THE BRITISH RULING CLASS

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The arrival of global capitalism has created a new problem for the ruling classes of post-industrial liberal-democratic countries such as Britain. National ruling classes find it harder and harder to resolve the tension between the requirements of global capital and the interests of the population whose votes they need to stay in power. The British ruling class is a particularly telling case for two main reasons: the fact that the UK has been a de facto protectorate of the US since at least 1945, if not 1917, and serves as a key base for US influence in Europe; and the fact that London’s financial district (the City of London) is the world’s leading financial centre.¹ Both features make the UK economy exceptionally open to pressures from global capital, transmitted both by the global financial markets concentrated in London and by the US government. When these pressures impose policies that are electorally unpopular, the British ruling class faces serious difficulties, and it is how these are being dealt with that is the focus of this essay.

RULING CLASSES: GLOBAL AND BRITISH

To tackle this question it isn’t essential to enter into the debate over the existence or otherwise of a global or transnational capitalist class, but the pressures coming from the US state and global markets are not disembodied forces, so a brief clarification of terms is needed. For Marx, the class that possesses the means of production is necessarily also the politically ruling class – the class whose interests must prevail over time, regardless of surface appearances, such as concessions made to the working class (social security provision, for example), or governmental alliances made with elements of other classes.²

In this sense there is certainly a British ruling class. But is there also a global ruling class? Do the owners of increasingly globally integrated capital constitute a global or transnational ruling class? So long as their interests prevail, they clearly do. How far they conceive of themselves as a global ruling class is another matter. As Bill Carroll and others point out, this
consciousness is intermittent, stronger in some sectors or countries than in others, and still very imperfectly institutionalized; but these are normal features of all classes. There are always leaders and followers. The American businessmen who in 1942, contemplating the fact of Soviet power, published ‘An American Proposal’ for reshaping the postwar world on capitalist lines, were acutely conscious that their class interest was now global. Over the following decades various sectors of US business would seek to retreat into nationalism, and less developed and powerful countries took time to produce a cadre of capitalists who recognized that their national class interest too was ultimately identical with that of capitalists everywhere. Nonetheless there has been a steady development of capitalist class solidarity on a global plane, manifested in the construction of a global regime of regulation and a successful series of responses to global crises, paid for by the world’s working classes. It is through engaging in such activities and coping with crises that the global capitalist class becomes conscious that it is one.

How does the British ruling class intersect with and relate to the global capitalist class? There is first of all the fact that the British ruling class is part of the global ruling class. Many British capitalists, and certainly the country’s 2,000-plus multi-millionaires and all the shareholders in UK-based transnational companies, own capital in other countries. Conversely, a large part of the capital invested in Britain is owned by foreigners. Many if not most of the biggest corporations operating in the UK are owned and headquartered elsewhere, mainly in the US (not just famous American companies like Ford, Kellogg, Starbucks, Amazon, Google, etc., but also British household names like Cadbury’s and Vauxhall that are now subsidiaries of US firms). Moreover in 2010 the companies listed on the London Stock Exchange (LSE) were 42 per cent foreign-owned, and the biggest ones were largely foreign-managed (around a third of the top 100 had foreign CEOs; in early 2013 only six of the 20 chairmen and CEOs of the 10 biggest companies were British).

This doesn’t mean that most British capitalists see themselves as part of a global capitalist class. Owners of small or medium enterprises, or companies with purely domestic markets, often have a nationalist outlook. They will support policies that aim to defend property everywhere, but they may call for ‘buy British’ policies on the part of the state, and other forms of protection, and may have working-class support when they do so. Politicians have to try to reconcile such demands with the demands of global capital – for maintaining the free flow of capital across national borders, limiting government deficits and borrowing, privatising the infrastructure and public services, low taxes and ‘light touch’ regulation. These demands are enforced
through corporate threats to move elsewhere and by pressure from the bond markets and credit rating agencies, supplemented by pressure from the OECD, the IMF, the WTO, the EU, etc., as well as through lobbying, party funding, and the media.

Retaining political legitimacy while complying with these demands is now more and more problematic for the ruling classes of northern countries, because corporate access to low-paid workforces in the global ‘south’ means that average wages in the north tend to be depressed, undermining consumerism and the belief in growth. A nation with a weak economy in long-term recession could eventually become very hard to manage under even the ‘thinnest’ kind of democracy.

We could simply call the British ruling class the British section of the global ruling class. But its political capacity to enforce global ruling-class interests in Britain depends heavily on its social and cultural ‘Britishness’. It seems better to accept that it is both a British ruling class and part of the global ruling class, involving an often-visible political tension.

THE BRITISH RULING CLASS AND THE UK ECONOMY

The distinctive problem confronting the British ruling class is the weakness of the UK economy. The manufacturing sector had already become uncompetitive before the First World War and the two wars, followed by a failure to adapt to the country’s post-imperial status, weakened its external position further still. From 1945 to 1980 a fragile balance of payments led to a series of currency crises and devaluations without solving the problem. Then, in the 1980s, the Thatcher government’s policy of high interest rates and removal of barriers to overseas competition led to the elimination of two thirds of what was left of the country’s uncompetitive manufacturing industry. Two crucial factors prevented this policy leading to economic bankruptcy and potentially unmanageable political unrest: the discovery of oil in the North Sea, and the ‘Big Bang’ of 1986, which opened up the London Stock Exchange and other exchanges to foreign banks and led to the City of London’s re-emergence as the world’s largest centre for currency transactions and international business services.

Revenues from oil production almost exactly covered the cost of paying social security benefits to the 1.5m workers made redundant by the contraction of the manufacturing sector in the 1980s (another two million manufacturing jobs would go by 2010). But oil self-sufficiency, plus the rapid growth of export earnings by the financial services sector, offset the collapse of manufactured exports. The balance of payments returned briefly to surplus (in 1995 and again in 1997-98), and between 1980 and 2007 GDP
per capita increased dramatically, momentarily equalling the US level. The distribution of this income, however, became much more unequal: the Gini coefficient rose from 25 in 1980 to 36 in 2009, reflecting dramatic income increases for the top 10 per cent, substantial gains for the next four deciles and very limited increases for the bottom 50 per cent. Working-class living standards did rise, though mainly due to tax credits (state income support), a steep increase in household debt (up from 105 per cent of income in 1997 to 170 per cent in 2008) and women taking jobs, which offset higher male unemployment.

But the policy of exposing the economy as fully as possible to global market forces failed to correct the familiar underlying weakness of the economy. Since 1999 North Sea oil production has been declining, making Britain once again a net oil importer. By 2006, the last full year before the global financial crash, the deficit on trade in goods had risen to be more than twice the size of the surplus on services. From 1999 onwards, the balance of payments returned to deficit on an ever-growing scale: In 2006 it was £45 billion, equivalent to 3 per cent of the country’s GDP.

The export earnings of financial and business services also grew, but could not keep up; the gap was unsustainable in the long run and the US-generated financial crisis of 2007–08 made the fragility of the UK economy, by now the most open in the OECD, painfully clear. Between 2007 and 2012 the value of the pound dropped dramatically, but in spite of the big price advantage this gave to British manufacturing exports they remained virtually flat. The country’s dependence on a largely foreign-owned financial centre, which had played a leading part in causing the crash, had left it extremely vulnerable. A banking collapse was averted by massive government borrowing, quadrupling public debt from 36 per cent of GDP in 2006–07 to almost 150 per cent in 2010–11. No contribution was demanded from the banks’ shareholders, whose investment was thus saved, or from the banks’ global debtors. Instead the rescue was to be paid for by the British working class in the form of unemployment and the loss of social services and social security, as the government cut spending drastically to reduce the fiscal deficit that the bank rescue had opened up, which in 2012 was £100 billion. The much-trumpeted objective was to balance revenue and expenditure by 2016. But as cuts reduced public sector employment and so the level of consumption, economic activity flatlined, tax revenues fell and the fiscal deficit kept tending to rise rather than fall.

The spending cuts served an unacknowledged political purpose as much as the official economic one. They were aimed at a drastic reduction in the scale and coverage of social security and social services, weakening
what remained of the political strength of the unions, and increasing still further the share of national income going to capital. For this reason they were persisted with, even though they were making the fiscal deficit more intractable, to the growing concern of the global ruling class (signalled by unprecedentedly public calls from both the OECD and the IMF to change course, and the loss of the government’s cherished triple-A credit rating). If the price was a heightened risk of social disorder, it was one the government was for the moment ready to pay.

But in the long run a solution to the economy’s weakness must be found, or a severe reduction in working-class living standards will have to be accepted. The official response is to call for a ‘rebalancing’ of the economy by a revival of manufacturing. The problem is that no one knows how to achieve this – at least not within the existing framework of ownership and economic power. The major companies are largely foreign-owned. In early 2013 they had cash reserves of £7 billion, but showed no sign of intending to invest it in Britain. Investment as a percentage of GDP stayed around 15 per cent, compared with 18–20 per cent in the other major EU economies. The banking system remained unreformed and focused on the profits to be made from international transactions, not British industry. The Cambridge economist Ha-Joon Chang advocates an industrial strategy:

The strategy should first carefully identify the industries, and the underlying technologies, that will be the future motor of the economy and then provide them with the necessary support. This could be in the form of subsidies for R and D, loan guarantees for small firms, or preferences in government procurement, and should be targeted at ‘strategic’ industries, although they could also be in the form of policies that are not industry-specific.

But even if the will was there it is not clear that the government of a medium-sized country with an already weak economy can still pursue a national economic strategy, as opposed to continuing to adapt the national society to the requirements of the global economy. Yet a drastic lowering of living standards for the majority of the population would carry high political risks. In 2011, 22.7 per cent were already at risk of poverty or social exclusion. An era of technocratic ‘governments of national unity’, buttressed by ‘soft fascism’ and charged with securing a big reduction in consumption by the ‘unproductive’ majority, is certainly conceivable, but it is not obvious that ruling-class hegemony would survive it.
THE HISTORICAL SOURCE OF THE PROBLEM

How did Britain’s ruling class arrive at this impasse? In the 1960s a vast literature was devoted to trying to explain the country’s relative decline (reading it today one is struck by how little the problem has changed). In a series of influential articles written between 1964 and 1976, Perry Anderson and Tom Nairn tried to explain it through a comprehensive historical analysis focusing on the distinctive history of the political and social dominance of a landed class with a pre- or even anti-industrial outlook. After the French revolution, they argued, the rapidly expanding British bourgeoisie chose to accept the continued political hegemony of the landed class, which after 1846 placed few obstacles in the way of capitalist development, rather than challenge it with the support of a working class that was potentially revolutionary. The working class failed to define itself as a revolutionary class, and satisfied itself with a ‘corporatist’ ideology and role. All these features survived into the twentieth century, uninterrupted by invasion or tyranny. This distinguished Britain from its main rivals, especially Germany and France, both of which had been ravaged by the two world wars, but by the 1960s were forging ahead of Britain economically.

This crude summary is unjust to the richness and sophistication of Anderson’s and Nairn’s thesis, but in any case a key element of it was challenged fundamentally by the publication in 1981 of Arno Mayer’s *The Persistence of the Old Regime*, which showed that down to 1914 all the major European countries were dominated economically and politically by their pre-industrial landed classes, and that their rising bourgeoisies were just as socially and politically subservient to them as the bourgeoisie in Britain. Therefore the mere political dominance of Britain’s landed class couldn’t explain why in the 1960s Britain alone of the major west European countries had a poorly performing economy and a state seemingly unable to remedy this.

In his 1987 revision of the original analysis, Anderson shifted the focus away from the ‘archaic nature of the ruling stratum’ and more towards the structures – economic, state, social and cultural – produced by the particular balance of class forces in Britain from the seventeenth century onwards, and placed more emphasis on the significance of having avoided the rupture caused by wars in continental Europe. Unlike the landed classes of continental Europe, British landowners had been essentially capitalist since the late eighteenth century, pursuing improved rents by encouraging investment by tenant farmers. Through their ownership of land they had also established themselves in coal mining and railways; and thanks to their control of the military, and their resulting imperial interests, they became
strongly established in the financing of foreign trade. As a result, being more socially modernized, more open to entry, and much richer, the British ruling class hegemonized the industrial and commercial bourgeoisie in a way their continental counterparts couldn’t. Enjoying both the benefits of free trade and preferential access to Britain’s empire markets they saw no need for a state capable of pursuing the kind of national development strategy that later-industrialising countries were obliged to adopt.

And thanks to US intervention in the First World War (the origin of the ‘special relationship’ between the US and the UK), and again in the Second World War, the British state and social order inherited from the nineteenth century were not fatally disrupted and discredited, as those of continental Europe were. The continental monarchies, the pinnacles of aristocratic authority, had already been politically weakened by the impact of the French revolution and by their own backward culture, and were finally destroyed in the First World War (as Engels had predicted: ‘crowns will roll into the gutters by the dozen, and no one will be around to pick them up’), ending the legitimacy of aristocratic control of the state. And with the obvious exception of Germany after 1920, the devastation of the two wars also radicalized the continent’s working classes, which were already more radical than Britain’s.

The UK, by contrast, was damaged by bombing but not ravaged by fighting; society had not been polarized by occupation; the monarchy was not weakened but reinforced. The aristocracy was finally sidelined politically, but its institutional and social legacies had been so effectively normalized as to seem like inviolable principles of the (consequently still unwritten) constitution. (What became of its cultural power is more of a puzzle: the fundamental point is perhaps that all the distinctive pre-war class cultures, including that of the working class, were weakened and eventually marginalized by commercialization and consumerism.)

So the state and dominant outlook of the British landed class remained potent long after its political eclipse. That outlook was not anti-capitalist, but it prioritized trade and finance over manufacturing, and had shaped the state and other public institutions accordingly. The senior civil service remained the preserve of men with a classical education, not engineers or scientists or economists. The Treasury remained focused on balancing budgets rather than on production, the education system remained stratified on class lines.

In the absence of a political elite which considered radical change essential, a state with the organizational capacity for radical change, and an administrative elite trained to carry it through, British manufacturing competitiveness continued its relative decline. A new kind of ‘regulative
intelligence’ was needed, Anderson argued, equivalent to the institutions and cadres that had succeeded in reversing economic disadvantage elsewhere – the grandes écoles and the École Nationale d’Administration in France, the landesbanken in Germany, MITI and the keiretsu in Japan, the chaebols in South Korea, etc.

Deregulation – of labour and capital markets – could only mean still more deindustrialisation, in pre-established conditions. The laws of comparative advantage have continued to work themselves out. The rectification of disadvantage requires another kind of social logic. For it to occur, a centralising force capable of regulating and counteracting the spontaneous molecular movements of the market must exist.16

This analysis still seems broadly valid. The Wilson government elected in 1964 briefly attempted to emulate the French model, creating a new civil service training school, establishing a new Department of Economic Affairs to formulate and promote a national plan for growth, and instituting special advisers drawn from outside the permanent civil service to inject a more technocratic thrust to government policy.17 But the first two of these initiatives were neutered and finally strangled by the senior civil service and the Treasury (with remarkably little serious resistance from the Labour leadership, who were cowed by the power of the City). Special advisers survived, but instead of constituting a new kind of regulative intelligence within the state, they came into their own in the Blair years as a cadre helping to reduce the scale and power of the state and to subordinate policy ever more precisely to what were treated as the imperatives of adaptation to market forces.

For the most significant feature of the economic policy of all governments since Anderson published his 1987 article is sustained and maximum exposure to global market forces. Neoliberal theorists maintain that this has promoted competitiveness and growth and must be steadfastly pursued, in spite of the social costs involved for the domestic workforce, in spite of the evidence that from the late 1980s growth was enabled by non-recurring special factors (North Sea oil and the rise of the City of London as a global financial centre), and in spite of growing public alarm at the scale of foreign control of the economy.18 The leaderships of all three main political parties remain committed to this. The question is how far they will continue to do so as the social costs increase in the wake of the financial crisis – especially if the promised revival of competitiveness fails to transpire.

Anderson and Nairn originally thought that Britain’s economic decline
portended an ‘organic crisis’ in which the existing order of class power would collapse and give way to a new one. That hasn’t occurred, but the question of whether it might remains a good starting-point for thinking about the ruling class in Britain today.

THE BRITISH RULING CLASS IN ITSELF

Like any ruling class, the British ruling class has a core and a periphery, and a penumbra of other class fractions attached to it by a variety of ties: the monarchy and its functionaries, the judiciary, the police, the military, the security services, the established church hierarchy, the senior civil service, senior doctors and lawyers, etc. At the core of the core there is an intense class consciousness, and institutions that embody and reinforce class solidarity in the defence of property, such as public (i.e. private) schools, clubs, guilds, masonic lodges and exclusive sports (big game shooting, offshore sailing, horse-racing, polo). At the periphery there is less at stake and the consciousness is less intense, but still present. Everyone is connected to the core in one way or another.

Rebecca Cassidy’s entertaining study of Newmarket, the Mecca of British thoroughbred horse racing and the beneficiary of three centuries of royal and aristocratic patronage, provides a useful paradigm of ruling-class coherence and hegemony. At the centre are extremely wealthy owners, served by a strict hierarchy of staff, from trainers through bloodstock agents to jockeys, stud hands and stable ‘lads’. Around them clusters a racing ‘community’ of people who can claim a ‘connection’ to particular horses currently competing or in training: they are related to, or at least know, its trainer, or the trainer of one of its forebears, or a jockey who rode a famous ancestor of the horse, and so on. Where someone lacks such a link, but is sufficiently rich, an imaginary connection will often be accepted provided the person in question otherwise fits in – shares the values and at least some of the social style of the racing hierarchy. Connections – symbolized by a very precise and subtle dress code – are certificates of entry. At races only ‘connections’ may enter the paddock, and the other racecourse facilities are segregated according to users’ closeness to or distance from the core. Meanwhile the entire industry is sustained by a levy on the estimated £5 billions’ worth of bets placed every year on horse races by overwhelmingly working-class ‘punters’.

Peter Robbins, the author of a scathing unpublished exposé of the behaviour and power of the world’s super-rich, points to the general function of all such ruling-class connections: to ensure that property and the privileges it confers are secure, there has to be a very strong level of trust between those
who operate in it. To be accepted you must be seen to be committed to the ruling class’s interests and values, and the indicators of commitment are, precisely, connections, established through private schools, clubs, marriage, social links and spending patterns. Nicholas Shaxson describes the British bankers in offshore tax havens in similar terms:

Offshore, legal frameworks that distinguish between the criminal and the legitimate have eroded away and been replaced by networks of trust that distinguish between the well established and respectable on the one hand, and the unknown and dubious on the other. These trust-based networks, deferential to the aristocracy of wealth and privilege and resistant to formal laws, are the ultimate comfort for the banks’ wealthy clients.

This passage refers specifically to tax havens such as the Bahamas and Jersey. But London is also a tax haven and operates on similar principles.

The nature of the internal connections of the ruling class, and the ties that bind other class fractions to it, are more interesting than numerical estimates of its size. That said, in 2013 the thousand richest people in Britain between them owned assets worth £450 billion. Eighty-eight were billionaires, the rest mere multi-millionaires. The poorest ten multi-millionaires on the list owned assets worth an average of £33 million each, barely distinguishable among the 6,015 High Net Worth Individuals (people with over $30 million) living in London in 2012, and quite possibly not even rich enough to make them interesting to Coutts, a private bank in London which targets ‘thrillionaires’ – people with annual incomes of £3 million, enough to afford ‘a luxury 5 bedroom house, two servants, two luxury cars, an apartment or yacht in the South of France and… enough left over to dine out twice a week and have a couple of luxury holidays a year’. Still, they are clearly part of the ruling class. We also know that in 2004-05 five per cent of UK adults – just under five million people – owned 40 per cent of all marketable assets, while in 2008 over 400,000 people declared annual incomes averaging £156,000 (42,000 of them declared incomes averaging £780,000). It is probably safe to say that between one and two million people have enough money to be seen, and to think of themselves and their families, as connected to the ruling class.

Of the super-rich a significant proportion are foreigners – in 2013 all but five of the richest 20 were non-British, for example. They are concentrated in London. Of the apartments sold in central London (defined narrowly, as the west end, the City of London and Docklands) in 2010, only 21 per cent went to British buyers. A striking 47 per cent were bought by ‘Asian
investors’ (i.e. from Hong Kong, Singapore, Malaysia and the Middle East), primarily as investments or, in a quarter of the cases, for their children to live in while studying at universities in London. In the twelve months ending in April 2013 foreigners, led by Russians, bought more than half of all London properties costing more than £2 million, attracted by the low value of sterling and ultra-low interest rates.\(^{27}\)

These facts underscore the way London and its surrounding counties (the ‘home counties’) are integrated into the global capitalist system, in certain respects more than into the rest of the UK, aggravating the central problem of class rule.

London has effectively left the UK; it belongs instead to a loose international federation of global cities united by their economic dynamism and cosmopolitanism and the people who flit between them. This leads to a big problem… The politicians, civil servants and journalists who make up Britain’s governing class have had their world view shaped by living in the capital and its wealthy satellites. They run the country, but effectively live in another.\(^{28}\)

Of course, what the author has in mind here is not the parts of London where most of its 8.2 million inhabitants live, and which include some of the most deprived areas of Britain, but the parts of London lived in (or commuted to from the home counties) by the richest, globally-oriented, one or two per cent. And it is not so much these people’s global links that influence the outlook of politicians, civil servants and journalists, as their sheer affluence, which does trickle down, by various mechanisms, to the milieu in which politicians, civil servants and journalists work, and makes them insensitive to what life is like for most Londoners, and even more, for most people outside the south-east of England.

The mechanisms of connection which ensure ruling-class solidarity are sometimes tested by the speed with which new fortunes can be made in today’s global economy, often in new trades that sound questionable – plus the fact that so many of the richest people in Britain are now from somewhere else. How are the established members of the ruling class to know whether this gambling or porn publishing king, or that Russian oligarch, is trustworthy? The \emph{Tatler} magazine, which celebrates the social life of the very wealthy and has a circulation of 90,000, is always ready with advice on etiquette (‘Receiving guests at your country pile this weekend? Please, please follow these bedroom etiquette rules, says Violet Henderson’). But the main social solvent is undoubtedly consumption. The \emph{Financial
The Times (circulation 316,000) has a weekly supplement called ‘How to Spend It’, on everything from resorts and clothing and restaurants to furniture and real estate. Its target readership is so obvious, its advice defies parody. Jewellery is described as showing ‘a carefully edited eclecticism’. A fancy kitchen is said to fulfil a need for ‘personalization in our globalized society where everything tends towards sameness… The intention is to create a room that radiates warmth even when not in use’. A small folding table costing 85 per cent of the average UK household’s income ‘would make a brilliant games table to be brought out at will in any household’. The long-established British ruling class expresses its class-belonging through expensive but very conventional taste, which ‘naturalizes class membership by making it apparently effortless’. The new global capitalist class (British as well as foreign) is invited to establish its class credentials by the apparently effortless spending of enormous amounts of money.

But newcomers have always finally secured membership of the British ruling class by sending their children to an ‘independent’ (i.e. private) school, and the global ruling class are following suit: 5 per cent of the children in the UK’s private schools come from non-resident foreign families, who pay average fees of £26,000 a year, equivalent to the average annual income in the UK. These schools account for only 7 per cent of the country’s school children, but in addition to securing social acceptance they are also key to securing entry into the public life of the ruling class. In 2011 44 per cent of prominent people had been to one of them; 12 per cent had been to just ten elite schools; 4 per cent, including no fewer than 12 members of the Cameron government, had been to just one – Eton College. Private schools also supply 44 per cent of the students admitted to Oxford and Cambridge, and almost a third of the ‘top people’ studied in 2011 had been to one or the other of these two universities.

In short, numerous members of the global ruling class favour London as a location and like to educate their children there (and if possible get them residential status and British passports). It is also in London that the corporate executives, politicians, senior bureaucrats, lawyers, accountants, advertising and media personnel – the ‘globalising’ fractions of the British ruling class – are based.

The way the British ruling class rules doesn’t differ in essentials from the methods used in any other post-industrial neoliberal democracy: shifting the tax burden to the working class, shifting from universal benefits to workfare,
paring down social services, think-tank dominance of policy debate, constant and shameless government spin, populism, displacement (royal events, military parades, reality TV, gay marriage, women bishops, immigration, ‘Brussels’, foreign ‘wars of choice’). These, the consent-winning aspects of hegemony, are complemented by repressive surveillance (saturation cover of public space by CCTV, undercover policing of dissent) and coercion (heavy-handed policing of demonstrations), both justified as counter-terrorism. And the whole package is underpinned by the radical reshaping of society from one of producers to one of consumers.

None of this is peculiarly British.

Two general points should be noted, however. On the one hand many elements in the mix are under strain, especially since the onset of the financial crisis. For example, as austerity pushes more people into poverty, income inequality and tax avoidance and evasion have become public issues which have seriously eroded the ruling class’s legitimacy. Austerity has also made consumerism problematic (young people can’t afford housing, old people can’t afford adequate heating, 350,000 are using food banks). Cuts in police spending have also upset the normally close relationship between the police and the ruling class. The drive to downsize the state has led to a series of major policy fiascos (the West Coast train line franchise, the 111 health phone help line, the Stafford Hospital disaster). And so on.

On the other hand inherited pre-modern aspects of the British state still insulate the ruling class from challenge. Archaic institutions such as the monarchy (marketed as ‘the royal family’) and the House of Lords (protected by titles and ermine from being seen as the unaccountable collection of political cronies it is) still underpin its rule. The plurality or ‘first past the post’ electoral system discriminates strongly against new parties and secures the Labour Party in place as an alternative instrument of ruling-class control (the two major parties have jointly seen off all proposals to change it). The so-called unwritten constitution makes much executive action the exercise of ‘royal prerogative’, unaccountable to parliament – a feature accentuated by the arrival of ‘e-politics’: ‘servers suck in and store the imprints of dissent and protest so that liquid modern politics can roll on unaffected and unabated – substituting soundbites and photo opportunities for confrontation and argument… Bush and Blair could go to war under false pretences with no dearth of websites calling their bluff. The combination of these factors allows the electoral process to be disconnected from the reality of rule with remarkably little penalty. Democracy is not just ‘thin’; party politics have become a parallel political universe to the realities of rule. In the 2010 election most of the really important problems confronting the country were barely discussed, or were...
barely mentioned: the unwinnable war in Afghanistan, the causes of terrorism, regulating the financial sector, the scandalously regressive tax system, not to mention the impending environmental catastrophe. The reason was that these are issues for the global ruling class, not the British electorate – as City commentators in the aftermath of the election, when negotiations over the formation of a coalition were still ongoing, didn’t hesitate to point out:

Investors favour a government that focuses on cutting the budget deficit, paying back the country’s debts in full and on time… The new government will have to follow the market’s guidelines, investors warn. ‘The bond market will rule the UK whoever’s prime minister’, said Gary Jenkins, a credit analyst at Evolution Securities.35

Analysts at BILLIONP Paribas reckoned that a ‘Lib-Lab government is the least liked option by markets and would almost guarantee a downgrade of the UK sovereign debt’… Analysts at Morgan Stanley reckoned that the pound could have fallen to $1.35 – from around $1.50 yesterday – if a Lab-Lib coalition had been formed.36

No mainstream media figure challenged this. By 2010 the initial furious public anger against the authors of the financial crisis seemed to have been overcome.37 But by 2013, as politicians of all parties talked less and less of recovery, and more and more of a permanent future of austerity, the mood shifted again, and Britain’s underlying economic predicament came under public scrutiny once more. In confronting this problem three distinctive features of the context deserve particular emphasis: the exceptional role of the financial sector, the problematic nature of the EU as a regional expression of global capital and the radical transformation that successive governments have wreaked in the British state.

THE CITY OF LONDON
While fast-expanding financial and business services have overflowed the City’s original ‘square mile’ (chiefly down-river to Canary Wharf), the City remains the financial sector’s political headquarters, with its own distinctive local government, the Corporation of London, representing the big firms based in the City, and its own police force. It also has a special permanent official in the House of Commons (going by the archaic and innocent-sounding title of ‘Remembrancer’), with a staff of fifty who scrutinize all parliamentary business and lobby MPs and ministers in the interests of the financial sector.

The City is thus lodged in the heart of British government, yet it has
become more global than British. While it is not as big a financial centre as New York in terms of total market equity, more investment funds are managed in the City, and more foreign shares are traded there, than in New York or anywhere else in the world. The huge scale of these operations is partly due to low levels of regulation and taxation: the City is ‘offshore’ in more senses than one. Already in the late 1950s it had begun to deal more in dollars than in sterling, encouraging most of the major US banks to establish offices and take advantage of the Eurodollar market. Since 1986 almost all the City’s investment banks have been foreign-owned and largely foreign-staffed, and more than half the City’s business is done for foreign customers.

Links to the rest of the British economy are weak. Even the four big British retail or ‘high street’ banks, which are also headquartered in the City, make most of their money from their international trading and investment activities (for example, 72 per cent of Barclays’ total profits of £1.8 billion in 2012-13 came from investment banking), not from lending to companies in Britain; and they have so far successfully resisted post-crash pressure to separate their retail from their investment functions. Moreover most shares in UK companies are in managed funds (around half are managed by just 50 fund management groups) whose managers have no interest in preferring British to overseas companies when placing their clients’ investments. And in so far as they do invest in UK shares they have no interest in becoming involved in the management of the companies concerned, because the longer-run value of a company’s shares is of no interest to the investors they are working for (in the words of a relatively sympathetic insider, ‘the current quarter is what matters, perhaps the next quarter, certainly not next year’s equivalent quarter’). Out of 22 fund managers interviewed by Aeron Davis in 2005, only two had any experience in industry and none had ever visited the site of a company in which their funds had shares. The Coalition government’s promised £1 billion government-funded ‘business bank’ to direct capital into industrial modernization remains on the drawing board.

City spokespeople constantly stress that the financial sector is a major employer, accounting for over a million jobs. This is true if all the country’s local bank branches and insurance and accountants’ offices and the like are included. Banking and financial services jobs in the City of London and at Canary Wharf total about 100,000, out of a total UK workforce of 31 million. Where the City does make a critical economic contribution is in foreign exchange earnings. In 2011 the UK had a trade surplus in services of £76 billion, £39 billion of which were earned by banks and other financial institutions; and this surplus offset three quarters of the country’s £100 billion trade deficit in goods. But this contribution gives the City
enormous leverage with any Chancellor of the Exchequer; and this leverage is reinforced by the City’s provision of a major share of political party funding. This was thrown into sharp relief as the City fought to resist reform of the banking sector after the 2007-09 crisis, in which two major British banks had to be rescued by the taxpayer at a cost of £66 billion, doubling the public debt as a proportion of GDP. In 2010 financial sector donations to the Conservative Party accounted for 25 per cent of its total funding. By 2012 the proportion had doubled to over 50 per cent.\textsuperscript{42}

Since the financial crash, reformers have called for the UK’s four big retail banks to be broken up, and for the state’s implicit underwriting of the risk of failure to be confined to their retail functions, leaving the risks of their more profitable trading operations to be borne by their shareholders and creditors. And the risks do remain high: for example in 2012 Barclays alone had £1.8 trillion of gross credit risk, more than the entire UK GDP, consisting largely of Eurozone-linked derivatives; and all the banks are major creditors of dangerously over-leveraged private equity funds.\textsuperscript{43} But the banks have succeeded in getting reform watered down and postponed: their retail lending functions will not be split off but only ‘ring-fenced’, and then only by 2019; and they have continued to lobby against measures to ensure more transparency, more effective regulation, and measures to limit the bonus system which is at the heart of risk-taking.

The financial sector has also mobilized politically on a range of other issues with equally problematic implications for the UK economy. One is tax reform. The UK tax burden is highly regressive: the top tenth of income earners pay 34 per cent of their incomes in direct and indirect taxation, compared with the lowest decile’s 47 per cent – and that is only income that is declared. A great deal of the income of the rich is concealed through ingenious tax avoidance schemes: as a tax adviser told his clients back in 2009, for such taxpayers paying tax is really optional.\textsuperscript{44} Another category of mainly wealthy tax avoiders are included among Britain’s 120,000 ‘non-doms’ – people who are resident in Britain but are ‘domiciled’ elsewhere for tax purposes and pay no tax in the UK on their overseas incomes. In 2008 the TUC estimated that of the £25 billion of tax revenues it estimated were lost through tax avoidance, nearly £13 billion were lost through tax avoidance by individuals, among whom non-doms were a significant element.\textsuperscript{45}

As for multinational firms, their tax avoidance is on an appropriately industrial scale, using legal accounting devices to declare most of their profits in tax havens. In 2006 more than 60 per cent of the 700 biggest companies in Britain paid less than £10 million corporation tax apiece, and 30 per cent had paid nothing.\textsuperscript{46} In 2011, on a total turnover of £2,250 million,
McDonald’s, Google, Starbucks and Amazon paid a total of £8.8 million between them. The tax rate on corporate profits for that year was 26 per cent. Starbucks, with 760 UK outlets, reported a £33 million loss. In 2013, faced with growing public resentment, Starbucks undertook to make a voluntary tax donation of £20 million, underlining the optional nature of corporate tax payment.

The reaction of these companies when threatened with the possibility of action against tax avoidance is revealing. Google’s chairman explained to the House of Commons Public Accounts Committee that Google’s tax affairs were what the law allowed and that it was a big employer in Britain, for which it should be appreciated. Also revealing is the response of the Revenue and Customs Agency: ‘The UK has an internationally competitive corporate tax system, which is designed to attract and retain economic activity here’. Ernst and Young, which employs 2,081 tax experts in Britain, generating a quarter of its global profits, lobbied the Prime Minister against making global companies pay taxes on their local turnover when it seemed as if public fury was about to make this likely.

Tax has become an issue where the interest of the global ruling class and the management of national politics are in open conflict, with the City at the centre of it. On the whole, the City seemed likely to win. Early in 2012 eleven Eurozone countries decided to impose a financial transactions tax on trades in shares, bonds and derivatives, calculated to raise €57 billion a year. The City opposed it, fearing a diversion of business from London, where a large share of euro trades take place, to Asia and North America. In 2013 George Osborne, the Chancellor, entered a legal challenge to it at the European Court of Justice.

The City’s position is complicated – although, astonishingly enough, no more than complicated – by the fact that the big banks have been revealed as large-scale abusers of power, if not criminal fraudsters. It emerged that they had been making money by manipulating the London inter-bank lending rate (Libor), on which an estimated $370 trillion deals are based world-wide. HSBC and Standard Chartered had also gone in for large-scale money-laundering. Lloyds, HSBC, RBS and Barclays had gone in for cheating their customers by selling them payment protection insurance (PPI) on their loans which often didn’t apply to their situation, and which the banks routinely failed to honour when it did; their average return on this swindle was an extraordinary 80 per cent, accounting in some years for a large part of their profits. The total liabilities of the banks for all this are staggering: in fines for manipulating Libor (Barclays, UBS and RBS), £1.65 billion, with the bill for four other major banks still to come in; in fines for money-laundering
(Standard Chartered and HSBC), $2.587 billion; in fines for helping US citizens evade tax (UBS) $780 million; in compensation to the victims of the PPI scandal and the victims of a related insurance scam for loans to small businesses (Lloyds, HSBC, RBS, Barclays), an estimated £26 billion.\textsuperscript{53}

Two features of these extraordinary revelations should be stressed (in addition to the further demonstration they provide of the need for banking to be state-owned and managed). First, the offences were mainly committed by banks based in London, or by foreign-based banks’ London offices. Second, it is not clear that they would have come to light had it not been for the crash, which drew in the US regulators. The City’s weak regulatory regime has been a key factor in its continued global importance.\textsuperscript{54}

And here too there have been no signs of contrition, or of a drastic change in regulation. In relation to both Libor and PPI one senior banker after another has claimed they had no knowledge of what had been going on; the chairman of Standard Chartered Bank even described the rigging of the Libor as ‘clerical errors or mistakes’. The US regulators were angry enough with this remark to force a retraction, but in the UK the relationship between the financial sector and the regulators was too intimate even for an expression of irritation.\textsuperscript{55}

This was made embarrassingly clear by a parliamentary review of what went wrong at HBOS (Halifax-Bank of Scotland), which had to be rescued by the government at a cost of £11.5 billion at the height of the crisis. The MPs found that the regulators in the Financial Services Authority had been content to trust the bank’s own complacent view of itself, while it was in fact so incompetently managed that it was insolvent even before the 2007 crisis hit. The MPs repeatedly declared themselves astonished at the delusions of grandeur of the titled gentlemen who had run the bank into the ground: ‘We are shocked and surprised that, even after the ship has run aground, so many of those who were on the bridge still seem so keen to congratulate themselves on their collective navigational skills.’\textsuperscript{56} But the idea that the financial sector is run by people of exceptional talent whom only huge salaries and bonuses can secure has been shown again and again to be pure rhetoric. The regulators were manifestly lax and seem quite likely to remain so;\textsuperscript{57} in the absence of serious regulation, incompetents can award themselves fortunes with no serious risk: ‘No jail time, no financial penalties, not even a clawback of bonuses, even though these were based on profits that have proven illusory’.\textsuperscript{58} James Crosby, the CEO of HBOS, resigned before the crash, cashed in two-thirds of his HBOS shares (when they still had some value), was knighted, and finally appointed to the board of the regulator (the FSA), even becoming its deputy chairman until 2009. You
couldn’t invent it. Few features of British politics better illustrate the central problem of the British ruling class than its relationship with the City. On the one hand it depends on the City’s contribution to the increasingly unsustainable UK balance of payments, and relies on it for party funding, while on the other it is obliged to meet the terms the City sets for these contributions, terms which reflect the City’s need for a tax and regulatory regime that will allow it to remain at the epicentre of global finance, and be paid lavish rewards. But the ruling class actually sees the City’s terms as rational and inevitable; and the class solidarity felt between the leaders of parties and the leaders of the City, reinforced by an inherited class culture of tradition and deference, tends to make any public questioning of the terms seem like vulgar bad manners. The problem of rule then becomes to a significant extent one of how to win elections while imposing on the electorate policies the City needs to maintain its position in the global economy.

THE BRITISH RULING CLASS AND THE EU

Britain’s membership of the EU is a problem for the ruling class because it plays two conflicting roles. On the one hand it provides free access to the world’s largest single consumer market of over 500 million relatively prosperous consumers, who between them take close to 60 per cent of UK exports. On the other it is a scapegoat for the weaknesses of the UK economy, blamed for bureaucratic red tape and interference in matters such as working hours, which the Conservative far-right resent, and for immigration from Eastern Europe, especially, which a significant number of unemployed British workers dislike. The problem is greater for the Conservative Party, because it relies heavily for electoral support on older white working-class men – the section of the electorate that is most susceptible to xenophobic appeals. Without working-class support the Conservative Party would be a permanent minority. Indeed it may already be one, having failed to win an outright majority in 2010 when the Labour Party – in office for 13 years – was riven by divisions, tainted by the invasion of Iraq, and paralysed by the worst economic crisis for 80 years. Retention of this segment of electoral support is therefore critical to the Conservatives’ future.

In early 2013 the EU issue was forced, at least for a time, to the top of the political agenda by the right-wing United Kingdom Independence Party (UKIP). Formed only in 1993, UKIP’s defining issues are exit from the EU and stiff limits to immigration. In early 2013 it came second in a parliamentary by-election, with 28 per cent of the votes, pushing the Conservatives into third place (the seat was retained by the Liberal-
Democrats), and in May 2013 it won 25 per cent of the vote across a swathe of local council elections in mainly rural areas of England. An opinion poll later in May showed UKIP with 18 per cent of the national vote, boosted by a switch to UKIP of 27 per cent of voters who had voted Conservative in the 2010 election. This precipitated a crisis for the Conservatives: the right wing of the parliamentary party rebelled, demanding an early referendum on leaving the EU which Cameron could not grant, since his Liberal-Democrat coalition partners opposed it. The challenge threatened a split which could itself spell electoral defeat.

But the EU issue also represented a threat to Labour and the Liberal Democrats, which had lost 13 per cent and 12 per cent of their 2010 voters to UKIP, respectively. UKIP was capitalising on a widespread disaffection with all the major parties, which were seen as led by affluent professional politicians out of touch with the needs and feelings of the ‘ordinary hardworking people’ they constantly claimed to represent. Polls showed that EU membership was not in fact high on most voters’ lists of concerns, but it had become an issue on which the British ruling class’s capacity to serve the interests of the global ruling class while managing British electoral sentiment could be severely tested.

The wish of a large number of right-wing Conservative MPs to leave the EU is partly driven by electoral anxiety, but it also reflects their dislike of having to compromise with the social market ideas of Christian Democrats, Social Democrats, Greens, etc. in the other EU countries. The party’s official policy is to stay in the EU provided various powers are ‘repatriated’ from Brussels to Westminster. The powers in question are never specified but chiefly concern employment, social security, and law and order. It seems very unlikely that the other EU countries would agree.

Some advocates of withdrawal argue that easy access to EU markets is serving to delay the needed radical renovation of the UK economy; leaving the EU would force Britain to tackle its fundamental internal problems. Boris Johnson, the Mayor of London and a strong candidate to replace Cameron as Conservative leader, expressed it in terms that explicitly harked back to the arguments about British decline of the 1960s, but with a neocon tinge:

If we left the EU, we would end this sterile debate, and we would have to recognise that most of our problems are not caused by ‘Bwussels’, but by chronic British short-termism, inadequate management, sloth, low skills, a culture of easy gratification and underinvestment in both human and physical capital and infrastructure. Why are we still, person for person, so much less productive than the Germans? That is now a question more
than a century old, and the answer is nothing to do with the EU. In or out of the EU, we must have a clear vision of how we are going to be competitive in a global economy.\textsuperscript{60}

This perspective raises the obvious question of how it would affect the City. The financial sector clearly did not want to be drawn into a fight inside the party it relies on to look after its interests; at the time of writing the silence emanating from the City was deafening. It was hard to believe City firms saw leaving the EU as a positive prospect. The BBC’s economics editor Robert Peston seemed to have no doubt about the City’s true feelings:

Those who run our biggest companies would tend to be horrified at the idea of withdrawal from the EU. Our multinationals, unlike those of Switzerland, increasingly think of themselves as global corporate citizens, as much as British citizens. And whether they started life as British or not, they have a mindset that they are in Britain because it is an attractive place to be located within the EU. Bosses of big banks and financial institutions would have this European mindset in spades. And many of them would take serious issue with Lord Lawson’s idea that they would be liberated to thrive again, outside of the supposedly deadening clutches of EU financial reform and its planned new tax on financial transactions.\textsuperscript{61}

Another question was whether Scottish voters would be more likely to support independence for Scotland in the referendum due to be held on that issue in October 2014, if they thought that government by Westminster might no longer be tempered by the institutions of the EU. An even more crucial question was the attitude of the US, for which the UK was a valuable entry-point to the EU. In January Obama’s Assistant Secretary for European Affairs took the highly unusual step of publicly warning Cameron that ‘there would be consequences for Britain if it either left the EU or played a lesser role in Brussels… Jacob Kirkegaard, of the Peterson Institute for International Economics in Washington, said: “This is essentially [the US] saying to the UK – ‘you guys are on your own’. There is an element of pre-emption here and must be clearly intended to create waves”.\textsuperscript{62}

What is at issue are two competing models of engagement in the global capitalist system: one as part of a trading bloc large enough to set terms for other countries to trade with it, which happens also to suit the strategic interests of the US; the other as an independent medium-sized economy willing to impose on its working class whatever social price is needed to compete against larger economies with lower wages and less social protection.
Whether the second option would prove compatible with even the thinnest kind of electoral democracy may be doubted.

**THE OUTSOURCED STATE**

Since the early 2000s successive governments have been outsourcing work that used to be done by the state. The civil service has been scaled back from a peak of 536,000 in 2005 to 460,000 in 2012, by which time the annual value of contracts held by private firms providing public services was £82 billion, accounting for 24 per cent of total government spending; and outsourcing was increasing so fast that by 2014 the total annual value was expected to exceed £140 billion. The provision of these services is dominated by three very big companies, G4S, Capita and Serco, which depend entirely on government contracts and which are virtually risk-free, being both ‘too big to fail’, and providing services that are indispensable. This not only makes regulation of them unenforceable, but also puts them at the heart of policy-making for the sectors in which they are involved. In effect, policy for these sectors must now conform to corporate requirements.

But companies have been effectively put in charge of the policy-making process in other sectors too. For instance in 2010 the Conservative Secretary of State for Health invited Pepsico, Starbucks, McDonalds, Unilever, the Wine and Spirits Trade Association and other corporate interests in the food and drinks (and fitness) industries to help set public health policy — and abolished the Food Standards Agency. In the field of trade and industry a so-called ‘buddy’ scheme, introduced for 38 companies in 2011 and expected to include a further 42 by 2013, gives them a ‘direct line to ministers and officials’. By the end of 2012 the original 38 companies – more than two-thirds of which are based outside the UK – had held a total of 700 face to face meetings with ministers. Throughout the 2000s the scale of lobbying, and a series of scandals arising from it, prompted the prime minister to commit himself to the idea of a register of lobbyists; in mid-2013 it seemed likely that industry opposition would finally be overcome, but that the legislation would offer few real obstacles to lobbyists’ continued power.

An even larger breach in the boundary between the public and the private sector is arguably the recruitment of personnel from the private sector into the policy-making heart of the civil service. Of the 200 most senior civil servants in 2012, 41 per cent had been recruited from outside the service, primarily from the private sector, while a steady stream of senior civil servants – and ministers – flowed into highly-paid corporate jobs in the sector covered by their former departments. This ‘revolving door’ briefly became a cause of public concern, but was soon forgotten. In early 2013,
when the House of Lords voted to endorse regulations that effectively force commissioners of health services for the NHS to invite private firms to bid for them, it was noted that 145 peers had links to companies that stood to profit. A third of them voted. As the famous Wall Street analyst Jack Grubman is said to have remarked, ‘what used to be conflict of interest is now defined as a synergy’.

As the civil service shrank, and its senior personnel were increasingly drawn from the private sector, outsourcing of policy-making itself became increasingly common. For example in 2007-08 three major policy reports setting out the future of the National Health Service were commissioned from three separate American think tanks. Much that these reports recommended proved unworkable but yet another one, commissioned from McKinsey in 2009, was adopted without public discussion and has been undermining the financial viability of the NHS ever since. In general, since the early 2000s the terms of policy debate have increasingly been set by industry-funded think tanks, to the point where in March 2012 the Cabinet Secretary, at the apex of the state’s policy-making structure, speculated publicly that inviting external bids to provide policy was a ‘perfectly legitimate challenge’.

Is it possible to see all this as the early stages of development of a new kind of ‘regulative intelligence’ capable of solving Britain’s chronic economic problems? It seems implausible, at least within the parameters of liberal-democratic democracy. At the heart of the most extreme neoliberal conception of local government, in which local councils meet once a year to award contracts, there has always been a crucial flaw: who, and on what basis of legitimacy, would form the council and make the annual decisions? The same problem now arises in the outsourced central state of the UK. The concept of a public interest, different from and superior to any constellation of private interests, is the indispensable bedrock of legitimacy, and needs to be sustained and developed by a cadre of people with the capacity, incentive and authority to do it, on whom elected politicians can rely. The senior civil service inherited from the Victorians has proved unequal to the task, but it is not a task that corporate executives, or the young ‘policy-wonks’ in corporate-funded think tanks, are trained or incentivized to perform. Perhaps a small stratum of career civil servants could still emerge who would be capable of inducing corporate interests to collaborate in generating long-term solutions to the country’s increasingly urgent economic needs, but given the true power imbalance between senior civil servants and the CEOs of transnational companies it seems an improbable scenario.

The ruling class should be praying that it will happen, but as yet shows few signs of even being aware of the problem. So far from seeing the financial
crisis as a wake-up call for radical reform of both the state and the economy, the coalition government has seen it primarily as an opportunity to intensify the rollback of the state and the compression of wages. For its part, the Labour Party leadership has failed abysmally to counter the right-wing media view that the crisis was due to the profligacy of the Blair and Brown governments, and that austerity is the price to be paid for it. Dependent on an inherited cohort of Blairite MPs, and desperate to win the next election, it endorses fiscal rectitude and ‘radically pruning central government’.74

Of course, to end with this allusion to the pitiable situation of the Labour Party leadership is to remind the reader that no attention has been paid in this essay to the British working class, whose political weakness has been such a key premise of ruling-class practice since at least the early 1990s. Mainstream opinion doesn’t yet hold that everyone in Britain except the super-rich is ‘middle class’ – that British society, like America’s, ‘by definition contains no lower classes’.75 But it does think that workers no longer see themselves as forming a class with shared political interests that they are ready or able to fight for. In keeping with this view, just as this essay was being written, a team of academics announced on the basis of 160,000 interviews that Britain now has not two or three but seven classes: an ‘elite’ (6 per cent), an ‘established middle class’ (25 per cent), a ‘technical middle class’ (6 per cent), ‘new affluent workers’ (15 per cent), a ‘traditional working class’ (14 per cent), ‘new emergent service workers’ (19 per cent), and a precariat (15 per cent).76 The ‘elite’, which evidently corresponds roughly to the ruling class described here, was defined as having ‘very high economic capital (particularly savings), high social capital, and very high highbrow cultural capital’ – but not as having class interests opposed to those of other classes, or a project for defending them. But as this essay has shown, that is a travesty; the recurrent effort to treat classes as if they have no politics invariably ends in the same absurdity. Establishing how British workers see their interests, and what kind of political project may prove able to enforce them, calls for a different kind of enquiry that urgently needs to be undertaken.

NOTES

1 London ranked first above New York and then Hong Kong in 2011, according to Z/Yen, The Global Financial Services Index, Qatar Financial Centre Authority, June 2011, cited in Ranald Michie, ‘The City of London as a Global Financial Centre: An Historical and Comparative Perspective’, presentation to the TP Annual Conference 2012. In 2010 London handled 18 per cent of the world’s interbank activity, 37 per cent of foreign exchange turnover and 46 per cent of interest rate derivatives turnover.
8 *Guardian*, 8 March 2013.
10 Office for National Statistics, *Poverty and Social Exclusion in the UK and EU, 2005-2011*, available at http://www.ons.gov.uk. Thirty-seven per cent said they were unable to meet unexpected expenses and 30 per cent said they could not afford an annual holiday. Five per cent were experiencing severe material deprivation.
14 ‘And, finally, the only war left for Prussia-Germany to wage will be a world war, a world war, moreover of an extent and violence hitherto unimagined. Eight to ten million soldiers will be at each other’s throats and in the process they will strip Europe barer than a swarm of locusts. The depredations of the Thirty Years’ War compressed into three to four years and extended over the entire continent; famine, disease, the universal lapse into barbarism, both of the armies and the people, in the wake of acute misery; irretrievable dislocation of our artificial system of trade, industry and credit, ending in universal bankruptcy; collapse of the old states and their conventional political wisdom to the point where crowns will roll into the gutters by the dozen, and no one will be around to pick them up; the absolute impossibility of foreseeing how it will all end and who will emerge as victor from the battle. Only one consequence is absolutely certain: universal exhaustion and the creation of the conditions for the ultimate victory of the working class’. Introduction to S. Borkheim, *Zur Erinnerung fur die deutschen Mordspatrioten 1806-1807* [To the Memory of the German Arch-patriots of 1806–07], Hottingen–Zurich, 1888.
The French example was hugely influential. The Europeanist Brian Chapman was bleakly envious of the impatience, briskness and efficiency of the ‘young men concentrating on influencing the real sources of power in the State. They believed in rational planning, expansion, efficiency. They were products of the French educational pattern which… instils a belief that human affairs can be better organised by reason rather than by instinct’. *British Government Observed: Some European Reflections*, London: George Allen and Unwin, 1963, p. 22.

This concern was shared by many leading business figures, as revealed in a series of interesting debates of the Royal Academy of Engineering (see note 9), where it was noted that ‘in some sectors, including water and power utilities, the automotive industry and national newspapers, well over 50 per cent of UK-based companies and corporations are controlled by foreign owned groups’. Interestingly, a ‘small majority’ of the 100 ‘senior engineers and business people’ participating in this debate voted against the motion that the advantages of foreign ownership outweighed the disadvantages.


I am very grateful to Peter Robbins for the opportunity to read ‘Filthy Rich’. Completed in 2009, the book has still to find a publisher for fear of libel actions, even though every fact cited in it is referenced to an already published source. British libel law protects the very rich from criticism to an extent unmatched elsewhere and until 2013 it had become common for non-British members of the global ruling class to bring libel actions in London. A new Defamation Act, expected to come into force by the end of 2013, should put an end to this, but it is not clear that it makes the fact that a statement is true a good defence against a libel action.


Robbins, ‘Filthy Rich’.


Neil O’Brien, ‘Another Country: London’s Separateness from the Rest of
Britain Becomes More Pronounced Every Year’, *Spectator*, 14 April 2012.


30 Cassidy, *Sport of Kings*, p. 27.

31 Independent Schools Council Annual Census, Table 9.


38 Office for National Statistics, *Statistical Bulletin: Ownership of UK Quoted Shares*, 2010, released 28 February 2012. Eleven per cent of UK quoted shares are owned by UK individuals: foreigners owned 41 per cent. Forty five per cent were owned through managed funds, 8 per cent belonged to insurance companies and 5 per cent to pension funds.


42 Bureau of Investigative Journalism, ‘Tory Party Funding from City Doubles Under Cameron’, 25 October 2011. Individual donors of £50,000 or more were entitled to membership of the Leader’s Group who ‘are given numerous opportunities to meet “David Cameron and other senior figures from the Conservative Party at dinners, post-PMQ lunches, drinks receptions, election result events and important campaign launches”’. See http://www.thebureauinvestigates.com.


44 Jill Treanor, ‘Tax is Optional, Says Advisor with Links to Rescued Bank’, *Guardian*, 6 October 2009. In polite circles using legal loopholes to escape tax is avoidance, not evasion, but a great deal is in fact evaded. In 2009 a whistleblower leaked details of over 100 British residents who had undeclared offshore accounts, which constitutes evasion. Just why it took until May 2013 for the authorities to make this public is unexplained, other than by the likely eminence of some of the evaders. The language used by the revenue authorities when the story became public is interesting: they said they encouraged ‘early disclosure of tax irregularities. Failure to do so may result in a criminal prosecution or significant financial penalties and the possibility of their identities being published’. Rupert Neale and James Ball, *Guardian*, 9 May 2013; italics
45. Trades Union Congress, *The Missing Billions: The UK Tax Gap*, 2008. HM Revenue and Customs estimated the gap in corporation tax at between £3.7 billion and £13 billion. The Commons Public Accounts Committee estimated it at £8.5 billion. Will Hutton thinks the loss from all tax avoidance/evasion is equivalent to about one per cent of UK GDP. ‘Behind Tax Avoidance Lies an Ideology that Has Had Its Day. We Must End It’, *Guardian*, 14 February 2009.

46. ‘Firms’ Secret Tax Avoidance Scheme Cost UK Billions’, *Guardian*, 3 February 2009, the first of a series of investigative reports on the issue.


52. Ernst and Young have estimated that if the tax is imposed the City will be raising an estimated 60 per cent (£21 billion) of it, none of which will presumably be spent in Britain so long as the government opposes it. This situation would clearly be electorally hard to sustain. See http://www.tuc.org.uk.

53. The banks’ ‘barely believable behaviour’ is ably summarized by John Lanchester in ‘Are We Having Fun Yet?’, *London Review of Books*, 4 July 2013, pp. 3–8. He also notes that in addition to rescuing the banks at the cost of ten years of austerity taxpayers are now also paying for the fines and compensation costs of Lloyds and RBS, which are still largely owned by the public. Moreover the potential scale of the banks’ liabilities for manipulating Libor is far higher than the fines they have paid or have yet to pay, as many institutions around the world are instituting or contemplating lawsuits for resulting losses.

54. It also helps account for the fact that two of the biggest bank losses since the 2008 crisis – £1.4 billion lost by a ‘rogue trader’ at the Swiss bank UBS, and $6.2 billion lost by a trader (the ‘London Whale’) at JP Morgan Chase – occurred in these banks’ London branches.


57. The Financial Services Authority has been abolished and replaced by three sub-units of the Bank of England: a Financial Policy Committee concerned with ‘macro-prudential’ risks, a Prudential Regulation Authority which will directly regulate companies, and a Financial Conduct Authority to monitor the treatment of customers and ban improper practices such as the Payment Protection scandal. Whether the culture of ‘negotiation’ between the regulators and the corporations that neutered the FSA will be replaced by one of serious control may be doubted, as may the probable effectiveness of the ‘ring-fencing’ of retail banking functions promised in the Financial Services
(Banking Reform) Bill due to be passed into law by 2014.

58 Joris Luyendijk, ‘Inside the Bubble’, Guardian, 6 April 2013. This is not quite accurate: in 2012 the FSA fined HBOS’ former Head of Corporate Division Peter Cummings £500,000 for the excessive risks he took, but left his three former bosses (Sir James Crosby, Andy Hornby and Lord Stevenson) untouched. The MPs found the FSA’s treatment of Cummings arbitrary and unjustifiable.


60 Nicholas Watt and Rajeev Syal, ‘Cabinet Crisis for Cameron as Ministers Break Ranks over EU’, Guardian, 13 May 2013, quoting Johnson’s column in the Daily Telegraph. The former Conservative Chancellor Nigel Lawson took the same view.


64 Felicity Lawrence, ‘Who is the Government’s Health Deal with Big Business Really Good for?’, Guardian, 12 November 2010.


68 A brilliant sting operation by Channel 4 TV shortly after the 2010 election, which caught several Labour ex-ministers on camera offering their contacts for money, pushed the issue into the open. On previous scandals see the Wikipedia entry, ‘2010 cash for influence scandal’.


71 Response by the Department of Health to a Freedom of Information request: available at https://www.whatdotheyknow.com, under the heading ‘Three Reports Comissioned by Lord Darzi’.

72 The report, consisting of 80 slides, was entitled ‘Achieving World Class Productivity in the NHS 2009/10 – 2013/14: Detailing the Size of the Opportunity’; it was eventually disclosed in 2010. See http://webarchive.nationalarchives.gov.uk.

73 Jane Dudman, Guardian Professional, 6 March 2012.

74 According to John Harris, Labour’s forward thinking comprised relentless fiscal rectitude, house-building, and ‘radically pruning central government, and pushing power downwards as never before’. ‘Is Labour Ready to Turn the


76 The breakdown was withheld by the BBC, but can be found in Mike Savage, Fiona Devine, Niall Cunningham, Mark Taylor, Yaojun Li, Jøh Hjellbrekke, Brigitte Le Roux, Sam Friedman and Andrew Miles, ‘A New Model of Social Class? Findings from the BBC’s Great British Class Survey Experiment’, *Sociology*, 47(2), 2013. See also Mike Savage and Fiona Devine’s analysis available on the London School of Economics’ blog at http://blogs.lse.ac.uk.