need less leveraging and more liquidity.

‘We?’

‘Banking in general. If you look at Ireland the problems have been related to traditional banking, that’s to say relatively conventional lending, you know mortgages and all that, rather than complex derivatives and shadow banking.

‘That doesn’t really affect us,’ said Kennedy.

‘I wouldn’t agree with that Pat. One of the dangers to traditional banking activities stems from the fact that the shadow banking system provides services similar to traditional commercial banks.’

There was a silence.

‘For the benefit of those of us not familiar the term shadow banking,’ he said looking at the banks’ key deciders seated around the huge boardroom table, ‘it implies entities such as hedge funds, money market funds and structured investment vehicles, that’s SIVs for short.’

‘Are investment banks classified as part of shadow banking system?’

‘Most are not shadow banking institutions, but they do conduct business through such themselves.’

‘Are we part of this system?’

‘Yes, partly, to be precise through our Russian partners. You see most of our activities are subject to regulation and monitoring by central banks and other government institutions, but our Russian side conducts a lot of business that doesn’t show up on their balance sheet, which is not visible to regulators.’

‘I see.’

‘In the US, prior to the financial crisis, investment banks financed mortgages through off-balance sheet securitizations and hedged risk through off-balance sheet credit default swaps. So you can see the danger.

‘At the beginning of the crisis fear concerned banks’ off-balance sheet vehicles, “structured investment vehicles”, SIVs, rather than their declared balance sheets. We should remember that Bear Stearns and Lehman Brothers were not really banks, they were broker-dealers, and AIG was an insurance firm.

Heads nodded in agreement as Francis continued.

‘Our specific problem, given our broad international business, is the sheer complexity of shadow banking. It defies the definition given the number of financial institutions. Our Russian activities and the contractual relationships that bind them escape the regulatory controls that govern our business in the City.’

‘What are you trying to say John?’

‘Bluntly put, we have to be very careful, keep our noses clean.’

Fitzwilliams did not need telling.

‘We must not lose from view the problems of unregulated banking. They may create growth, but also the kind of crash seen with Lehman Brothers, and even systemic failure that the British banking system avoided by the skin of its teeth.

‘We’ve since moved much of our assets from riskier credit markets and reduced the kind of off-balance sheet activities that are exposed to shadow banking risks,’ protested Fitzwilliams.’

‘What about your property funds?’

‘What about them, we’ve focused on prime property in London for example, not sub-prime home loans. I don’t share the idea that our funds are part of the so-called shadow banking system. Our reporting systems provide the kind of transparency required by regulatory bodies.’

‘I’m not the decider Michael. I’m simply recalling the risks involved in certain sectors of the banks activities, and more especially those overseas.’

Fitzwilliams did not miss the point.

‘Risk is risk,’ said Fitzwilliams. ‘We’re focusing on the kind of asset value grow related to prime property and seeking safe haven shelters for our clients and investors. If you’re concerned that regulators will see that as moving the risk to a less regulated, more opaque sector, then I think you’re wrong John. I appreciate your concerns, but I think we’ve got things well under control.’

Barton smiled to himself as he thought of INI’s other half in Moscow, where everything was several degrees of opacity greater, with their special purpose vehicles to leverage finance for Russian interests in oil and mineral resources. As for the banks’ funds, and funds-of-funds, they acted like banks: accepting investors’ money, offering loans set up by the bank for property transactions. The Europa Property Fund’s loan book now looked bigger than those of many small traditional banks.

The risk was that losses arising from the funds’ bold buyouts, financed by leveraged loans incompatible with the underlying capital, could seriously destabilise the bank and even provoke a catastrophic collapse.

Chapter 67 AN OLD FASHIONED

Angus MacPherson was an old fashioned banker. He had started out as a trainee at the Bank of Scotland on the Mound in Edinburgh. Fresh from grammar school and without the benefit of a higher education, he slogged his way through night school to obtain his banking qualifications, necessary at that time for any young banker who wanted to advance in the profession. Even with his excellent school results, university had not been an option; his family's modest means had closed that door.

He was accepted at the prestigious institution thanks to the recommendation of an uncle, chief accountant at a shipping firm, an important client of the bank. Each morning, as MacPherson made his way up Princes Street towards the bank's impressive Victorian headquarters, he thanked his good fortune. Many of his background found themselves unemployed as traditional industries in Scotland closed down, few lads of his background had a secure job, which made Angus more determined than ever to succeed in his career at one of the two most important banks in Scotland.

At that time banking was an unglamorous staid business and the days of the financial and investment banking boom with its of traders and golden boys were far off. In the early seventies, after a decade of Harold Wilson's Labour government and the decline of the industries that had made Britain great, the future looked sombre as the nation entered a period of turbulence.

Then came Margret Thatcher, who undertook the reforms believed necessary for transformation of Britain, side-lining industry in favour of the service and the quaternary sectors. The Iron Lady's Big Bang implemented major banking reforms and promised Britons a better future. Angus MacPherson pursued his career, climbing the ladder, as the Bank of Scotland underwent the same transformation as many other British banks, abandoning its role as a traditional high street institution, and what were perceived to be old fashioned banking methods.

In 2001, the bank merged with the Halifax to become HBOS, so as take advantage of the new opportunities offered by innovative retail banking, where traditional services were relegated in favour of high volume business.

In addition to the bank's established services, it proposed a whole panoply of new products to its customers: debit cards, credit cards, competitive mortgages; amongst which were special interest-only deals, consumer loans, insurances and a whole range of new and attractive facilities that encouraged many people to borrow without the means to honour their obligations, a system that led to the credit binge, at the heart of which was a sales culture motivated by the bonus system.

Prior to the merger, MacPherson had been promoted and transferred to Hong Kong, where he took over property development services at the bank's subsidiary, then, in 2003 he became head of the Asia Pacific investment banking division of HBOS. Business boomed as China became the world's number one manufacturing nation. When the crisis broke, HBOS was caught up in the meltdown of the UK banking system, which ended up in the bank's collapse and its effective nationalization, McPherson was practically wiped-out with the value of the shares he possessed becoming almost worthless overnight.

Given the disastrous situation of HBOS, MacPherson found himself suspended in limbo as the bank went about disposing of its overseas operations. His job hung by a thread and all that remained of the fortune he had accumulated was a painfully thin share portfolio plus his property investments; a luxurious apartment in Stanley, a pied-à-terre in Knightsbridge and a holiday home in Biarritz.

It was at that moment in time MacPherson met Tom Barton on his fact-finding tour of China. Barton was impressed by his experience and understood the Scot's dilemma as HBOS started its retreat from Asia. Barton aware of the long and difficult learning curve facing those entering China's market, suggested the Scot would be a valuable addition to the bank's team.

A meeting was fixed up with Pat Kennedy on the Scot's next visit to London and the two men hit it off. It was not difficult to sense MacPherson's disillusionment with HBOS, and after a discussion with Fitzwilliams, he was offered the job of setting up an INI base in Hong Kong.

The Scot's knowledge of East Asia would open the door for business with North East Asia and more specifically to China, where INI sorely lacked experience, and more essentially, MacPherson's guanxi network. INI's traditional business base in Asia had been built around the Nederlandsche Nassau Bank in Indonesia and mostly limited to South East Asia.

MacPherson had developed HBOS operations along the same lines as the men who had created the prosperity of the former colony in past generations. With ten years in Hong Kong to his credit, he had gained the confidence of local Chinese businessmen. By mastering more than passable Cantonese and Mandarin language skills, he won admiration and appreciation in business circles for the daunting efforts he had made to bridge the communication gap. It was a talent sadly lacking in the local expatriate business community, which left many at the mercy of their Chinese partners.

Fitzwilliams artfully presented the addition of MacPherson to the team as a triumph, providing the Scot with a face saving alibi vis-à-vis his Chinese friends, an astucious move, the Scot abandoning HBOS in favour of INI, a powerful new player in banking, spanning the Eurasian continent.

After a shaky start in 2009, the INI Europa Property Fund was now posed to take advantage of the market upswing. Taking MacPherson on board for Hong Kong was a masterful stroke, part of Fitzwilliams' strategy, and thanks to Tom Barton's intuition, to attract wealthy individuals from the dynamic Pacific Rim region to invest in prime property in London, Paris and New York.

At the London end, Alexis Sosnowksi was appointed Chief Investment Officer of the Europa Fund, directly responsible to Fitzwilliams, under Pat Kennedy's watchful eye. A turn of fortune for Alexis, who had been one of the bank's star traders before the crisis hit.

Alexis had survived the worst of 2009, owing his remarkable comeback to an introduction by Natasha Babkinova to Sergei Tarasov. Natasha had been packed-off to London to study the workings of the financial system by her father, Vyacheslav Nikolayevich, another oligarch. The Russian hoped she would build a network of insider friends, an insurance policy to protect the family from the kind of pitfall that had almost bankrupted him eighteen months earlier.

Perhaps it had been because Alexis was a friend of Natasha, or because Tarasov had registered Alexis' Slavic name, in any case he mentioned his brief encounter to Fitzwilliams, who remarked Alexis, with his track record, was being wasted in a depressed stock market.

Sosnowksi’s grandparents had fled Poland in 1939, shortly before Hitler launched his blitzkrieg. They had been amongst the lucky ones, as bankers they had had the means to escape the genocide that was to hit their people. The family, apart from the principal Jewish holidays and the occasional visit to the synagogue for one of the rites de passage, had never really practised their religion and Alexis was brought up broad minded and independent, free of conventional religious hang-ups.

His father had run a small brokerage firm in the City, which because of ill health he was forced to sell to a banking group towards the end of 1986, soon after Thatcher’s Big Bang. On graduating from the LSE, Alexis joined Lloyds He moved on to the Irish Netherlands soon after Fitzwilliams took over in 2000, following the disappearance of the banker’s uncle in the Caribbean.

Tarasov, like many Russian’s had a healthy respect for the talent of men of Alexis’ background — they had survived in adversity, and approved of Fitzwilliams move to have him head-up the team they were putting together for their Europa Property Fund.

At the end of the first year the fund returned a modest gain; the second year, even as the global economy continued to suffer, it produced a spectacular return of over twenty percent. Soon, after raising more than three billion dollars, the fund was refusing new investors, as Kennedy along with and Clancy in tow, trawled for potential properties to add to the fund’s growing investment portfolio.

Chapter 68 HONG KONG

From the seventy eighth floor the view was stunning. Only the very privileged were invited to breakfast by the chairman of Smythes Holdings, one of the world's largest firms with interests in banking, finance and commodity trading.

Jonathan Fielding, Smythes' chairman, had not lived in the UK for decades. In spite of that he considered himself an expatriate, and was of course considered as such by the Chinese, though his feelings for the old country were very mixed.

Pat Kennedy was his guest along with Angus MacPherson, a long-time banker friend of Fielding's, an old Hong Kong hand. MacPherson, an expert China watcher and specialist in just about everything Chinese, had been recently appointed as INI's Hong Kong manager. Responsible for developing business in China, he had set up the meeting to provide Pat with some background for his fact finding trip.

'What is remarkable Pat,' Fielding explained, 'is Hong Kong has not lost its importance as the first port of call in China. Most of our businessmen come here on their way to Canton, and beyond. Hong Kong is a peculiar anachronism in the affairs between England and the Middle Kingdom. It's funny, but things haven't changed that much in almost two hundred years. Ours is an often tumultuous love-hate relationship.

'But to be honest Pat, I feel British, but this is my home, and somewhere inside I still think of it as part of England. We built it…with the help of the Chinese,' Fielding confided, adding with a wry smile, 'a kind of joint venture if you like.'

'Yesh Jonathan, tell me what the Chinese think of us today?' Kennedy asked turning to MacPherson.

'England...the UK?' replied the Scot, considering the question he had been many times. 'Well in general, not very much. Hong Kong is special, they're Cantonese, and have a view that's different from the rest of the country. There is a certain nostalgia about all things British amongst the better-off. They like to send their children to school there, many of them have invested in property in London, and of course they see London as a financial centre.

The rest is the past, not very interesting, they are turned towards China, the future.'

Kennedy was silent.

'In general the Chinese don't like lesson givers,' added Fielding,

'I see.'

'As for myself I must admit the UK looks a mess, spoilt, spoon-fed, a nation of beer drinkers obsessed by football and lousy television.'

Kennedy sunk further into his armchair.

'The Chinese work hard,' MacPherson told him. 'They have to, it's their way of life. The UK has lived beyond its means, like a good part of Europe, not forgetting America. Take our industry! What we haven't shut down we've sold off to foreigners, we're no longer a manufacturing nation.'

'You did mention the City.'

'The City is like HSBC,' said Fielding, 'It could pull up its roots and move somewhere. Look at banking back home, it's a terrible mess, as Angus will tell you, would you put your money in one of those nationalized outfits.'

'Well we've come out of the crisis fairly unscathed,' said Kennedy meaning the INI Banking Group.

'So you have,' said Fielding approvingly. 'On top of that Michael's made a good choice by taking on Angus,' he added nodding towards the Scot.

Kennedy smiled, the decision had been to a large degree his own.

'He'll help you avoid the problems most newcomers encounter.'

Kennedy's smile fell, feeling a little miffed at being bundled in with what he took to be the naïf, which was what he was.

'It's not as bad as that Pat,' said Fielding amused at Kennedy's transparency, slapped him on the knee. 'But it's not far from the truth.'

'Come along Pat I'll show you Hong Kong's business centre, the part tourists don't see, but first leave your jacket and tie here, I'll have them dropped off at your hotel. We'll take the ferry and metro…incognito,' he said amused by Kennedy's disconcerted look.

MacPherson gave a nod of approval to Pat, then excused himself to attend to an investment meeting with a prominent mainland investor.

From the poop deck of his luxurious traditional teak junk, Fielding pointed out the new towers shimmering in the sun on the Kowloon skyline. As they made a tour of Victoria Harbour, Kennedy breathed in the sea air, relieved for once to be away from the bustle of the crowds and the roar of the traffic, feeling more relaxed.

‘Tell me Pat how do you read the euro crisis?’

‘It’s a long story, a saga…more a soap.’

‘I suppose Ireland’s out of the woods for the moment?’

‘Yes, for the moment.’

‘What would happen if Greece defaults?’

‘Well I suppose the Greek banks would go bust and end up nationalized. If they’re forced to quit the euro then their new money — drachmas or whatever — would be worth less than half the euro. That would mean disaster for every Greek.’

‘…revolution?’

‘Or coup d’état.’

‘…and those who held Greek debt?’

‘A skinhead style haircut,’ he laughed. ‘Ireland and Portugal would probably follow suit. As for us banks both British and European it would be a rout with nationalizations across the board.’

‘That bad?’

‘I’m afraid so.’

‘So what would happen…I mean to the financial system?’

‘Printing presses and hyperinflation.’

‘What about China?’

‘China is a strange place Pat. Let me give you an example, the Prada IPO. They were looking for twenty billion dollars to finance its expansion in Asia, they were over-subscribed five times.’

‘I saw it on the business news.’

‘What does it mean to you Pat?’

‘There’s a lot of money floating about.’

‘Absolutely, China is awash in cash.’

‘I’ve heard that a lot of money is laundered in Macao.’

‘Yes, I’m afraid so. That’s the other side of the coin. Corruption!’

‘So it’s not all as bright as you describe,’ said Kennedy pleased to find something to slow down the smug businessman.

‘Nothing is perfect,’ snapped Fielding.

‘Who are they,’ Kennedy asked wondering if there wasn’t some kind of opportunity there.

‘Communist Party cadres, state-owned company executives, police, even judicial and customs officials,’ admitted Fielding. ‘They’ve all been busy transferring funds out of the country as fast as they can. Some have employed sophisticated money-laundering systems, with the complicity of the country’s banks, others through Macao casinos, or simply by smuggling money into Hong Kong.’

Kennedy watched the ferries as they churned their way across the harbour.

‘Let me show you something Pat,’ said Fielding taking the opportunity to change the subject. He pointed to the open afterdeck dining area where they took a seat. As Fielding made a sign to a white jacketed waiter who served them coffee, Kennedy observed the Chinese captain, hands on the wheel, attentive to the heavy harbour traffic.

Fielding then pulled a map from his pocket and spread it on the table. ‘This area is twice the size of Wales,’ he said tracing an area with his Montblanc, from Hong Kong to Canton in the north, Zhaoqing in the west and Huizhou in the east.’

Kennedy looked on wondering what new mega-fact Fielding was about to reveal, he was quickly getting used to China’s superlatives and vast schemes.

‘Here, in this area, around the Pearl River Delta, China is planning to create the world’s biggest megapolis merging nine cities together to create a city with a population of more than forty million…not including Hong Kong and Macao where there are a further eight million.’

Kennedy grunted, it was beyond his comprehension, not on a human scale. He imagined it as an ants nest full of workers fighting for survival.

‘This is China’s manufacturing heartland, it represents nearly a tenth of the Chinese economy,’ said Fielding spouting on about infrastructure, energy, water, transport, telecoms, health care and education.

Kennedy pictured the energy needs and the pollution and knew why those billionaires would feel happier in London.

‘How do I get to Wenzhou?’ asked Pat feeling he had had enough.

‘Wen…where?’

‘Wenzhou.’

Fielding was puzzled. Perhaps it was Kennedy’s lisping Irish accent.

Then he pulled a visiting card from his wallet. It was printed in Russian and Chinese.

‘Ah Wenzhou!’

I have a friend there…well his family. I promised him I would visit them.
‘Ha-ha. Be careful Pat, they are very clever business people, they are the Jews of the East.’
‘Do you think it’s worth learning Chinese?’ asked Pat flipping the pages of his Mandarin for Tourist’s phrasebook.
‘A Chinese language teacher once asked me why I wanted to learn Chinese,’ replied Fielding. ‘I of course replied that it would be useful as it was the most spoken language in the world.’
Pat nodded in agreement.
‘You know what she said?’
Pat shrugged now suspecting there was a catch.
‘She then asked me with whom I would speak the language. Well, I must have looked blank, because she then explained how Chinese differs from English,’ he paused for effect. ‘English opens the world, Chinese opens China.’
‘Well there’s nothing wrong with that.’
‘Sure, but the point is that even if the British are notoriously poor in foreign languages, they can communicate with the world in a way non-English speakers can’t, that’s worth remembering.’
Pat was none the wiser. He spoke English, and it didn’t help him when it came to the Chinese, in fact it made him feel very vulnerable.

Chapter 69 A FORAY INTO CHINA

Kennedy had not chosen a good time to cross the border. Hundreds of thousands of people were expected to cross the border each day during the four day Autumn Festival, the most important holiday in the Chinese calendar after their New Year. That day the traffic peaked with nearly eight hundred thousand on the road into or out of Hong Kong.

Pat revelled in the idea of being an anonymous European traveller in the Chinese throng. He felt it like a unique experience, as though he was some kind of an adventurer, a modern day Marco Polo, entering a strange and incomprehensible foreign world. That weekend hundreds of thousands of Hong Kong residents were heading for Shenzhen, a Chinese Special Administrative Region, and Canton, and some eight hundred thousand mainlanders were heading in the opposite direction to Hong Kong.

Equipped with his passport, visa and an overnight bag Pat had made his way to the Hung Hom MTR East Rail Line station, a short walk from his hotel, where he took the metro in the direction of Lo Wu, a journey of about forty minutes. Kennedy, unlike Fitzwilliams, who would not be seen dead on the underground, was not averse to using public transport, it offered him a view of the real world, the world unseen by those who travelled first class or in chauffeur driven limousines.

The MTR surprised him, by its cleanliness, modernity, and apparent efficiency, in comparison to the antiquated District and suffocating Piccadilly lines he used in London.

On leaving Hung Hom there were few passengers, but as the distance from downtown Hong Kong increased and the border crossing approached, more and more passengers piled on, loaded with bags, presents and foodstuffs. He had been forewarned the trains would be crowded and had waited until ten in the hope the rush would have died down. His effort was in vain and in spite of the warning he was surprised by the crowd.

Arriving at the terminus, he was pushed, shoved and elbowed by the crowd as they piled off the train and rushed along the platform towards the exit. Pat parked himself to one side as best he could waiting for the bustle to die down; he was out of luck, looking to his left another train already pulling into the station. Reluctantly he joined the throng pressing up the stairway to the footbridge that crossed a muddy stream, which marked the border between Hong Kong and the rest of China, and in the direction of the frontier control hall.

He was propelled by the crowd towards immigration, where with some effort he bifurcated to a channel marked foreigners. First came the Hong Kong passport control for those departing, then that of the Peoples Republic for arrivals. Twenty hectic minutes he found himself outside, in front of the Railway station in Shenzhen. He was in China, and for the first time.

Finding his way to the metro station and after puzzling over the route map, he took the Luobao Line to the Convention and Exhibition Center station, a short walk from the Ritz-Carlton on Fuhua San Road. If he liked to rub shoulders with the crowd he did not like sharing their hotels, as for their restaurants his cast iron stomach was his passport to culinary adventure.

It was midday and being in no particular hurry Kennedy armed with a city guide headed for the Mixc shopping mall, which seemed a good starting point for his tour of discovery. The greatest surprise was Shenzhen itself; apart from the absence of hills, it was not that different from Hong Kong, newer and brasher, with gridiron planning, though with less foreign faces. The pavements were broad and thronged with people going about their daily business. A closer inspection told him they were for the most part different from those of Hong Kong, less stylish, more uncertain of the world around them.

He paused, there was a metal cage on the ground, like a bird cage, but box shaped, it required a double-take to confirm it contained a very large rat. Its owner accosted the passers-by with a continuous stream of incomprehensible spiel. In his hand he held a plastic wire and what looked like a table lamp switch. Seeing Kennedy’s curiosity he pointed at the rat, then pressed the button, the rodent leapt violently into the air, as the crowd continued on its way as if nothing had happened. The panhandler’s trick was to send an electric shock through the animal in an effort to draw the attention of the indifferent crowd.

Kennedy paused, not knowing whether to be amused or shocked, then continued his visit marvelling at the roads, traffic, office towers, apartment buildings and hotels that recalled the familiar images of Shanghai. The giant Mixc shopping mall in itself was essentially no different from those he had seen in the Hong Kong; luxury boutiques as far as the eye could see:

Cartier, Dior, Louis Vuiton, Prada, Tiffany & Co and Balenciaga, amidst an incomprehensible kaleidoscope of Chinese signs, no doubt encouraging shoppers to spend.

How could those millions — and millions there were — buy Vuiton handbags and the like? Shenzhen with a population of eight million had already surpassed Hong Kong in numbers, a staggering transformation, considering it had been a small, poor, village, when Mao departed for his Communist heaven. There was no visible trace of the global financial crisis, and if there was a Chinese bubble in the making, it was definitely not visible in the Mixc Shopping Mall; the doomsters' predictions of a Chinese slowdown for 2011 seemed greatly exaggerated.

If anything, Kennedy was a realist when it came to money and everything he had seen up to now belied the imminent eventuality of a crunch of any kind in China. Perhaps their banking system was flawed, perhaps there was a mass of bad debt out there, but given the country's massive reserves and its single party government, its leaders would ensure that the right levers were pulled. Deep down Pat, like many of those who succeeded in life, was an authoritarian and could not help admiring a system that was unfettered by the kind of endless squabbling of politicians back home, which inevitably led to the kind of situation in which Britain and many other Western countries found themselves in.

Kennedy did not linger any longer than was necessary to grasp the message and after consulting his guide headed for the Hong Fa Temple. That evening after a visit to Shekou where he ate a reasonably good steak he returned to his hotel for an early night.

The next morning Pat took a taxi to the Shenzhen Railway Station. There, a high-speed shuttle service departed every ten or fifteen minutes; destination Canton's Guangzhou East Station. He was shown aboard the train by a neatly uniformed hostess and took his place in the first class wagon. Opposite him was a Chinese girl engrossed in her iPhone.

As the train pulled out of the station, the girl looked up and was almost surprised seeing Kennedy, the only European in the wagon. She smiled and placed her phone on the pull down table.

'Are you going to Guangzhou?'

'Yes, Guangzhou East,' he replied mangling Canton's Chinese name.

There was a pause.

'How long does it take?' pursued Kennedy.

‘About one hour. Where are you from?’
‘Ireland.’
‘Oh. Aierlan.’
Kennedy nodded. The girl was attractive, dressed in a light grey costume, with a Vuiton brief case and handbag on the seat beside her.
‘Are you on business?’
‘Yes, two or three days, then Shanghai.’
‘I see. What’s your business?’
She doesn’t beat about the bush, thought Kennedy, a little surprised by her directness.
‘Banking.’
‘Oh.’
‘And you?’
‘I’m going home. To see my family for the Autumn Festival holiday.’
‘Your husband?’
‘No my parents. They live in Guangzhou.’
Kennedy glanced out the window as the dreary landscape marked by factories and housing developments flew past.
‘What do you do?’ asked Kennedy.
‘I work for a law firm in Hong Kong. We help foreign firms with Chinese business law.’
‘Is it a good business?’
‘Very good. Chinese law is complicated.
They continued to chat and the girl presented Kennedy with her business card.
‘Lili is my first name, Wu is my family name.’
Kennedy obliged with his own card.
‘Pat Kennedy,’ she said reading his name aloud. ‘INI Banking Group. That’s in London.’
‘Yes. London, Moscow, Amsterdam, Dublin….’
‘Where are you staying in Guangzhou?’
‘I'm booked at the White Swan Hotel.’
‘That’s nice. Is it your first visit?’
‘Yes, my first visit to China.’
‘Huanying, huanying. That means welcome,’ said Lili.
‘Is it in the centre?’

'There are many centres in Guangzhou. But the White Swan is on the banks of the Pearl River.'

The hotel was situated in an historic area of the city on an exclusive, which had once been the home to rich merchants.

'Where do you live?'

'In a district called Ersha Dao,' she replied. Then seeing his blank look added, 'On the Pearl River, not too far from Shamian Island.'

It meant nothing to Pat.

'Do you know anybody in Guangzhou?'

'No. To be honest I'm discovering China.'

'Oh,' she said perplexed, wondering why a City banker like Kennedy knew nothing about her country and what he was doing travelling alone.

Before she could continue the speaker system her train of thought was interrupted by the announcement they would be arriving in Guangzhou in five minutes. Kennedy checked his watch surprised at how fast the time had gone. Looking outside he saw they were already travelling through the suburbs of the city.

'Are you taking a taxi?'

'No I'll take the underground.'

'I wouldn't do that, the city is big and complicated. Take a taxi. I'll show you where.'

Kennedy nodded in approval.

Lili was quite tall compared to many the girls he had seen in Hong Kong. She was attractive in a way he was not used to and her directness intrigued him. It was a pity he couldn't talk with her more.

She guided him through the crowd and quickly put him in a taxi with instructions to the driver.

'Zaijian,' she said. Then after a pause added: 'If you'd like me to show you the city tomorrow I'll can you a call?'

Kennedy nodded approvingly and waved goodbye as the taxi pulled out in the traffic.

As Lili had told him the hotel was situated on the banks of the Pearl River and from his twenty fourth floor suite he had a splendid view over the river and the south of the sprawling city.

After lunch a quick lunch in the coffee shop he set out for to explore. The hotel was situated on Shamian Island, clearly a very exclusive residential district dating from pre-revolutionary days, and visibly it had recovered its past status. The weather was fine as he strolled along the tree lined streets past elegant town houses, an obviously very smart restaurant and one or two fashionable boutiques. Arriving at a river or canal that defined the northern limit of the island, he crossed a stone bridge to a broad nondescript traffic laden avenue. He checked his map whilst waiting for the red light, then crossed entering what was obviously a more ordinary residential area where the architecture consisted of irregular, grimy unremarkable, rather run-down, buildings and a busy street market.

He wandered through the market stopping at the stalls overflowing with vegetables, fish, meat and unidentifiable foodstuffs. Then after a left and right he found himself facing a downtown Holiday Inn next to a clamorous arcade, which led to what was obviously one of the main shopping areas of Guangzhou, quite unlike the centre of Shenzhen or Hong Kong. Two or three storey buildings, shops and eateries of all kinds one after the other, but no flash Kowloon style brand name boutiques, although he noted many of the more popular brands, such as Adidas and Benetton, in the windows. A dense crowd of shoppers moved in all directions, carrying bags, eating carry-outs and sipping sodas. He was a head taller than most, surrounded by a sea of uniform black heads.

Arriving in a large crowded plaza, where giant screens flashed familiar publicity spots and newscasts, he spotted a McDonalds, a KFC and other well-known American fast-food outlets. The façades of the buildings were covered by a wall of neon lights and illuminations, flashing in a chaotic competition to transmit their incomprehensible messages to the army of passing consumers.

He found himself in a parallel world; it was a kind of Piccadilly Circus or Times Square, but at the same time totally different. He went into the McDonalds, joined the queue of exclusively young people and ordered in English, pointing to pictures set meals. He sat down to eat and rest his feet. The customers were very young, totally Westernised in their clothes, fashionably dressed-down, as would one would expect in a London fast-food outlet, and with the reserve of those gathered at a watering hole.

Kennedy made his way back to the hotel and flopped down on his. He, like so many others before him, was dazed by the crowds, the continual movement and the difference. Hong Kong should have prepared him for his meeting with China, but it had not, it was too Western. His mind had been prepared for the difference and the crowds, but what he had not anticipated was the scale and how it was repeated, first Hong Kong, then Shenzhen and now Guangzhou.

If he drew a circle, less than one hundred miles in diameter around the Pearl River Delta, not that much bigger than Massachusetts, it would contain Hong Kong, Shenzhen, Guangzhou, Macau, Foshan, Dongguan and other cities. A megapolis of fifty five million people — China's leading economic powerhouse. A quick check on Wikipedia showed that the GDP of the Province of Guangdong was well over half of India's. He wondered how many more cities like those of Guangdong's were scattered across China; maybe hundreds.

The economic power of Southern China was nothing new. In the sixteenth century the Portuguese had described Canton as rich in agriculture and fisheries, producers of rope, cotton, silks and pearls, possessing iron ore deposits for the manufacture of pots, nails, arms and metal hardware. Labour was skilled and abundant, with merchants exporting a profusion of manufactured goods under the watchful eyes of what was then the world's most structured system of administration controlled by powerful mandarins.

Kennedy had travelled across Europe, Russia, the USA, the Caribbean and South America, all different yet the same. In China the feeling was that of another world, a parallel world, the same yet so different.

He dozed off and slept for an hour or more. When he awoke it was dusk and the lights of the city twinkled beyond the broad river, where boats and barges glided slowly past transporting their cargoes to and from the South China Sea fifty miles to the south.

He sat on the edge of the bed, zapped on the television as he wondered what to do next. His mobile buzzed, he picked it up and checked the number, no name appeared.

'Pat Kennedy.'

'Hello. I hope I'm not disturbing you. It's Lili. We met on the train.'

'Oh yes. Hello Lili.'

'I was wondering what you planned to do tomorrow. Perhaps I could show you some of the sights of Guangzhou?'

The surprise was complete, then Pat found his voice.

'Well, I've got nothing special planned apart from a little sightseeing. Yes, that would be very nice.'

'Fine, I'll meet you in the hotel lobby at say eleven. How does that sound?'

‘Great.’

‘So, I’ll see you tomorrow. Have a good evening,’ she said and rang off.

Kennedy's pleasure was immense; tomorrow he would have a guide and a pretty one at that. He bounded off the bed, suddenly feeling hungry. It was time to shower and explore the hotel’s eating facilities.

Almost two years had passed since the G20 summit in London was convened to resolve the crisis. ‘Both banks and governments have problems,’ Gordon Brown had proclaimed. On that point at least he was right, as for finding a solution; he like every other leader had miserably failed. In the cacophony of proposal and counter-proposals, each and every nation with its own specific conundrum, only China emerged untouched, its exports quickly resuming their brash pre-crisis level.

As far back as Francis could remember, the trade balance between European nations and China had been, year in year out, hugely in favour of the Chinese. Ever since China had embarked on its own peculiar version of capitalism and mercantilism, not one single European leader had raised his voice against the manifestly grotesque imbalance.

On the other hand, as the crisis grew, China had few qualms when it came to looking after its own interests. Diversifying its reserves, estimated at two trillion dollars, by investing in leading US businesses and spreading its risk through a basket of currencies and triple A euro debt. The country’s sovereign wealth fund, China Investment Corporation, was buying assets in the UK in a big way, acquiring infrastructure, utilities, property and businesses.

China had pursued its mercantile policies by pegging its currency, the renminbi, to the US dollar at an artificially low rate of exchange, giving it a competitive advantage in world markets and assuring an extraordinarily long period of double digit growth. The consequence of this propitious conjuncture of factors resulted in a mountain of foreign reserves; equivalent to six percent of the world’s GDP, which reinforced its economic power and broadened its global reach.

Chapter 70 LILI

Pat thought of Chairman Mao and his peasant state as he wandered around Shamian Island admiring its handsome late 19th century colonial buildings. He wondered why they had survived, was it some kind of latent admiration for the men who come so far to build their trading empire, bringing with them the best of their way of life. It was evident that Mao was a man of the people, but the British, and to a lesser degree European merchant class, were aped not only by the Chinese nouveau riche, but also by the ruling classes in general.

The Chinese, of all classes, wore Burberry, Dunhill, Vuiton, Cartier and all the rest; those who had money bought the real thing whilst the less monied classes bought fakes. Those with obvious fakes were ridiculed and called shanzai, and those that tried to be fashionable without the accepted accoutrements were called tubie, or wingless cockroaches.

Located on the historical Shamian Island, overlooking the famed Pearl River, the White Swan Hotel, despite its thirty or more stories, remained an oasis of tranquillity from the hustle and bustle of this busy city. The Atrium lobby was an indoor microcosm of the famed landscapes of Southern China. Cascades of waters flowed down a spectacular rockery above which stood a richly adorned Chinese pavilion amongst a profusion of luxuriant vegetation and flowering plants.

As Lili had told him the restaurant was just a short walk from the White Swan. On arrival they were greeted by a smartly uniformed doorman, complete with top hat and tailcoat, on the steps that led up to the entrance of what had once been the mansion of a rich taipan. The lobby opened onto a richly decorated ground floor dining room, to one side of which a broad staircase led to a balcony and more tables. The decor was a discrete mixture of Chinese and Art Deco styles setting off the elegant tables, laid-out with the crystal glasses and fine silver ware glittering under the lighting.

They were greeted by a smiling and deferential hostess, elegantly dressed in a traditional Chinese cheongsam, as were the rest of the female personnel. She accompanied them to a lift, which they took to the rooftop club two floors above. There they stepped out into a richly panelled lobby furnished with the same discrete luxury and decorated with fresh flowers. The smiling receptionist immediately recognised Lili and politely greeted her in Cantonese, leaving her to give Pat a guided tour of the establishment. To the left side was another restaurant and to the right a nightclub and bar with a small dance floor and discrete booths; for the moment few people present to listen to the soft music.

They returned to the restaurant, the focal point of which was an enormous aquarium that covered one entire wall; the home to a number of sharks, rays and barracuda, silently gliding back and forth. A bemused Pat wondered if they were eyeing-up the prosperous, fashionably, dressed clientele for their next meal, or whether they were part of the menu.

The tour over, the hostess led them out to a rooftop terrace overlooking the tree lined avenue and the lights of the island with the Pearl River beyond. They were shown to a table and once seated Lili ordered drinks and started by telling Pat the story of Shamian.

The island had been an important port for Guangzhou's foreign trade from the Song to the Qing dynasties, and where England and France had been granted trading concessions in the late 18th century. It was a reminder of the colonial period, with its quiet pedestrian avenues flanked by trees and lined by historical buildings, most of which been built in the late 18th and the 19th centuries and had recently been restored to their former splendour.

Shamian was separated from the city of Canton by a canal crossed by two bridges, which in the past had been closed at ten each evening. The English bridge guarded by Sikhs, and the French bridge by Annamites.

Later the rich foreign owners of trading companies from England, France, the US, Holland, Germany, Portugal, Italy and Japan built their elegant mansions along the waterfront. After the Communist takeover in 1949, these housed government offices or became apartment houses with the churches transformed into factories.

As Lili told the story their meal arrived with what seemed to Pat like an endless number of plates including Peking Duck, a favourite with foreigners, which he had already enjoyed in Hong Kong. Though he was delighted with everything he saw and even more pleased to be sitting at a table with this very attractive and clearly very refined Chinese girl, he was still surprised confused by the unexpected encounter with Lili and why she had rolled out the red carpet.

'It seems like people have a lot of money here.'

‘Yes, people here have got money to spend, and Chinese like to be seen spending it.’

‘This place, I mean the island, is very European. How did it survive the Revolution?’

‘Basically because we love all things European. That’s why you see all these English towns and villages being built across China, complete half-timbered mock-Tudor homes, cobbled lanes and Georgian terraces,’ she said laughing. ‘Personally I don’t like them, too kitsch for me.’

‘Have you been to England?’

‘Yes, I went to the LSE.’

‘Really.’

‘Yes, I spent a year there.’

‘Did you like it?’

‘Well it was all very confusing to start with, I was very young.’

Kennedy laughed. ‘You’re not exactly old.’

‘Well it was eight years ago. Anyway I was glad to come back home.’

‘Where does your family live, I mean your parents?’

‘Here in Guangzhou, in the city centre.’

‘What do they do?’

‘Well my father’s on the Provincial Committee.’

‘Committee?’

‘That’s the provincial government?’

‘So he’s a politician.’

‘In a way I suppose,’ she reluctantly replied. ‘Of course he’s a member of the CPC.’

‘CP…’

‘That’s the Party.’

‘The party? Asked Kennedy vaguely wondering if it was related to the Tea Party or something like that.’

‘The Chinese Communist Party.’

Kennedy started, he was taken aback; here he was sitting with at Lili, the daughter of an apparently important Chinese Communist. Given his ingrained Irish Catholic background it had a strange effect on him, even after all the years that separated him from his Christian Brother education at the Ardscoil Rís Jesuit school in Limerick, and in spite of the fact he hadn’t seen the inside of a church, not to mind confessing, for decades; at least since his wife had thanked God after his acquittal for fraud a decade earlier.

Lili took his surprised look for his ignorance of the workings of the CPC and proceeded to enlighten him.

'There's the CPC Central Committee in Beijing and at a local level, the CPC Provincial Committee with a governor.'

'I see,' said Pat, hoping she would change the subject.

'My father is with the Guangdong Province Department of Finance.'

That didn't mean very much to Pat, as far as his knowledge of Chinese administrative structures was concerned she could have been talking of Martians.

The next day, Sunday, Lili picked him up at midday. It was the first day of the Moon Festival, a public holiday, and the Pearl River esplanade was thronged with holidaymakers and sightseers, many carrying small paper Chinese flags that they waved happily as they posed for photographs.

'The Chinese Moon Festival, or the Mid-autumn Festival, is for us like your Christmas, it's one of our most important annual holidays. According to tradition families get together and watch the full moon, eat moon cakes, and sing moon poems.'

Christmas, that made sense to Pat, he understood the festive mood.

'It's also a romantic one festival,' said Lili coyly.

'Oh.'

'They say it's a moment when lovers eat moon cakes together watching the moon.'

Pat thought of more interesting things to do rather than eat moon cakes.

'Now we are going home.'

'Home?'

'Yes, I'd like you to meet my father.'

Kennedy was surprised, but curious to see her Communist father. In his mind's eye, he recalled black and white pictures of Mao and peasants.

Lili had other plans.

After their meeting she had Googled INI and checked Pat out. It seemed strange that a person of such obvious importance was travelling around alone, like a tourist, a better class backpacker. She had already reconciled herself to the idea she would never really understand Westerners, but that aside she was not about to let him slip through her fingers.

He was not like many Western top level bankers surrounded by a pack of interpreters and lackeys. The Wu Family were survivors from the old times and the family business could use a contact like Pat Kennedy. Lili's ancestors had traded English opium in the 19h century; they had survived the tumultuous events of the 20th century: the arrival of Mao, the Great Leap Forward, the Cultural Revolution and many other tribulations.

As her father climbed the ladder to the Provincial Central Committee, he had discretely continued the family's textile business with the help of their relations in Hong Kong. Then, during the period in which China opened up to the West, the business had expanded, and under Deng Xiao Ping they had branched out into electronics and real-estate.

Pat looked around the living room as Mr Wu prepared tea. The room was impressively large, with elaborately carved rosewood furniture, the walls decorated with Chinese paintings, porcelain vases stood on cabinets and lacquered chests. Wu was treating him to what was obviously a practiced ritual, spooning tea into an exquisite tea pot, pouring boiling water into it, filling fine tea cups then pouring the tea back into the pot, a process that he repeated several times.

'How do you like China Mr Kennedy?'

'Very interesting,' replied Pat. What else could he say; he had seen so little of the vast country and up to now had understood very little.

'China has undergone a lot of changes and today we are discovering consumerism,' he said. 'Before we were very poor, and now, suddenly we have discovered we can have anything we want, with a little money.'

'Young people are buying everything, fashions, the latest mobile phones, tablets…. I'm older now, I prefer traditional things, porcelain, paintings, calligraphy. In China today people buy anything, but mostly to impress others, they don't have any taste. The wealthy are even buying their own copies.'

'Copies?'

'Yes, copies of English villages with English churches, Versailles, Tower Bridge and the Eiffel Tower,' he replied laughing. 'And the less rich want to be photographed standing in front of them, wedding pictures, holiday souvenirs.'

On his visit to Macau, Kennedy had seen the Las Vegas style copies of Venice for himself, and the stories of mock English villages built in China were familiar.

'The middle class is pointing the way forward in China. A huge consumer market. Today they can't travel to Paris or Venice, but they will buy souvenirs in places like Suzhou.

'Suzhou?

'Yes, it's our own version of Venice, the Venice of China, its old city is a very a popular tourist destination, canals, pagodas, gardens and small streets full of restaurants and souvenir shops.

'In a way people like old things, here at least in the centre of our cities everything is new, that's why we like picturesque old things. Our New China is everywhere, before in the 20th century it was America, and before that England.'

Kennedy had heard that before and the idea of being a has-been gnawed at his pride.

'I suppose that's why our universities are so popular with Chinese,' he said forcing a laugh.

'Quite so, universities in Britain and America are the best. That's why we send our children there. We still have a lot to learn.'

In China, there were schools where only English was spoken and uniforms were worn, to prepare Chinese students for Western university education. Wealthy families, business people and government officials, paid up to ten thousand pounds a year for their child to receive an English education without them ever having to leave China.

'You see ours is a highly competitive system and those who want to succeed have to use all the means at their disposal. If they want to get a good job they have to get into a grade-one university. It has a lot to do with our one-child policy. When there's only one child in the family and if he or she is not successful, then it's a failure for the whole family.'

Kennedy was beginning to understand Lili's urgency.

There are advantages with our Gaokao system, but unfortunately creativity is not part of it. That's why our young people want to go to the US, or the UK, for a broader type of education, you know one that prepares them for leadership, teamwork, and one that stimulates creativity.'

Pat listened carefully, he was getting a first-hand insight to Chinese society, at least of those at the top.

'You see Mister Pat,' said Wu offering Kennedy a Cognac, 'today our society is focused on one object: money and getting rich.'

The Chinese people, on average, were much wealthier than they had been in the recent past. However, traditional values had suffered, thanks to three generations of years of expedient socialism, followed by its one child policy, which had transformed it into a selfish individualistic culture.

For many social status was now defined by ostentatious displays of wealth. Apartments, cars, fashions, gadgets and even family pets. Of course all of these had to be new and easily recognisable thus their penchant for well-known foreign brand name.

Once a family acquired the minimum external signs of wealth, an apartment was the next must followed by a safe investment, which invariably meant more property, something that increased in value and would cover medical bills, children's schooling and retirement. Stock markets, more often than not are rigged, were for gamblers. Banks offered poor returns, and putting money into dollars was excluded, as the Chinese yuan was strictly non-convertible. It was a system where only the wealthy and privileged classes could transfer their wealth overseas. As a result the middle classes invested wildly in property, with their savings stoking what was potentially the greatest property bubble in history, which when it bursts, as it inevitably would, the explosion would be felt across the entire planet.

Pat Kennedy, who was in many ways a solitary person, in spite of his affability and his easy contact, devoured knowledge: history, geopolitics languages, science and the biographies of those who had left a lasting impression on the destiny of man.

Old Wu's story, in spite of its complexity, filled him with curiosity and alerted his sharp sense of observation, it reminded him of the questions Paul Gauguin had asked when inscribing one his famous painting with the words:

d'Où Venons Nous
Que Sommes Nous
Où Allons nous.

It also recalled the history of China's endeavour related on the Qingming Scroll, a copy of which he had seen at the home of John Francis, portraying scenes of life in the city of Kaifeng, the capital of China in 11th century during the Song Dynasty, then the world's largest city. Mineral bituminous coal was used, on an industrial scale for the very first time, for the smelting of iron in Kaifeng. More than one hundred thousand tons a year of iron was produced in furnaces fired by coal, mined from the extensive deposits in the surrounding region. The Chinese had been pushed to this expedient after the massive deforestation of the region for their industrial and domestic needs.

He heeded the older man's words and decided he would learn as much as he could of China and its history from the Wu family.

As he listened, his head started to turn slightly, the effect of the Cognac, and could do nothing to prevent Old Wu refilling their glasses again. Watching Wu, Pat was struck by what he now saw as an obviously important man, emanating wealth and power. His meeting with Wu was fortuitous, like so many of the contacts he had made during his life. One of the strange gifts he enjoyed.

'Tell me Mr Kennedy, what are your projects China?

'Well our bank has a property fund and we are looking for investors.'

'Investors in the fund or in property?'

'Both. London has become one of the world's most important places to invest in prime property.'

'Like Hong Kong?'

'Not exactly. In the UK the government doesn't regulate land and things like that. It's entirely private, market determined.'

'I see. It seems that many of my countrymen are buying property in London, but I suppose it has always been a preferred place for Hong Kong people.'

'That's right, but for the moment there is not too many. That's why I'm here to meet people interested in investing.'

'Very interesting Mr Kennedy. You should meet Lili's elder brother in Hong Kong.'

'I'd like that, but I don't want to seem like I'm intruding on your family.'

The Hong Kong Wu's were listed as one of the world's super rich families and the SAR was where they managed the family's complex and secretive business.

'Don't worry there's no hurry. You know we Chinese have a long history, five thousand years, so we have learnt what patience is. By the way, I hope Lili is showing you around Canton,' he said turning towards Lili and speaking in rapid Cantonese.

'You have seen the streets of Guangdong Mr Pat, but have you seen our Museum?'

‘No,’ said Kennedy carefully.

‘Then Lili will show it to you, it’s a lesson to anyone in humility, what our ancestors knew two thousand years ago. It’s different to our modern skylines filled with tower cranes, and modern architectural projects. It’s our equivalent to Xi’an and the Terracotta army, or perhaps the Forbidden City. You won’t find it full of crowds, but it’s our own secret,’ he said with a small laugh.

Chapter 71 A SAFE HAVEN

It was a little known fact that the UK government offered high worth Russians, Chinese and other foreigners, investor visas. In exchange for the acquisition of treasury bonds, or shares, worth one million pounds sterling or more in British companies, foreigners were accorded permanent residence status in the UK.

It was a longstanding facility proposed by the British government to high worth individuals, which was not overlooked by Kennedy when he pushed investment opportunities in London to those seeking an offshore safe haven for their wealth. It was not however something totally unknown to rich foreigners, who were increasingly using the system to set up home in the British capital. Each year, hundreds of such investors arrived and all were potential buyers of prime residential and commercial properties.

Wealthy Chinese and Russians wanted a place where their spoilt progeniture could take advantage of the British higher education system, a place where their wealth was safe in the event of personal or national calamity in their politically fickle home countries.

China, where the vast majority of ordinary people enjoyed a higher standard of living than their parents, was undermined by a fast growing problem of corruption, dissent, health and environment, which led the rich to fear for their future in the event of civil unrest or political change.

Any slowdown in the growth of the Chinese economy, which most developed economies would have been considered phenomenal, could have serious political implications for China's leaders. Those same leaders had long benefited from their links to business and had accumulated considerable personal wealth.

The country's middle classes had grown significantly in number, however, many Chinese still felt themselves at the mercy of a system that offered little protection as the gulf between rich and poor grew. China had become a dangerously unequal society, where migrant workers from the countryside and far off provinces had no access to education and medical care in large cities, and others suffered as their homes were expropriated for the benefit of the privileged classes.

Just as economic growth started to show signs of weakness, the abuse of power by the ruling classes grew, as did the precarity of the country's workers. This was accentuated when a rising number of scandals related to political corruption were brought into public view.

The Chinese writer Yu Hua noted: 'China today is a land of huge disparities. It's like a street lined with gaudy pleasure palaces on one side and desolate ruins on the other.'

China had taken the fast track compared to economic revolutions of the past, its astonishingly rapid growth led to an unpredictable future. What would happen to the jobs of the countless of millions Chinese employed in export oriented industries, when robotics and new, cheap, abundant, energy resources in the US made it more profitable to repatriate manufacturing? What were the long term consequences of China's one child family policy? Who would care for the country's aged?

Few Britons remembered or heard of Sir William Beveridge, even John Francis would have had to scratch his head for a moment. The economist and social reformer was appointed by Winston Churchill to set out a plan for Britain once the war against Hitler had been won. His task was that of banishing the ills that had dogged the British working class since the start of the industrial revolution: want, disease, ignorance, squalor and idleness.

The document entitled 'Report of the Inter-Departmental Committee on Social Insurance and Allied Services' was rendered to the prime minister at the end of 1942. The more succinctly called Beveridge Report, became the cornerstone of the British welfare state. It offered the nation's subjects cradle to grave protection, banishing the poverty and misery of the Great Depression years, and in doing so laid the foundations for post-war Britain and the economic miracle to come.

In spite of continued pockets of poverty, Beveridge's plan succeeded beyond all hope. However the burden of the cost rose continuously as the benefits proposed grew. At the beginning of the third millennium the welfare system was costing the UK over seven percent of its GDP and it seemed there was no way to stop this increasing. The cost of running the system and its abuse threatened to undermine Beveridge's noble design.

In 1939, the poor and needy were those who lived on the breadline, in the grinding poverty described by George Orwell, where many children suffered from disease and malnutrition, where rickets, dental decay and anaemia were widespread amongst the poor. In 2010, those ills had been largely conquered and forgotten. There were few really needy families; need was abolished to the point, it was not unusual to read of families complaining of the homes they were provided with, receiving tens of thousands of thousand pounds in state benefits, enjoying large flatscreen TVs, home computers, Nintendo PlayStations, digital cameras and iPhones.

What had gone wrong? What had happened to working-class pride and respectability? Beveridge would have turned in his grave. The work ethic of created by industrialists and workers, perpetuated over more than a century, during which those who refused work were called shirkers, came to an end under Harold Wilson at the beginning of the seventies.

When the sub-prime crisis broke, the world, separated from the Allies' victory over Nazi Germany by three generations, had become a very different place. A technological revolution had taken place and Western society had become truly democratized. As for Britain its Empire had disappeared and the Commonwealth had made its home in Britain.

Sir William Beveridge would not have believed his eyes, though perhaps Winston Churchill, much more of a visionary, may not have been surprised. Whatever their reaction both, creators of the welfare state, would have both been astonished at the generosity of the system. They would have not been alone; many Britons believed benefits should be slashed in a society where unemployment, encouraged by lavish benefits for a minority, had become generational, creating a new class that had never known income other than that provided by the state.

The stories that appeared regularly in the press were no exaggeration with fraudsters claiming tens of thousands of pounds in benefits whilst holidaying in exotic places, as far away as Australia, or even in the villas they owned in Spain. The system was creaking under an unsustainable burden of misuse and bureaucracy. In 1997, Blair had announced the limit of the public's willingness to fund an unreformed welfare system had been reached, promising the much needed reforms.

Almost a decade later little had been done; social failure had become an institution in itself. Britain's benefit system was perhaps the most generous in the world. Two and a half million people of working age were paid disability benefits, many claiming they suffered from giddiness, depression, headaches and phobia. Others were unemployable or unable to work because of obesity.

Chapter 72 BIARRITZ

As the Falcon banked for its approach the peaks of the snow-capped Pyrenees that separated France from Spain could be clearly seen to the left, beyond which was a crisis that many feared was contagious. The sky was blue and weather pleasantly warm when they disembarked at Biarritz-Parme Airport. Kennedy ushered them through VIP arrivals in the direction of a large black chauffeur driven Mercedes waiting to take them to the Palace Hotel.

Barton nodded towards the large panel that announced the services of a real-estate company in French, English and Russian.

'I see your friends are welcome here.'

'Biarritz is very popular with Russians.'

'Wealthy Russians.'

'Yes, rich Russians, not your package tours. They've bought a lot of property here. Villas and the like. Put a lot of money into renovating them.'

'You've been coming here for quite some time now?'

'Six or seven years.'

'Where's your young trader?' asked Kennedy glancing around.

'Liam? Oh he's taking care of the bags. He'll follow us in a taxi when everything is offloaded.'

Kennedy had taken a liking to Clancy, who in a certain manner of speaking had become his protégé cum gofer, something that did not worry Liam in the least. Tagging along with Kennedy was a rare privilege.

'Sergei has set up everything with Babkin.'

'Yes, everything is fine, with no small thanks to Clancy.'

'Oh. What happened to that Jameson fellow by the way?'

'A little bit murky. You know, poor boy makes good and finds himself up to the neck in shit. His friend Halfon's making it seems.'

'It was here that fellow was killed.'

'That's right, nasty business.'

'Yes, with our friend Hiltermann.'

'It seems like Jameson turned up in the Caribbean.'

'That's right. Last heard of in Surinam.'

Kennedy laughed.
‘Paramaribo I heard, the ‘beating heart of the Amazon,’ nothing but endless jungles, home to the descendants of escaped African slaves.’
‘Well I suppose he’s doing the African Queen bit with the Jai Alai.’
They both doubled up laughing.

Chapter 73 TROUBLE IN THE EUROZONE

I don't know what the ECB is up to, but if the politicians and Eurocrats don't move fast we'll be in trouble.'

'We're in the Eurozone, what difference will it make.'

'If it goes down we go down with it! Look at Greek bonds, not far off twenty percent at the moment! Imagine twenty percent interest on a mortgage!'

'I don't have a mortgage.'

'The trouble with you Pat is you're not much of an economist…or a banker for that matter.'

Kennedy sniffed and looked at his feet. That was unfair.

'It's Creditanstalt all over again.'

Kennedy perked up, that sounded German, the continent, his field of delectation.

'I don't remember that.'

'You wouldn't Pat, it happened it 1931.

'Oh.'

'Yes, in 1931, a one of your Dutch banks wrote a letter to Creditanstalt, then Austria's largest bank, raising its monthly interest rate. The bank instead of accepting the new rate paid off its loan. The problem was reducing its liquidities was a mistake, because just three months later it was in trouble again after absorbing several smaller banks that were having difficulties. A rescue plan was put together by the central bank, but it was too late to stop a run on the bank. To cut a long story short Creditanstalt went under. That got the Austrian government in trouble, then Germany, followed by an attack on sterling and a run on the dollar. In a nutshell, all of that contributed to the rise of Hitler, and made the depression even worse.'

'Sounds like HBOS. A chain reaction,' Kennedy said trying to sound more knowledgeable.

'Right Pat. Austria's economy had never recovered from the First World War. Its industry was run-down and it was burdened with huge debt.'

'Sounds familiar.'

‘Yes, that’s exactly the situation we’re facing today. As far as Ireland is concerned it started with Allied Irish pulling down the whole country. Now there’s Greece and Portugal, not to forget Spain. On top of that Angela Merkel’s dragging her feet with a rescue plan.’

‘…with Dublin and the others looking on and wondering what’s coming next.’

‘There’s the making of a real fuck-up,’ said Fitzwilliams uncharacteristically cursing.

‘Jesus, what would happen if feckin Greece defaulted?’

‘Well Pat, I suppose the Greek banks would go bust and would be nationalized. If it is forced to quit the euro then its new money — drachmas or whatever — would be worth less than half the euro. That would mean disaster for every Greek.’

‘…revolution?’

‘Or a coup d’état.’

‘…and those who held Greek debt?’

‘To the knackers’ yard,’ he laughed. ‘Ireland and Portugal following suit. As for us banks, both British and European, it would be a rout with nationalizations across the board.’

‘That bad?’

‘I’m afraid so.’

‘So what would happen…I mean to the financial system?’

‘Printing presses and hyperinflation.’

‘Is Cyprus Greek?’

‘Why do you ask that Pat?’

‘Well a lot of Russians have money there.

‘No, it’s a different country.’

A couple of days later an ECB team headed for Dublin. Brussels’ shock troops, armed with computers and spread sheets, were about to invest the besieged Central Bank of Ireland and present their terms for a humiliating bailout. The Irish government and the directors at Banc Ceannais na hÉireann urgently assessed the cost of the concessions they would be forced to make for the rescue plan, bailout, or whatever they liked to call it.

After the cost of borrowing on the market had spiralled out of control, Ireland had been forced to turn to the ECB for one hundred and thirty billion euros to cover bank losses, government debt and budget shortfalls.

The bailout would cover the state's borrowing needs with a fixed rate of interest, but give the lenders the right to intervene in all matters relating to Ireland's economic policies. Failure to respect the conditions would mean default and ruin for the country.

The imposed austerity programme would mean public pensions cuts, welfare reductions, slashing government jobs, privatisation of state owned assets, cuts in capital spending, increases in VAT, increases in excise duties, a widening of the property tax base and a luxury goods tax.

The Irish were humiliated, their country's sovereignty thwarted, by what they saw as a German bailout, with a few mortifying shillings thrown in by the British chancellor. They had ridden a tiger, even named it their own Celtic Tiger, but like the monkey who rode the tiger they ended up as the beast's diner.

Not only would the banks and high flyers pay the price, many thousands of public sector workers, including teachers, police and nurses would face wage cuts or job losses. They would join those already hard hit, amongst them small business owners and artisans, men like Tom O'Hara who had built his family run business supplying the property developers with windows and doors. O'Hara's went under with the collapse of the building industry and was left broke, on the dole, owing the Allied Irish a million euros.

There was no bailout for the small people, the O'Haras and other small businessmen, or for that matter the hundreds of thousands of homeowners in hock up to their necks. The Irish people were bitter as they saw the banks bailed out and they were reminded of their predicament each time they passed by one of the derelict housing developments estates that dotted the Irish countryside, homes that would never be sold, a monument to the collective folly of the nation. All and sundry had been enchanted by the tune of the Pied Piper, who had lured them to debt, bankruptcy and unemployment.

More sensitive politicians were reminded of Jonathan Swift's words written in a pamphlet in 1729. Where he sardonically wrote the impoverished Irish could ease their economic troubles by selling children as food for rich gentlemen and ladies: 'I grant this food may be somewhat dear, and therefore very proper for Landlords, who as they have already devoured most of the Parents.' Times had changed and the landlords had become bankers, whose foolishness and greed was about to thrust the ordinary people of Ireland into years of misery, unemployment and despair.

Tens of thousands of bright young Irish men and women were queuing up to leave the country whilst others lingered in the forlorn hope that an Argentinian style default would wipe out their debts.

First there had been Greece, now Ireland. The price was high, too high. Ireland, a small country that had won a long bloody struggle for independence against the British crown, was now facing economic and fiscal governance from Brussels. Who would be next on the list? Portugal? Spain?

The extent of the crisis could be measured by the sums paid out by the Irish government, which according to one account was: Anglo Irish thirty seven billion euros; Allied Irish twenty five billion; Bank of Ireland thirteen billion; TSB seven billion; Irish Nationwide five billion; Casey Insurance; two billion. On top of that was one hundred and thirty billion from the ECB, IMF and bilateral loans, plus twenty billion from the Irish Central Bank. Not counting fifteen billion from direct tax transfers. The grand total was in the order of two hundred and fifty mind dizzying billions.

Whatever the figure, it was mind boggling, beyond tragic Brian 'Biffo' Cowen and his government's comprehension or that of anyone else. Two or three hundred billion for a country of barely four and a half million souls. Fifty or sixty thousand euros for every man, woman and child, in a country where the average annual wage is in the order of thirty five thousand euros.

The origins of the problem were many: salaries in all sectors of the economy, both public and private, had spiralled out of control, in the same way as had property prices. Ireland had been living beyond its means in a world of Neverland where irrational borrowing had become the norm. Detractors pointed to Brussels and the euro. The Irish government had implemented a policy of low corporate taxes, less than half the rate of the UK and Germany, whilst it continued to borrow. They were warned that without the means to levy taxes or regulate interest rates the day of reckoning would surely come — and come it did.

Banks, both Irish and British, had profited from Ireland's laissez-faire and untenable policies by consenting to property loans in the Republic, regardless of long term economic considerations. Ireland had followed the path of its neighbour Iceland and for the same reasons. As Cowen's stricken government went into its death throes, markets turned their heinous eyes towards their next victim — Portugal. The laws of nature followed their course with the strong rounding in on their prey — the weak.

On the other side of the Irish Sea, as Ireland's Celtic Tiger was transformed into a bedraggled gutter cat and banking shares collapsed, British justice was served up to those responsible for the banking collapse. Fred the Shred, severely condemned for his management of the Royal Bank of Scotland, was cleared of any wrongdoing. The shamed banker was free to enjoy his 'reduced' £342,500 annual pension after the bailout of the bank he had headed for eight years.

RBS fared no better than its Irish counterparts, requiring a forty five billion pound state bailout. It was a logical consequence to a long series of reckless decisions and its disastrous forty nine billion acquisition of ABN Amro. RBS was effectively nationalised with the state owning over eighty percent of its shares following it colossal loss; the largest ever recorded in British banking history.

Chapter 74 THE CAVALRY TO THE RESCUE

It was Sunday evening when a BBC news flash announced that European Finance ministers had approved an assistance package' for Ireland.

'Well that'll get Cowen off the hook,' said Kennedy half pleased and half sarcastic.

'Don't be too sure Pat.'

The two men were watching TV in company of Sergei Tarasov in his Knightsbridge home where they had just finished a workout in his gym before drinks and diner.

A newsreader confirmed the British government would also throw in a bilateral loan.

'That's not going to please the Brits,' said Tarasov with a smirk. He together with the two Irishmen enjoyed an unspoken conspiracy against everything that was British. A kind a kind of schadenfreude, as the UK's difficulties grew.

The conditions would be severe, but the existing 12.5% Irish corporation tax rate, a corner stone of Irish industrial policy, would remain untouched, to the relief of many investors.

Markets had reacted badly to the news and European stocks retreated. Ireland's belated request for a bailout had failed to convince investors that the Eurozone sovereign-debt crisis was over.

The end of Ireland's adventure as a banking and financial centre came to an end after the prime minster announced, 'Irish banks will become significantly smaller than they were in the past.'

Fitzwilliams grudgingly admitted it was thanks to Kennedy's initiative the bank had undergone its transformation, from a relatively modest Irish bank to an international banking group with its headquarters in London and branches in Amsterdam, Moscow and Dublin.

As Fitzwilliams congratulated himself on his good fortune, British banks trembled as they looked across the sea from their plush boardrooms. Their banking loans to Ireland, Greece, Spain, Portugal and Italy were colossal, exceeding three hundred billion pounds sterling, with the nationalized Royal Bank of Scotland holding a big chunk of that. If the Eurozone crisis was not resolved the whole system could collapse dragging the UK down with it.

‘Goldman Sachs estimates Ireland’s exposure at almost three hundred billion euros,’ said Tarasov almost gloatingly.

‘As far as I’m concerned the bag of worms was beyond the capacity of Biffo’s government to resolve, or any other feckin government’s at that matter,’ Fitzwilliams grimly noted.

Kennedy had lost interest and was thumbing through a copy of the Irish Times.

‘Look at this will ya?’

He enjoyed scanning the dailies and picking out choicy morsels of news reading them out loud to all who cared to listen.

‘Tell us Pat,’ said Fitzwilliams hoping for some light relief.

‘It’s great when Paddy Power, this yoke, a feckin bookmaker, becomes the eighth largest company in the country, just as the Bank of Ireland, founded by the way in 1783, goes bust.’

‘The BOI made a lot of bad bets Pat, just like all those property developers.’

‘Well they’ll all have to sell their jets, yachts and Rollers now,’ said Tarasov glancing over his shoulder.

‘Don’t talk too quick, if it continues like this we’ll all be in trouble.’

Ireland’s problem, on the admission of its minister of finance, had become too big for the country to resolve on its own. It was the recapitalisation of the banks that hurt, and especially that of the now nationalized Bank of Ireland, after foreign depositors had rushed to pull their money out.

Chapter 75 LONDON

Hu Jintao was given the works, the full treatment. President Sarkozy spared no expense with the pomp and ceremony, a guard of honour complete with cavalry in shining breastplates and plumed helmets, a state dinner, Versailles and Carla Bruni-Sarkozy, who towered over the diminutive Madam Tao both in height and glamour.

Billions of euros' worth of business deals were signed during the Chinese leader's state visit in the company of a large delegation of businessmen. Hu Jintao then headed for Portugal leaving certain very rich members of the delegation to pursue their own business in London, where they were received as honoured guests in the City at a lavish reception held for the launch of the INI Europa Property Fund at Saint Mary Axe.

The guests' limousines were met in the forecourt by liveried guards and whisked up to the one hundred and eighty metre high dome. The party was princely, rivers of Champagne flowed and a late lunch was served in the two-level private restaurant under the supervision of the country's leading chefs. The guest list included ambassadors, bankers, investors, Russian oligarchs, Middle Eastern sheiks as well as the Chinese billionaires freshly arrived from Paris.

The focal point of the reception was a huge architect's model of the Gould Tower, its glass façade brilliantly reflecting a myriad of judiciously placed spotlights. It was billed as the reincarnation of London's mega commercial property market.

Fitzwilliams joined by Tarasov led Michael Lo and James Wang, billionaires from Shanghai and Shenzhen, up the broad stairway to the glass dome and the bar. Night was falling and the glow of the sky provided a dramatically beautiful and unimpeded view of the City as the two hosts pointed out the landmarks: St Pauls, Tower Bridge, the Thames, and last but not least the Bank of England, which they pointed to as if they enjoyed a special relationship with the Old Lady of Threadneedle Street.

Barton spotted Kennedy describing the Gould Tower to a rich Chinese industrialist, who although he spoke passable English was assisted by an attractive interpreter. Kennedy's attention was more concentrated on the interpreter, who as it turned out was the businessman's daughter, immediately testing his fledgling Mandarin, overlooking the fact the guests were Cantonese.

As he observed the show, John Francis found himself wondering what leaders and bankers were doing courting China's nouveaux riche businessmen, representatives of a peasant-based agrarian economy run by a Communist dictatorship? He could not deny the miracle of the Middle Kingdom, which in a few decades had transformed its coastal regions into a dynamic, modern, highly competitive, manufacturing economy, leveraged by the renminbi, its currency, pegged at an unfairly low rate of exchange against the dollar and by extensions all other Western currencies.

After a century of chaos, war and revolution, a vast and powerful nation had emerged, flooding the world with tsunami of cheap goods, creating perhaps the greatest transfer of wealth in the history of the planet, with the emergence of an army of nouveaux riche billionaires ready to swallow up great swathes of cities like London, Paris or New York.

The West had become addicted to the goods manufactured by sweatshop labour, where the paltry wages barely permitted Chinese workers to survive, generating vast profits for their laoban, China's nouveaux riche, a renaissance of the pre-war mercantile class of Nationalist China, whose wealth was growing at an exponential pace, patrons of the political leaders who had made them rich and a system that had served them so well.

Few of the Westerners who piled into China understood the Chinese and the dynamics of that country's markets. Kennedy had long refused outward investment and had avoided the kinds of losses China funds had experienced. The Shanghai and Hong Kong markets had dropped; stocks had declined, mainly due to concern about corporate governance and doubts about the Chinese economy and its high inflation. In Kennedy's mind the most interesting Chinese investments were those outside of China, in the UK and Europe, as Chinese firms fought for market shares and their owners looked for safe havens for their hot money.

Chapter 76 RONNY GOULD

O tempora o mores!'
'What!'
'What times! What customs! You know the super-rich and all that.'
'You've been reading again Pat.'
Kennedy was too thick skinned to be touched by Fitzwilliams' sarcasm. On the other hand it was true that Kennedy was becoming more pensive, perhaps even a little bookish, spending more time trying to reflect on what it was really all about.
'Not only that, you're not exactly poor either.'
'Fitz!'
'Forget it Pat.'
'I'm talking about Ronny Gould's new development on Cheney Walk.'
'Ah.'
'Top of the market apartments for the very rich.'
'Why, you're thinking of buying one?'
'Out of my range Fitz. The penthouse is going for over one hundred million. More suitable for Sergei.'
That afternoon Kennedy had attended a press conference Gould had called to keep the media up to date with his projects. The event commenced with an open bar for cocktails to get journalists in a good mood before Gould made his entrance. When the PR man judged the moment right, he step onto the dais, lifted his hand for silence, and the property mogul appeared.
As always impeccably dressed, he wore a Savile Row suit cut by Spencer Hart and Richard James and sported handcrafted Berluti shoes. His eyes swept across the room filled with a crowd of fawning journalists. He was like a Roman emperor, about to announce another of his unquestionable edicts, before his captive court. He smiled, his lips opening to display two rows of perfect whitened teeth, which one journalist was to describe as those of a shark.
The hard-headed tycoon was known as astucious investor with an almost infallible ability for timing. Follow Gould if you could, went the saying, because when he moved it was a sure signal to follow suit. The project he

announced was of an entirely different nature to his Gould Tower landmark development in the City. Chelsea was the home of the fashionable elite and Gould's Cheney Walk Gardens development was designed with their lifestyle in mind.

At the head of a multi-billion pound portfolio one could say Gould had come a long way, and his humble beginning in the East End of London was a constant reminder to him. His property empire stretched from London to Hong Kong and Cheney Walk Gardens was just an addition to the long list of his prestigious developments in central London.

The esteem of those who knew Gould well was tempered by a mixture of admiration and fear. Behind the glamour of being a successful tycoon were his brutal methods, a way of doing business that paid. He had learnt to use coercion on the hard way up, when he used men like Sid Judge and George Pike to do his dirty work; little had changed, though he was careful to cultivate a generous public image, concealing the less savoury aspects of his business from public scrutiny.

He had not hesitated to accept the money of doubtful petrodollar dictators to finance his schemes; for Gould there was no such thing as dirty money. However, as he became one of the City's success stories, he was forced clean up his game, to the begrudging admiration of the financial establishment. As Cool Britannia blossomed under New Labour led by Tony Blair, Gould turned his attention to the prospects offered by Middle Eastern potentates and Russian oligarchs, who flocked to London as the City opened a perspective of vast investment opportunities with few awkward questions.

Sensing the coming boom he hitched his wagon onto that of Blair's, building a vast property empire essentially run from Monaco. Gould like others took advantage of the boom years whilst paying as little taxes as possibly, always one step ahead of the Inland Revenue services. Admired and condoned by the City press, he was in reality nothing more than a robber baron reaping the rewards of tax-exile status and indulging in the pleasures of his eighty metre yacht, moored alongside that of Tarasov's in Monte Carlo.

Gould's London apartment overlooked the west side of St James's Park. A triple Georgian town house, a stone's throw from his London base in Victoria Street, remodelled with a basement pool, wine cellar, panic room and CCTV surveillance. His motto, paraphrased from the words of one of founders of Rolls Royce, Sir Henry Royce, was: ‘Strive for perfection. Take the best. When it does not exist, build it.’ It was the case for Gould Tower.

At sixty, the planned City landmark was to be his crowning achievement. However, the crisis had threatened to put a brake on his plans, that is until he was seen cosying up to Saif Gaddafi in Montenegro; it was rumoured that the newly respectable Libyans were investing in his project via one of their offshore façades. Access to capital was one of the keys to success of his opaque business structure, and as always, when it came to the crunch, he was not too particular about where it came from.

From Monaco, Gould managed a number of offshore companies situated in the Caymans, the British Virgin Islands and Gibraltar, which he used to channel capital into his different projects. The financing arrangements for the Gould Tower site was initially planned through an Icelandic bank, in what had been touted as one the largest property transactions ever undertaken in the City. However, when Iceland went belly-up, he was forced write-off the losses and turned to an offshore fund based in the Caymans, rumoured to be controlled by the Gaddafi family. For the construction of the tower itself this was financed by a pool headed by the INI Europa Property Fund.

Chapter 77 WIKILEAKS

As Barton's eyes skipped over the latest commodities indexes he wondered what drove the erratic movement of oil prices. Of course it was the crisis, the war in Afghanistan, not overlooking the effects of the ongoing Gulf wars. That day the press reported how a self-declared whistle blowing Internet site, WikiLeaks, had made public a huge number of secret or highly confidential documents pirated from US military archives.

The media had spoken of WikiLeaks for some time, but Barton had paid scant attention to the story. For almost two decades the US had pursued its wars in the Middle East, as it purportedly fought terrorism in the name of democracy and human rights, motivations that were confused considering the region was the world's biggest oil producer.

It was however necessary for the US to occupy the terrain given the relentless rise of China, which was in the course of extending its outposts in Africa and other strategic regions. Barton had seen first-hand that even small Caribbean islands were not overlooked by the Chinese; they had even taken a foothold in tiny Dominica as they cozied-up to the Chavez regime in Venezuela. It was in the interest of the US that unfriendly regimes in the Middle East be fettered, that Iran was ring fenced, that oil Kingdoms were shored-up and that friendly dictatorial regimes were tolerated.

An outstanding example of the US double-talk was the rehabilitation of Libya's Mad Colonel and the presence of Haliburton in the country's oil fields. Barton had met Gaddafi's son Saif on two occasions, a most heinous and arrogant bastard if ever there was one, he recalled. The offspring of an oil rich dictator, educated with the thinnest of veneers of British values, schooled and formed in the best schools offered by Britain's establishment, but in reality a cruel and ruthless desert Bedouin.

Barton had no particular opinion regarding WikiLeaks, what interested him more was the price of oil. In a dog eat dog world it seemed normal to him that the West, led by the US, protect its interests. Britain faithfully followed Washington, playing the role of its master's yapping terrier. Barton's opinions had matured over the past two and a half years. In spite of the looming European crisis, he believed Britain's role lays within the EU. He had learnt that beyond the frontiers of Europe it was every man for himself, as for the Commonwealth, it was in reality a myth that went no further than the symbolism of a flag and a monarch.

His regular visits to France had convinced him there was no conspiracy against the UK, though on the other side of the Channel the British press stoked Francophobe feelings by pandering up to latent jingoistic sentiment, no doubt to sell its newspapers to bitter retirees. His trips to India, China and South East Asia made him realize there was a lot of piled-up anger waiting to be rained down on Britain once the old lion's teeth had fallen out and in his idle moments he could even imagine Britain ruled by India.

Chapter 78 A GLIMMER OF LIGHT

As the year end approached, Fitzwilliams, for the first time in three years, felt more optimistic. Little by little, step by step, the sub-prime crisis had been attenuated, and the question of sovereign debt seemed to have been settled. In all, the crisis seemed to have run its course and things would slowly right themselves. As for his bank the road had been rough, but the changes brought about by the crisis had benefited what was now the INI Banking Corporation.

The Chancellor promised a growth of almost two percent for 2011, recovery was on the books and businesses were again functioning normally. On the continent Germany was again in the black, its exports booming. The IMF forecast world growth at around four percent for the year to come, though it was not optimistic for the Club Med members of the EU.

John Francis saw things differently. His problem was not to interpret the events of the past three and a half years, his was to try to predict what the next three and a half years would bring. The crisis was looking less dangerous, though perhaps they were simply in the eye of the storm and when its force struck again the destruction would be even worse. There was the risk that the storm would return in the form of a more severe sovereign debt crisis, more specifically centred on the euro.

There were many theories and explanations bandied about by the experts, amongst them was the notion of super cycles. According to United Nations' economists, these were composed of upswings of ten to thirty years, with full cycles ranging from twenty to seventy years. This vision was based on the observation of commodities, and more notably the demand for metals.

They concluded that the relationship between metal prices and world GDP followed a similar pattern. This explained the ongoing super-cycle conformed to type, driven almost entirely by industrial expansion in China and emerging markets, which in turn drove the boom in commodity prices. This cycle could only last if China was capable of disconnecting from the long period of slow growth forecast in developed economies, which seemed highly unlikely given China's dependence on exports, which meant the world was looking at a long period of stagnation, if the theory proved to be correct.

After his recent visit to China, Francis was less concerned about China's specific case, or its tug of war with the West. What troubled him was the changes man was making on his natural environment and how they would affect the West's economy, and more precisely Fitzwilliams' bank in the coming years.

In an even larger picture, his eminent colleague at Stanford University, Ian Morris had just published his book entitled Why the West Rules…for now. As an archaeologist, classicist and historian, Morris had set himself the ambitious goal of trying to understanding the future through the past.

The historian's conclusions were less complacent than the Imperial Chinese encyclopaedists who had produced the Complete Collection of Illustrations and Writings From the Earliest to Current Times, published in 1726 during the Qing dynasty, who attempted to document 'everything under heaven' in over five thousand volumes, eight hundred thousand pages, and one hundred million Chinese characters.

Morris' conclusion went beyond specific cases and focused on the problems facing humanity as a whole. Which seemed to Francis more important than the result of the race between the West and its competitors. Whether the Chinese economy overtook the West did not change much for Fitzwilliams' bank, which could continue to function and make money. On the other hand the appearance of Morris' Five Horsemen of the Apocalypse: climate change, migration, famine, epidemic and state failure spelled chaos, threatening the entire planet's economic wellbeing.

Francis could only agree with the idea that man would end up being punished by the gods, as had Prometheus, for stealing fire from the heavens for men. He feared that mankind in its unsustainable race for growth and development was in effect playing with fire.

Nuclear proliferation, population growth, energy consumption, food demand and climate change were in the process of fundamentally changing old historical patterns. A watershed separating the past from the present had been reached and what happened next was unpredictable.

Francis feared that the historian's conclusions were prophetic: a choice between 'Singularity', salvation through collective governance, and 'Nightfall', a world of Mad Max.

Mankind was perhaps facing a turning point, one that was totally different to historical choices and where geography and civilization were totally irrelevant, where one false move, by a mad dictator, could lead to Götterdämmerung. The question was where and when?

Chapter 79 THE CRISIS HITS EUROPE

Europe was facing a make or break dilemma, a situation that brought immense joy to Britain's Eurosceptics. In the decade that followed WWII, leaders set out to create a union that would prevent a replay of the events that had led to two world wars and the recurring strife that had been the scourge of Europe for centuries.

It was a noble cause and driven by post war growth had functioned to the great satisfaction of its founders and their successors. Half a century later the EU had grown to twenty seven states, after expanding to the north and south, and absorbing several east European countries; former members of the defunct Soviet bloc. Within its core, the euro functioned as a single currency, controlled by the European Central Bank in Frankfurt; the most important exchange currency on world markets after the US dollar.

The economic crisis that commenced in the US with the sub-prime mortgage disaster and the catastrophic collapse of Lehman Brothers, had crossed the Atlantic, hammering the British banking system before morphing into a sovereign debt crisis and finally hitting the single currency with hurricane force.

British politicians gloated as Ireland, Greece, Portugal and Spain were hit, blessing the day sterling was forced out of the ERM. Back in 1989, the UK, under the leadership of Margaret Thatcher and her Chancellor John Major, had joined the ERM, to the approval of the vast majority of British business leaders.

At that time with inflation out of control and a serious recession just around the corner, the ERM seemed like a suitable remedy for Britain's ills. Then in September 1992, amid extreme market turbulence, sterling was forced out of the ERM.

John Major, who had recommended entry into the ERM, presided over the about turn, giving new force to British anti-European sentiment. Major had not understood that the euro was not an economic priority, but a political one, built around the concept of the EU as set down by its founders.

The fundamental flaw in the creation of the common currency was absence of fiscal union and a more integrated political structure, something that was in conflict with the UK's vision of itself as a sovereign state, with its refusal to be part of a more unified, self-sufficient, inner core of nations.

The problem for Britain was how to confront a more globalized world. Those who wished to quit the EU, possibly a majority of Britons, lived in an idealistic world of make-believe. The inevitable development of that inner core would change the existing relationship between the UK and its EU partners, perhaps a few of those left out in the cold by the evolution would join the UK, but any free trade area would not resemble that of EFTA in which Austria, Finland and Portugal were Britain's partners.

It was probably a sign of the times, or the obsessive fear of London's über rich, who saw the mob at their doors; whatever the reason it seemed that the business of equipping their homes with panic rooms and bullet proof doors was booming.

It had never occurred to Kennedy to transform his London apartment into a bunker; perhaps his Russian friends had brought the fear of lawlessness from Moscow, where it was common to settle business and political disputes with a Kalashnikov.

Holding a small cocktail party in his London apartment, he commented on the view across the Thames to one of his Russian guests. To his surprise it was not the view that interested his guest, who it appeared was more interested by the embankment below and its proximity to the apartment building. When asked why, his reply left Pat perplexed, explaining it was a reflex, just checking security and access in the case danger.

However, when Pat thought back to the dangers that dogged Russians in London, he was more understanding. He remembered the Russian spy, Alexander Litvinenko, who was killed with radioactive polonium and then closer to his own universe, a Russian banker shot five times by a hitman at the door of his London home.

In spite of those dramatic episodes, Sergei Tarasov confided to Kennedy, there was no place safer than London; out of reach of the Kremlin and the opaque world of Russian crime. Of course Tarasov had little cause for concern, he was thick with both of those worlds. 'But you never knew,' he had said with a conspiratorial wink, 'things change and sometimes very quickly.'

Tarasov's home, recently acquired from the destitute Irish tycoon, Desmond Casey, was fitted with protective bullet-proof windows and doors, two panic rooms, a CCTV system, and for riposte as he described it, a readily accessible arsenal of guns and ammunition.

Round the clock security surveillance was ensured by George Pike's firm, City Security, which offered its clients a whole range of services in addition to the usual bullet proof cars and twenty four hour close protection. Pike's looked after the protection of high-net-worth individuals and properties, included in his services were specialized SWAT teams for rapid intervention composed of veterans trained in the use of the latest weapons and technology on the world's many battlefields.

Chapter 80 ENERGY, FOOD AND WATER

Oil had always been a good bet, Barton reminded himself, on the news Gulf countries were racing to build an economic system that would help them survive after-oil. It was not so much after-oil, but after-oil exports; demand would continue to grow and prices would prices would rise as demand increased from what seemed the most unlikely sources.

Each day Saudi Arabia, endowed with the world's largest oil reserves, consumed vast amounts of energy for the production of fresh water. The desert kingdom was desperately poor in terms of freshwater. Each day its huge desalination plants transformed millions of tons of seawater into fresh water, not only for the use its cities, but also its agricultural needs. In doing so the kingdom consumed vast amounts of energy, a contradiction in terms, as it tried to achieve self-sufficiency in food production; an unattainable goal given its burgeoning population.

Inevitably the Saudi government was forced to call a halt to its wheat and barley production, domestic agriculture was draining its financial and water resources. The petrodollar kingdoms would always remain dependent on food imports as the cost required to produce cereals rose. As the pressure on world cereal prices grew oil rich Arab states emulated China's planning policies, investing in foreign farming land in poor African countries.

Fate was strange; on the other side of the world the US was enjoying an energy boom. The unexpected discovery of large new oil and gas fields in Dakota, Nevada and Utah was beginning to point towards US self-sufficiency in hydrocarbon fuels. Within a decade, if estimates turned out to be realistic, its dependence on imported oil would tumble.

As geologists discovered the existence of large quantities of exploitable shale gas, oil and alternative mineral energy sources in other regions of the world, accessible thanks to new cracking technologies, the dependence on Middle East oil could decline.

Did this mean the Gulf countries suffer the same fate as had Peruvian and Chilean nitrates at the end of the nineteenth century with the exploitation of these new resources? The prospect of falling demand and prices, together with the conundrum of after-oil, predictably gnawed at the minds of Middle Eastern kings, princes and planners.

During the course of the 19th century, the fortunes of poor and newly independent Peru were miraculously transformed by the discovery of a group of offshore desert islands almost entirely composed of guano, a natural fertiliser rich in nitrate. The impact on the Peruvian economy was much the same as that of oil on mid-twentieth century Saudi Arabia and its Gulf neighbours.

The extraction and exportation of Peruvian guano, for the use as a fertilizer, and its use for the manufacture of explosives, not only became a bone of contention for the countries of the region, but also for those who sought to control the market, namely Victorian Britain. The growing populations of Europe and the US increased pressure on agricultural production and therefore the need for a cheap ready to use fertilizer.

Guano was formed by the excrement of countless sea-birds, accumulated over tens and hundreds of thousands of years on the Chincha Islands, off the coast of Peru, preserved in a solid form by the region's extremely dry climate. With its high concentration of nitrates, it replied to an ever growing demand for fertilisers and guano exports brought more than half a century of prosperity to Peru and more specifically its capital Lima.

This period of economic and speculative euphoria went down in history as the Guano Age. Peru attracted an army of businessmen, ready to cash in on the boom, as the revenues from guano created fortunes almost overnight. The newly discovered wealth transformed Lima into a glittering city. Money flowed in, along with a massive influx of foreign workers, as European and American investors promised Peru a dazzling future. Modernisation was undertaken, new infrastructure was built: railways, harbours, industries, irrigations systems, banks, hotels, theatres, public buildings, hospitals and schools.

Guano soon provided the bulk of Peru's government revenue, generating seventy five percent of its financial resources by the middle of the 19th century, during which the country held a near monopoly of the world's nitrate supplies.

All good things come to an end and Peru's period of wealth and power came to an abrupt and catastrophic stop with the War of the Pacific, also known as the Nitrate War, in which Peru and Bolivia were defeated by

Chile. A long standing dispute over regional frontiers and territory containing nitrates erupted when Chile seized the Bolivian port of Antofagasta and claimed all of the Atacama Desert, which led to a declaration of war by Peru and its ally Bolivia.

Peru, unprepared for war, lost control of its guano and nitrate deposits, and therefore its principal source of revenue. To make matters worse mineral nitrates were discovered in the Atacama Desert situated in the Tarapacá Region between Chile and Peru and the guano market collapsed. The desert, today part of Chile, held the world's largest naturally occurring exploitable nitrate deposits.

The nitrate boom moved to Chile. At the height of its glory, cities like Valparaiso prospered as described by Harry Weston Van Dyke in his book 'Through South America', published at the beginning of the 20th century:

The city had little of the old Spanish-American appearance. There were Germans Italians and French business people who managed and controlled the vast nitrate and mining enterprises in the north and the capitalists who financed the big industrial projects and railway development, the exporters and importers, bankers, brokers, and insurance men, and among these the ten or twelve thousand English in the city predominate.

The French have almost a monopoly of the retail trade having to do with fashionable apparel and luxuries…the Calle Victoria, which parallels the Malecon almost the entire length, presents an array of government buildings, banks, hotels, theaters, cafés, retail shops, and office buildings larger and more substantial and elaborate than can be seen almost anywhere in cities of that size.

The shops are of good size, and leave nothing to be desired in the way of assortment and quality of their stocks. Probably the most attractive of all the streets is the Avenida Brazil, which is at once a shaded boulevard, business thoroughfare, and fashionable promenade.

There are trolley cars—with women conductors— and arc lights, libraries, first-class educational institutions, beautiful parks and plazas where they have public band concerts in the evenings, attractive residence districts, and near by, at ViM del Mar, there are sea bathing, tennis, racing, football, golf, country clubs, and a first-class hotel for those who are not so fortunate as to have their own houses.

Only about sixty miles away (though it is farther by the railroad, which has to make a detour to get through the coast range) is the capital, Santiago, the real metropolis of the country.

To the north was the port of Antofagasta, which lay ‘basking in the tropical sun on a strip of coast at the foot of a low table-land, seven hundred miles north of Valparaiso, in the heart of the rainless desert. It is very different, this region, from the bleak plateau up the twelve-thousand-foot slope, with its llama trains and poncho-clad natives.

Antofagasta has a population of about 20,000, good broad streets, and a very businesslike appearance. It is a city that looks like one of our Western mining towns, and impresses one at first glance with its evidences of a more vigorous and ambitious civilization. There is a large oficina for the preparation of nitrate, steam tramcar lines, smelters for the treatment of copper and silver ores, long rows of barracks for the housing of the laborers, corrugated iron warehouses, crowds of ships in the offing taking on cargoes of nitrate and metals or unloading supplies; yet there are a plaza and promenade - and hotels, and most of the residences of the officers of the companies are decidedly attractive.

For, in addition to being a nitrate and mining port, this is one of the principal gateways through which Bolivia's commodities still come and her own products are sent out, and is the distributing center for the Chilean province besides, where the land is so barren that the inhabitants are dependent on the outside world for almost everything. There was a time when even water had to be imported into the city itself—it used to be said that they drank champagne because water was too expensive!

‘…banks, hotels, theatres, cafés, retail shops, and office buildings larger and more substantial and elaborate than can be seen almost anywhere in cities of that size,’ echoed the 19th century words that aptly described Dubai and other Gulf states, and perhaps bearing the warning that a similar fate awaited them.

South American prosperity came abruptly to an end in 1909 when a German chemist, named Fritz Haber, synthesized ammonia, which contained nitrogen that could be processed into nitrates. This was transposed into the Haber-Bosch process by the German firm BASF on an industrial basis, thus replacing the need of all existing natural sources of nitrates. The use of synthetic nitrates for the production of explosives resulted in millions of dead and wounded in two world wars, whilst the production of synthesised fertilizers has led to greatest population explosion in human history.

‘There was a time when even water had to be imported into the city itself—it used to be said that they drank champagne because water was too expensive!’ One could be excused for thinking those words had come from the mouth of an expat speaking in one of the Gulf kingdoms, where the cost of fresh water and the energy to produce it reached extravagant proportions. So much so that Saudi Arabia, which, according to the Arab League, imported nearly almost half of its food, decided to give priority to water security over food security.

It was predicted that Saudi Arabia would cease to be an oil exporter by 2030; sombre reading for those who imagine after-oil was some very distant premise. Saudis consumed a quarter of a ton of water per day each, a need that was growing at a rate of nearly ten percent annually, with most of the precious liquid produced in high energy consuming desalination plants. Saudi Arabia consumed more oil per capita than the US, as well as its total gas production, which has prompted its government to invest heavily in nuclear power.

The population growth of the desertic Gulf regions had increased at a phenomenal rate and showed no signs of letting up. In 1950, the population of Saudi Arabia stood at three million and would reach thirty million by 2015. Without pandering to the visions of catastrophiles and disaster mongers, it would require a miracle of some kind to defuse the population time bomb ticking away under Arabia’s unforgiving sun, even if its energy starved customers found succour in shale gas as an alternative source for their energy needs.

Chapter 81 HANG BLAIR!

December began with an incident that went almost unremarked by the larger world struggling to come to terms with its own economic problems. An anonymous Tunisian street vendor set himself on fire in the small village of Sidi Bouzid in a desperate protest against the confiscation of his wares by corrupt officials. Elsewhere, as the year came to a close, what had started as a US sub-prime crisis was rapidly morphing into a fully-fledged sovereign debt crisis, threatening to drag Europe into the maelstrom and the rest of the world with it.

Amongst those responsible were Bush and Blair, now retired from the world political scene, reaping the benefits of their years in power; the pay off, richly rewarded lecture tours, highly paid positions on the boards of oil companies. Behind them they had left a legacy that was to mark the world for years if not decades to come.

The unfinished Iraq War had left a lasting mark on modern history and the fall out threatened to engulf the Middle East, opposing Iran on the northern shores of the Gulf and the Western surrogates to the south, amongst them Israel. Certain called for Bush and Blair to face prosecution at the International Criminal Court in the Hague for having misled the world with their lies of weapons of mass destruction.

Europe was however more concerned with its own immediate problems, where even Europhiles, Fitzwilliams and Kennedy amongst them, criticised numerous aspects of the Union's structure and not the least the Eurozone. Explaining to their detractors their opinions were the healthy sign of a democratic system. The bankers knew that Ireland without the euro would have gone under.

Fitzwilliams and his bank functioned in a country that was, to a great extent anti-European, for many reasons; the first being the threat to the City from a powerful core at the centre of the Eurozone, and secondly for historical reasons that went further back than the 19th century balance of power.

For the two bankers Europe was too big to fail, and as their partner Tarasov never ceased to underline, the collapse of the Soviet Union bore lessons that

Europe’s politicians should heed if they were to avoid a disastrous debacle.

Three decades previously, on New Year’s Day, 1992, the world woke up to discover the Soviet Union no longer existed. For those in the West whose lives had been influenced by the Cold War, the collapse of the only other superpower was an event of unbelievable magnitude. Of course the Soviets had been struggling through a long drawn out economic crisis, trying to come to terms with a changing world, where modern communications prevented them from hiding the truth from their fellow comrades.

It was Europe's turn to be confronted with a grave crisis, though the Union was very far from being terminally ill. If the political will was there, then the euro would survive. It would require a leader, a strong leader to show the way. That leader could not come from Britain, given its barely hidden disguised interest in the failure of the euro project. France’s Sarkozy was not a candidate; his position was undermined by a large part of the left wing French establishment. That left Angela Merkel and the fear of a German led Europe.

‘I for one do not see a pre-1939 situation, or even a 1914 situation for that matter!’ Francis told his friends. ‘The EU is there is because previous models failed, not the other way around! A banking business that spans Europe is better than one that spans the UK!’

‘Isn’t it better to be in the US, or in Hong Kong?’ asked Pat.

‘People always look at what appears to be the easy way, in that I mean language,’ replied Francis. ‘Of course New York offers vast opportunities, but tell, me which British or European bank has made a lasting success in the USA, or why HSBC quit Hong Kong.’

‘That’s why we joined forces with Sergei,’ said Fitzwilliams nodding to Tarasov.

‘Anyway, the majority of Brits are now anti-EU.’

‘Most of them haven’t the least idea of the implications of leaving Europe. We can’t put the clock back given the forces driving global and regional integration.’

‘Geographically, historically and economically the UK is part of Europe. The idea they can somehow manipulate the Commonwealth to their own need is ridiculous. India will soon have a population of over one and a half billion, many of whom would like to settle down here, Australia is looking to East Asia, and Canada is bound to the US. What do we have to offer them?’

Francis laughed.
‘You’re right Michael, it won’t be us selling Jaguars to India, but India selling Jaguars to us.’
‘Here in the UK, the number of unskilled, unqualified, no hope communities is growing. But at the same time the inverse is happening in India. Bangalore, India’s Silicon Valley, has a population of two million and is growing at a rate of fifteen percent a year. As regards China, it’s on the fast track to overtaking us in just about every technical and manufacturing domain.
‘To make matters worse we’re educating them, our universities are overflowing with Chinese and other Asian students. British short term leaders and politicians, who hike the cost of university education for our young people puff, their chest out in pride when they talk of the excellence of British higher education, forgetting we’re educating those who will dominate us.’
‘In Russia we have vast natural resources oil, gas, metals and timber,’ remarked Tarasov. ‘But we lack a developed service industry, and between us,’ he continued lowering his voice, ‘our investment environment depends on the whims of the Kremlin, without the support of Putin you can forget about developing any serious business in Russia.’
‘That’s why the City is our raison d’être Sergei,’ Fitzwilliams remarked. ‘It offers a safe haven. Just by the sheer scale of the business conducted here it’s an extraordinary source of wealth. It’s a vital and growing part of British economy, but any idea of abandoning Europe would be like abandoning our own future.
‘Well said Michael,’ said Kennedy enthusiastically.

Fitzwilliams excused himself and disappeared with Tarasov, leaving the others continue their discussion over lunch. Pat for one was relieved to escape Fitzwilliams’ dominant shadow and took the opportunity to question Francis about China and more in particular what the future held for them.
‘The future of China? How the world will look twenty, thirty or more years from now?’
‘For example.’
‘Well it wouldn’t be a surprise to imagine China dominating it, economically and politically.’

‘In the world where I lived when I was a kid, back in Limerick that was unimaginable. We prayed for China, or was it Russia. In any case they were beyond the pale, poor and oppressed, no-hopers, basket cases.’

‘The only thing that seems certain is the relative decline of the West. We have always seen the vast populations of China and India as a terrible burden, but now it seems they are a strength. The source of economic growth. The same goes for the rest of the developing world.’

‘Are we’re shrinking…relatively speaking, I mean economically and population wise.’

‘That’s right Pat…shrinking.’

‘Unless we get our game together, by that I mean Europe.’

‘For the UK that seems more and more problematical.’

‘It’s a pity, by 2050, the population of the UK will reach one hundred million, that’s not far off the double today’s, and I suppose the same thing will happen in the rest of Europe, one billion Europeans, not so small eh!’

‘A third of China and India combined, forgetting Africa and South America. Imagine China with a per capita GDP seven times that of today.’

‘Sounds like a good place to do business!’

‘For myself,’ said Barton, ‘I wouldn’t bet on India. As for the rest remember what happened to Japan!’

Chapter 82 ...NOT ALL DARK CLOUDS

It was slowly dawning on politicians and economists that the crisis, which had commenced with a mainly US based sub-prime problem, was much, much, deeper, than had been at first thought. There would be no easy solution. Francis feared there were few if any courageous and foresighted leaders at hand, as the dark clouds gathered on the horizon, and he feared not only the West would suffer when the storm broke.

Was it a portent of things to come when, a car carrying Prince Charles and the Duchess of Cornwall was attacked in the centre of London? The royal car had been caught in a student demonstration that had turned violent. Luckily for the heir to Britain's throne the damage was minimal: a cracked window and a pot of paint on the car's costly body work, the royal couple getting off with the scare of their lives.

It was not a rerun of the French Revolution, but a warning, when angry students clashed with the police after a Parliamentary vote to raise university tuition fees to as much as nine thousand pounds a year.

The Home Secretary said: 'What we are seeing in London tonight, the wanton vandalism, smashing of windows, has nothing to do with peaceful protest.' Pompous politicians naturally wanted Britons to take the brunt of their persistently bad decisions lying down.

Sergei Tarasov did not feel unduly worried as the US and the Eurozone were rocked by their respective internal crises. Russia had recovered from the destabilising collapse of oil in 2008, after its dangerous military foray into Georgia, formally part of the USSR. It was again pumping oil and natural gas, and at a never before seen rate, rivalling Saudi Arabia as the world's leading exporter of energy. Its foreign currency reserves were once again looking impressive when Vladimir Vladimirovich Putin, now Tarasov's close friend, announced to his inner circle he would run for the Russian presidency in 2012 election. It was of course no surprise — no one, but no one, could have imagined it being otherwise.

Putin publicly boasted of his fitness, ready to display his muscles, or his skills in martial arts, projecting the image of a man of action, if not

Actionman, sometimes astride a Harley-Davidson, others scuba-diving in the Red Sea, and even saving a TV crew from a Siberian tiger.

There was little or no chance the large majority held in the Duma by his United Russia Party would be changed by the coming elections. Unlike Western leaders, Putin was assured of an enviable landslide victory, and not-withstanding the negative opinion of those same leaders, the German speaking former KGB agent was a highly popular figure at home.

After his surprise nomination as prime minister by Boris Yeltsin, Putin had gone on to restore Russia's national pride and rebuild its economy. After the tragic-comic interlude under Yeltsin, the first president post-Soviet leader, Putin was perceived by most Russians as the saviour of the nation. His arrival as head of the Kremlin was a new departure following the uncertain years that followed the implosion of Communism, which, knowingly or unknowingly, had been engineered by Mikhail Gorbachev, and the disintegration of the Soviet Union.

Fitzwilliams warmly congratulated Tarasov on his intuition, though it took little effort for him to realize there had never been any other alternative. Dimitry Medvedev and Vladimir Putin were a tandem with the latter in firm control. As for President Medvedev, a former corporate lawyer, the chances were he would step back into his former role, that of prime minister, faithfully executing his mentor's orders.

Had Fitzwilliams had invited himself to the devil's table? Perhaps, but it was no Faustian tryst. Thanks to the City he held the devil by the tail, and in his mind that's the way it would remain as long as London was the epicentre of the international financial world.

Chapter 83 THE FUTURE

As 2010 came to an end Pat O'Connelly reflected on the work he had accomplished to date. Rather worryingly, to his writers mind, it had begun to look like a work on popular economics rather than a novel. But the future weighed heavily his thoughts, it was very uncertain. For a while it seemed that hope was on the horizon, but this was now eclipsed by a looming sovereign debt crisis.

After two years in office, the Obama administration had not produced a miracle and the political gap between Democrats and Republicans was widening. The US was deeply mired in a crisis that had been, to a large degree, responsible for. The nation's debts both individual and collective had reached a level never seen in modern times.

Political divisions in Washington were said to be at their worst since the Civil War as the country's leaders manifested their willingness to play political brinkmanship in the nation's vital economic affairs.

The world could no longer count on the US as its economic locomotive. In thirty years US government debt has risen from forty percent to one over hundred, with Europe close on its heels, following the example that had been set by George Bush. As for Japan it was trapped in its self-made problems of debt and economic stagnation.

Over the course of the 20th century, the old democracies had faced and overcome many challenges: war, fascism and totalitarian communism. This time however things were different, a vast new economic power was waiting, ready to step in and assume the role America seemed to have abandoned. The price would be high. China was no democracy, and never had been. Its political system had grown out of the ashes of centuries of authoritative imperial rule.

The West looked on helplessly as American democracy moved towards dysfunctionality in spite of its many vibrant entrepreneurs and new technologies, which had led to increased productivity, though increasing in equality amongst its peoples. These same factors had given birth to a new form of globalization, in the form of a system of interconnected free markets.

The growth of government debt in the US had ignored John Maynard Keynes' recommendations to governments: spend during recessions and save during booms. Americans had wanted to have their cake and eat it, that is to say pay low taxes and enjoy a wide spectrum of government services, now they would have to reduce spending, increase savings and implement hard reforms, something that did not bode well for the rest of the world.

O'Connelly had witnessed the visible signs of decay in San Francisco, Los Angeles and New Orleans. Roads and bridges were in need of repair, electricity distribution systems resembled those of a third world country, water distribution was old and leaky, telephone and Internet services were poor compared to those in Europe.

The rich and privileged knew nothing of these problems, their main concern was tax avoidance, be it legal or otherwise, managing their wealth as forty of fifty million Americans struggled in poverty.

In the mid-nineteen eighties Japan had been the world's leading star, few would have thought its political system, given its successful, highly sophisticated and advanced economy, was facing two full decades of decline and stagnation. The US, and also the West, had reached the stage of development where change was imperative; notably in its system of government, both national and local, its social system, its system of taxation and its system of infrastructure: something that would be difficult to achieve given its fundamental democratic system and its principles of liberal capitalism.

The risk facing the West was not that it would have to resemble China to succeed, but that its future would be that of Japan's.

It was midnight outside the Forbidden City in Beijing, not the Emperors Imperial Palace, but one of China's most exclusive night clubs, and a throng of beautiful people pressed at the doors to join the sons and daughters of the ultra-rich inside.

A tunnel lit with ultraviolet spots led to an elevator and a bar reserved for the club's most prestigious party goers. The tables and seats covered in real Zebra skin. Bottles of Belvedere Vodka and Cristal Champagne stood in silver ice buckets with lines of glasses ready for club's most privileged guests.

To Pat it seemed like a scene from futuristic political fiction movie. The jeunesse d'orée of China's Communist leaders were there, wearing fashions designed by the world's leading couturiers, young women in tight-fitting Dior, Givenchy or Puglisi dresses, Christian Louboutin heels, Chanel and Celine handbags, their men dressed by Hugo Boss, Ralph Lauren, Calvin Klein and Tommy Hilfiger, wearing diamond studded Rolexes, paying the equivalent of fifteen thousand dollars a table.

The China Pat observed was far removed from the images he remembered from his youth, where smiling peasants in straw hats, under the benevolent eye of Chairman Mao, harvested rice to the sound of revolutionary songs sung by pretty Red Guards.

Lili had flown in to Beijing for the evening and Pat Kennedy was her special guest at the party thrown by a friend of hers, one of Chinas youngest billionaires, Henry Ho, who had made his fortune in the space of six years at the head of one of China's most successful mobile telephone company.

At thirty six Ho, the son of a rich property developer, prided himself his ability to throw a good party, a young man who could count on the presence of all those who mattered on the Beijing society circuit along with their foreign glitterati friends. It was nothing for China's gilded youth and über rich to run up six figure tabs for their ridiculously profligate parties.

To Kennedy's mind the extravagant display of wealth outdone that of London, and even Moscow. Beijing was unscathed by the financial crisis as its own bubble built up to explosion point, with the rich visible sure of their success, shamelessly displaying their wealth.

Many of the young nouveaux riche owned their own private jets, Lili told Pat. It was like the Shanghai of the thirties, though the rich were no longer all foreigners, but Chinese and willing to spend their newly found wealth.

The world's economic centre of gravity was shifting eastwards at lightning speed from the Transatlantic Axis where it had been for three or more centuries. Within in another couple or less decades it would be firmly fixed somewhere in North East Asia.

The Chinese remained haunted however by the fear of their own government, as they had been for centuries. Unlike the West the rich see saw their wealth at risk and looked to safe havens to export their billions.

The emergence of the very rich in China was a contradiction given the country's Communist, unpredictable government. The rich sought security that meant sound investments; property, business investment and good banking, which was not to be found beyond that Transatlantic Axis, in spite of the ongoing economic difficulties of the US and Europe.

Much vaunted 'safe' havens, such as Singapore or investment centres such as Dubai, would come down like a house of cards if and when China's bubble burst, and a lot of others with it. The world's über rich was after all a handful of individuals, perhaps not more than a couple of thousand at the most, many of whom had money tied into property in China and other potentially unstable economies.

Singapore, a world class boom-town, resembled the Chilean capital at the height of its 19th century glory, it had served its purpose. It would survive as a regional outpost of China's new imperial system whilst its poorer citizens struggled to make ends meet, without the means to retire after having made sacrifices that contributed to creating the wealth of the nouveau riche.

Like Dubai in 2007, the writing was on the wall and those who had made their money had moved on, they were more interested in conserving their gains than endangering them in risky new business. Nothing was recession proof and nothing could be done to avoid the economic tsunami that would inevitably hit complacent nations who for the moment were wallowing in their pride and new found status.

For the moment, as the old year was rang out and a new year in, the world's attention was focused elsewhere. The sharks, amongst them Goldman Sacs, had smelt blood and were gathering in the hope of a kill as euro became entangled in a new drama being played out in Athens. If Greece collapsed so would Ireland, Portugal, Spain and Italy.

Goldman Sacs had secretly loaned money at a high interest rates to the Greek government during the economic boom that led up to the 2004 Olympic in Athens. The investment bank had developed a privileged relationship with the Greek Debt Agency and at that time endorsed Greek debt as a solid investment in the City of London. Their fees amounted to five hundred million dollars and to cover their positions they insured the loan against default.

Accusations by the media that the Greeks had fiddled the accounts they had submitted to the BCE to join the euro, were inexact. If anybody had been responsible for fiddling the books it was Goldman Sacs Europe, which at that time was headed by Mario Draghi, who in turn was responsible for vetting the Greek application. Under Draghi's management the bank assured the BCE, all was in compliance with the specified requirements.

Although unemployment had not yet reached the levels of the Great Depression in the UK, Europe's Mediterranean shores were beginning to look more and more like the thirties. In Greece, Portugal and Spain, unemployment and hardship increased at an alarming rate. The number of jobless had reached a huge twenty percent of the overall working population, and this figure was certainly be much greater amongst young people and those over the age of fifty.

What would 2011 bring to the ten thousand people losing their jobs every week in Spain? Almost two million households had no one in work. Eight hundred thousand new homes stood vacant for lack of buyers, entire industries were wiped out along with the towns that had sprung up around them.

The implications were grave as civil unrest would surely ensue with the rise of extremist groups if governments were incapable of finding a solution. Germany and its northern neighbours baulked at the idea of financing a plan to save what they saw as spendthrift ClubMed countries, but the consequences of their failure to act would certainly backfire, bringing instability and danger, even to those who, at least on the surface, appeared most capable of riding out the coming storm.

-THE END-

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This book could not have been written without the data and information published on the Internet and in the world press collected over a period of seven years, starting when the very first signs of the sub-prime, sovereign, euro, debt crises appeared in early 2007. I have trawled numerous British, Irish, US, Russian, French, Spanish, Chinese, Israeli newspapers, news blogs and specialist Internet sites, and books (authors' cited). And of course Wikipedia.

During this period I have collected information during my visits to the USA, China, Hong Kong, Macau, Indonesia, India, Dubai, Thailand, Cambodia, Libya, Egypt, Kenya, Tanzania, Senegal, Mali, Morocco, Mexico, the UK, Germany, Belgium, France, Spain and Italy. To this I have

added my experience in other parts of the world, notably Ireland, Australia, New Zealand, South Africa, Malaysia, Singapore, Brunei, the Philippines, Taiwan, Japan, Burma, Switzerland, Algeria, Russia, Scandinavia, the Baltic Countries, Poland, Hungary, the countries of ex-Yugoslavia, Greece, Turkey, Russia, Turkmenistan, Jordan, Syria, Israel, Egypt, the Caribbean, Central and South America.

I present my thanks and excuses to all the willing and unwilling contributors to the information included in this book, the information from this information world. I have tried to verify all the facts, but this is an impossible task. In my humble opinion most data reflects real events and the opinions of the vast majority of persons affected, directly or indirectly, by the multiple crises.

The is a story, a novelised account of the events leading up to and relating to the economic ongoing crises, where the fictitious characters are fictitious, and where the real characters such as George W Bush and Tony Blair are real.

The stories of 2010-2012 and 2013 are recounted in tomes three and four of The Turning Point.

With my very sincere thanks to all contributors, direct and indirect, knowing and unknowing, willing and unwilling.

John Francis Kinsella, Paris, March 2013

The TURNING POINT trilogy commences with part I: 2007-2008, and continues in part III, 2011-2014

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