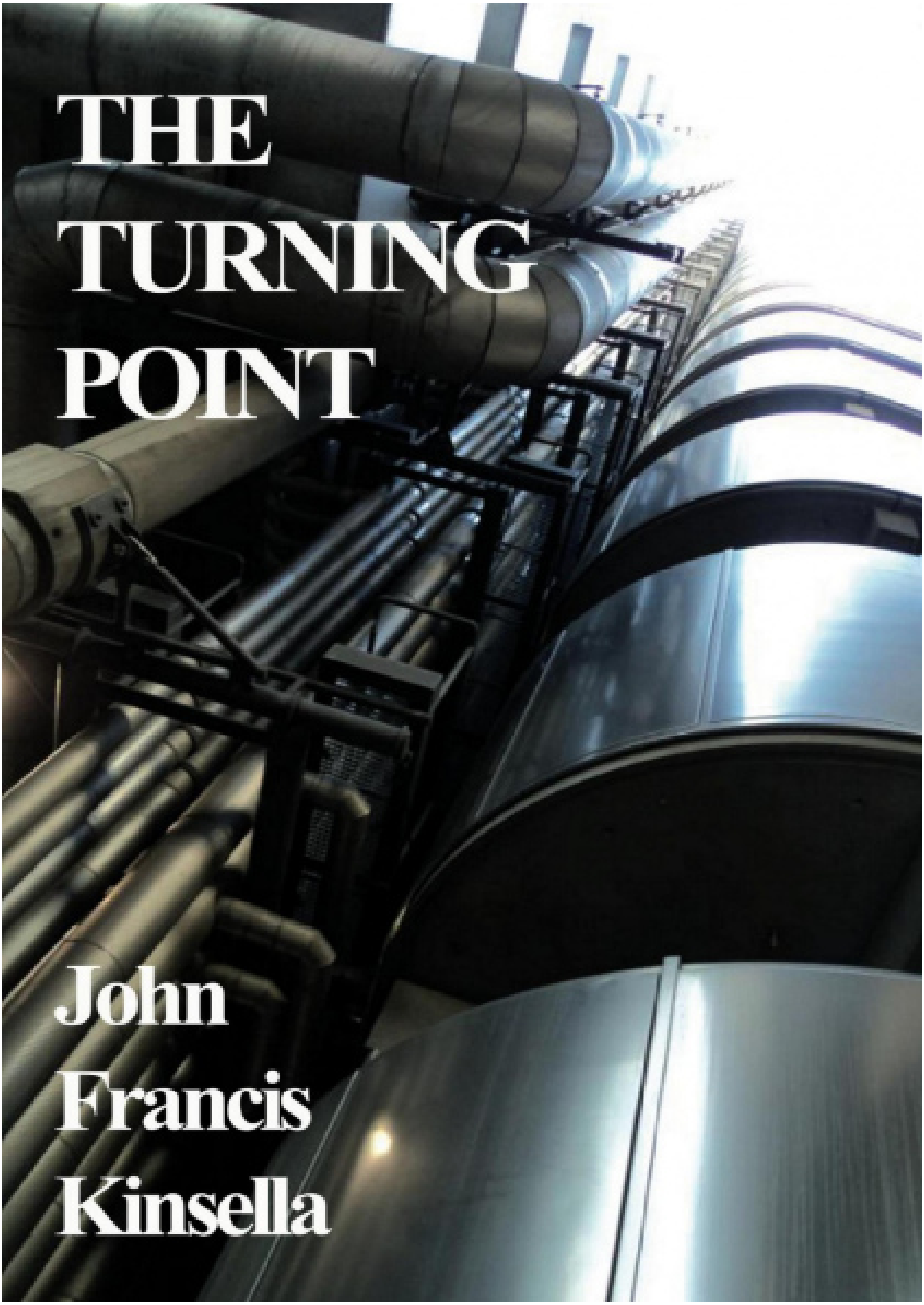
THE TURNING POINT

John Francis Kinsella



THE TURNING POINT

in the beginning

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John Francis Kinsella

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johnfranciskinsella@gmail.com
http://johnfranciskinsella.blogspot.com
https://www.facebook.com/john.f.kinsella

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To Tilla, Selma, Eléonore, Noé, Xaver, Elyas,
Adélé & Camille

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The story of its ruin is simple and obvious; instead of enquiring why the Roman Empire was destroyed, we should be surprised it lasted so long.
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PROLOGUE

After the champagne and fireworks, the toasts and good wishes, came the almost inevitable hangover. The twenty first century got off to a bad start with the dotcom bust. Barely a year later the world was shaken by the events of September 11. The monstrous and unexpected attack on the World Trade Center, a senseless tragedy for so many Americans, saved George W. Bush from a trivial destiny, elevating him to the role of self-appointed saviour of the Western World, or the narrow world of the Midwest and its Bible-punchers.

Launching his war on terror, Bush galloped, accompanied by his faithful sidekick, Tony Blair, to create a different version of Bush the father's post-Soviet New World Order, where, in Winston Churchill's words: the principles of justice and fair play...protect the weak against the strong — or was it the other way around?

The widely hailed New World Order held a number of unexpected surprises in store for those who had acclaimed it. The neo-liberals had won the battle, through deregulation and by abandoning state control and protectionism, allowing the world to continue its path towards the economic and political model preached by Reagan and Thatcher. Market forces replaced governments in determining economic direction, whilst the world, and more especially China, discovered that liberalization could exist without democratization. The consequence of these changes tilted the balance of economic power inexorably towards the East.

Under Bush and Blair interest rates were slashed and a loose monetary policy was pursued to compensate the loss of business confidence and weak share prices. This led to a global credit and property boom, signalling the start of an uncontrolled race for wealth by the world's investment bankers and financial institutions.

Unwittingly the leaders of the rich nations had started a count down to what was, by its very scale, the greatest financial crash in all history, the consequences of which led to a historical turning point, a momentous loss in the relative wealth and economic power of the nations that had ruled the world for more than a century, and more significantly that of Great Britain.

As the summer of 2007 approached its end anxious savers formed long queues outside Northern Rock branches all over the UK to withdraw their savings. What had commenced as a temporary liquidity crisis signalled the beginning of a long series of convulsions that announced a pivotal change, a catastrophic shift, which was to transform the lives of countless millions of people.

There would be winners and losers. One of the winners was China; the UK an also ran. The former appeared poised to claim the lion's share of the global economy, and the latter to finally admit the remains of the predominant global influence it had built over two centuries in industry and finance were gone — forever.

As this modern tragedy was played out certain actors congratulated themselves, perhaps prematurely, for having avoided the worse and even profited from the changes that had been forced upon their world.

Spurred on by the encouragement of the West's compelling leaders, many determined men had grasped the chance that destiny had unexpectedly thrust upon them. Michael Fitzwilliams was one of them, his dream was that of transforming his relatively modest bank into a global finance and investment institution, with quite naturally a deserving place in the adrenaline driven heart of the London's square mile.

2007

Spring

It was the end of February when the first tremor was felt; the Shanghai Composite Index fell a massive 8.84%. In spite of this warning it would be months before the nascent economic crisis came to the attention of the world's political leaders. As winter passed markets recovered their brash self-assurance. Life continued with the same unabashed optimism people had become accustomed to in the glow of George Bush's New World Order and Tony Blair's Cool Britannia.

At a grass roots level prospective home owners continued their scramble to sign-up for mortgages, lured by the mouth watering terms offered from lenders across the USA and the UK. In their rush to get onto the property ladder, to upsize, or to drawdown on their accumulated property equity, normally sensible, and not so sensible citizens were stampeded into debt. They were engulfed by a psychos; the fear missing out on what seemed like a once in a lifetime opportunity of realizing their dreams.

Tom Barton, from his office in the City, sensed the coming crash. It loomed as large as a runaway double-decker bus hurtling down Leadenhall Street. His brokerage firm was inundated with a daily flood of mortgage demands — many of them with patently fraudulent declarations — from every kind of hopeful punter imaginable in their frenetic rush to jump onto the bandwagon before the music ground to a halt.

The warning lights flashed crimson when a taxi driver boasted about the profits he had made on his terraced house, 'Look mate,' Barton remembered the driver telling him, 'if some bloke at the bank tells yer the place you'd bought a couple of years back was now worth a couple of hundred grand, you'd feel a bit mean if you only borrowed thirty, I mean with that kinda money you could pay for a new car and take your missus and the family on holiday to somewhere like the Coster Bravo, couldn't yer?'

Young and old, rich and poor, able-bodied and infirm, were getting into the stampede, overextending their fragile finances, many in the hope of an easy profit, buying rundown homes then after a quick renovation job flipping them to anxious first time buyers desperate to get their foot on the first rung of the property ladder.

Objectively, there were two distinctly different origins to the financial crisis that pushed the global economy towards an unparalleled slump. In the US the cause could be traced to sub-prime mortgage lending, and in the UK the demutualization of British building societies.

In the nineties British building societies demutualized and were transformed into banks, under the provisions of the Building Societies Act of 1986, which allowed them to become joint stock banking companies listed on the stock exchange as public limited companies. After 2000, these new banks through a policy of aggressive expansion built their business around home loans and company lending, both in the UK and abroad. One of the most important of these was the Halifax Building Society, the UK's largest mortgage lender, which merged in 2001 with the three century old Bank of Scotland — a commercial bank, to form HBOS.

During the same period, in the US, the sub-prime mortgage business rapidly expanded driven by investment banks and the securitization of mortgages at a time when interest rates were low following the dotcom crash and September 11. House prices continued to rise, peaking in 2006, though vast numbers of buyers would continue to pile into the market afraid of missing out on the bonanza.

The Federal Reserve Chairman, Alan Greenspan, although not alone, would be seen by many as being responsible for the sub-prime crisis. His monumental mistake had been to open the monetary floodgates following the dotcom debacle in 2000. In doing so he allowed the housing bubble to develop, pumped-up by his policy of low interest rates and his encouragement of sub-prime lending. Equally important was Greenspan's backing for the growth of derivatives, including the securitization of sub-prime mortgages.

In the UK, as Tony Blair waltzed across the world stage in the footsteps of George Bush, creating his version of Cool Britannia built on war, credit and ruinous short term economics, a smug Bank of England governor, Mervin King, reported growth at 3% and inflation at 1.3%, without the least explanation as to the whys and wherefores of those serendipitous figures.

By encouraging such disastrous policies Britain's leaders ran the risk of transforming the City of London's financial services sector into an urban version of country's industrial rust belt. During the sixties and seventies successive governments had looked on indifferently as the country's iron and steel industries collapsed, coal mines were shut down and the automobile industry's slid into its long and painful decline.

The rust belt was formed by the crumbling remains of Britain's once glorious manufacturing industries — the heart of a now forgotten empire, running from Birmingham to Liverpool, Liverpool to Newcastle, and Newcastle to Derby. Bad business decisions and political mis-management had condemned large swaths of British industry to oblivion whilst in Japan and Germany the same industries were reinforced to form a solid base for the future.

Tom Barton remembered his father's Wolseley and Humber cars, built in the sixties by once famous automobile manufacturers, companies now forgotten, swallowed-up by the failed British Motor Corporation and its defunct successor: British Leyland. Britain had even abandoned control of its luxury car sector, now in the hands of Germany and more incredibly India's Tata Motors. Incredible it was if one looked back to the UK of the sixties and compared it with the then struggling and impoverished newly independent state of India.

Airbus had succeeded after once illustrious British companies, including De Havilland, Hawker Siddeley and Vickers, became forgotten names. Ariane thrived after a whole series of able British rocket builders were condemned to fail; the end result of political squabbling and indecision. The Nuclear industry was left to the French. The computer industry to the Americans and Japanese. Hanging on to the coat tails of the US, Britain had abandoned more than a century of industrial tradition.

Britons were lulled into complacency by the glitz and glamour of celebrities, thrust upon them, as models, by trash media. The term 'celebrity' once referred to cinema idols, up and coming starlet's, football and cricket players. All that changed when high definition colour television thrust life-like images of the country's leaders, tutored by public relations specialists and revamped by my makeup artists, into the intimacy of Britons' living rooms, carrying their persuasive messages of spend and prosper, as if tomorrow did not matter. The same television encouraged viewers to emulate the life styles of the so called celebrities; aping their supposed elegant living: flashy homes, trendy shopping, loud entertainment, showy fashions, sporting styles, clubbing and pubbing, living on credit and paying scant attention to the consequences of frivolous living.

In that well Hackneyed comparison, Britons were not unlike the Titanic's passengers on the night of 15 April 1912, oblivious to impending disaster; the rich wined, dined and danced, the poor huddled in their cramped quarters below decks, as the nation sailed towards doom captained by a helmsman who had not understood the dangers of the perilous course he had chosen.

The creation of Britain's modern financial sector could be traced back to Margaret Thatcher; architect of the legislation that transformed British economy. The Iron Lady lived up to her name, instead of seeking a cure for the chronically sick coal, steel and automobiles industries, she simply killed them off. It was Thatcher who initiated the deregulation of the country's financial services industry, opening the City of London to American investment banking methods.

The Iron Lady's changes transformed the City of London into the financial capital of the world, where vast riches were created, riches that in the long run were to prove ephemeral. Wealthy foreigners poured in encouraged by laws that exempted them from British taxes on their non UK income: Americans, Europeans, Russians, Indians and Middle Easterners. Twenty years after the Iron Lady's Financial Services Act, London had become an international financial Mecca where bankers, traders, hedge fund managers and financial adventurers of every ilk rubbed shoulders and became rich.

When the party came to an end, as it inevitably did, the British taxpayer was presented with a horrendous bill with the country's hobbled financial sector forced to live on handouts from public funds. Policy makers who had imposed the financial sector as Britain's economic locomotive would wake-up to find themselves in charge of a hugely indebted nation, a crisis stricken banking sector and a greatly diminished manufacturing industry.

Successive governments, driven by powerful financial interests seeking short-term gains, had wittingly or unwittingly presided over the massive deindustrialization of the nation, exporting jobs and industries to China or India, with little or no thought for the future consequences of their acts.

Summer
The City of London

Michael Fitzwilliams gazed out at the clear blue summer sky and breathed in deeply. He had never felt so good. The sensation of wellbeing had little to do with the air, which was anything but fresh; endlessly recycled through a vast and complex system of ducts, filters and cooling machines, pumped by huge fans to the gleaming glass dome from a powerful air-conditioning plant that functioned non-stop, twenty four hours a day, noiselessly, many floors beneath the banker's expensively shod feet.

Four years had passed since his decision to move the corporate headquarters of the Irish Netherlands Bank Ltd to the futuristic tower that dominated the City of London's skyline. Four years during which the fortunes of what was in effect an Anglo-Dutch banking group had progressed in leaps and bounds, assuring its place as a player to be counted with in the City's square mile. Four years that had seen the bank's profits rise to heights unimagined by Fitzwilliams' predecessors, and four years of continuous expansion.

Wags were heard call the bank's prominent headquarters Fitzwilliams' member. They were probably not far off the mark; the banker had grown so used to success he felt invulnerable, unstoppable. His eyrie, perched on the glinting peak, was his proud symbol of success, visible for the less well endowed to look up to and envy.

That summer morning it seemed as though nothing could the stop the progress of the bank; profit forecasts from its three geographical poles: London, Dublin and Amsterdam, were glowing and the future looked assured. It was a little more than a decade since Fitzwilliams' uncle, David Castlemain, had dispatched his promising nephew to England to take over the development of UK mortgage activities. Then when fate unexpectedly intervened Fitzwilliams was thrust to the top and under his guiding hand the once modest Irish bank underwent a stunning transformation.

It was Friday, July 27, and schools were breaking up for the summer holidays. On the business front the silly season was about to start. Not much ever happened during the holidays and Fitzwilliams saw little to prevent him from heading down to Poole, as planned, for a week's break on his yacht, the Marie Gallant II.

The CEO returned to his desk and thumbed through the activity reports his secretary had placed ready for his perusal. His thoughts were still fixed on his plans for the coming week when he stopped to glance at the interim report from the Northern Rock; market leader and one of his competitors in the mortgage sector. They announced upbeat trading results with a positive business outlook for the second half.

Northern Rock reported mortgages up almost fifty percent compared to the same period the previous year, That was equivalent to nearly twenty percent of all new mortgage policies sold in the UK. The mortgage lender promised shareholders it would boost its dividends by thirty percent, and reported residential lending remained low risk while sales growth from its core mortgage business was good.

The only slightly negative note concerned the signs of an upward movement in money market borrowing rates, which could be somewhat bothersome and possibly weigh on year end profits if the trend continued. He put the report to one side for his secretary to file away, then looking at his watch he picked up his phone and called Pat Kennedy, the bank's number two.

'Pat! All set?'

'Already?'

'George will be outside to pick us up at eleven.'

‘It’s a pity our roof isn’t flat. The helicopter could pick us up without our having to fight our way through all the traffic.’

‘Stop moaning Pat. We’ll be in Poole for lunch.’

George Pike, their driver, made good time to the Battersea Heliport in spite of the struggle through London’s late morning traffic tangle. Not that the time made any great difference, Fitzwilliams had called ahead so that the pilot would be cleared for take off as soon as they arrived.

Battersea Heliport and the City Airport were near at hand ensuring Fitzwilliams and his key staff rapid hassle-free transport to any UK or European destination. The bank’s Gulfstream executive jet and Agusta helicopter provided a daily standby service, linking the bank’s key business centres and more important regional offices together.

Pike dropped them off and then headed for Putney and the M3. He with the Bentley would be on call during the week in Poole, ferrying Fitzwilliams’ friends to and from the airport and for their shopping trips into Bournemouth.

The flight took less than an hour and once landed the ground hostess handed Fitzwilliams the keys to his Porsche, which was waiting outside of the private terminal. Twenty minutes later they were at the banker’s waterfront home in Sandybanks.

They quickly dropped off their affairs with housekeeper and shed their bespoke City uniforms for weekend casual attire, then the transformed bankers strolled over to the boat pier where a semi-rigid was waiting to shuttle them out to the Marie Gallant II. Their week’s holiday was all set to go, starting with a deck party that evening on the luxury yacht. The weather was great and the five day forecast announced an anticyclone over southern England with clear skies and temperatures in the mid to upper twenties.

The Basque Country

Jack Reagan sipped a cold beer as he admired the view from his vacation home in the small border town of Hendaye, on the Basque

Coast, in the south-west of France. The weather was unusually hot; just over 37°C, one of the highest temperatures ever recorded in a region known for its mild and often wet temperate Atlantic climate. Every year he and his wife spent a couple of pleasurable months there, relaxing by the sea, walking in the foothills of the Pyrenees, enjoying the local gastronomy: piperade, tapas, jamon Iberico, and drinking Rioja and Irouleguy wines.

To the south side of the border lay the País Vasco or Euskual Herri, an autonomous region of Spain. To the French side, the Pays Basque had no political status, to the great chagrin of the few remaining real Basques, other than through its long history and traditions.

In the background a twenty-four hour TV news channel was reporting alarming news from the Lebanon, which, perhaps understandably, seemed unimportant to the tens of thousands of carefree holiday makers sunning themselves on the town's long sandy beaches. Yet another Middle East crisis had pushed the price of gasoline to new heights; the equivalent of almost eight dollars a gallon at the pump, a figure that would have caused a revolution in the US.

The population of Hendaye, as every summer, had jumped from its normal fifteen thousand to almost eighty thousand with the annual influx of holidaymakers and day-trippers. There was nothing unusual about that. What had changed were property prices. Inexplicably these had gone through the roof, rivalling those of Paris, eight hundred kilometres to the north, and Madrid, five hundred kilometres to the south.

Reagan could not help wondering why property prices in Hendaye, a small, almost insignificant, town tucked away in a relatively quiet corner of France, had suddenly rocketed. Part of the answer perhaps lay in the disappearance of borders within the European Union. Hendaye had become an attractive residential area for a growing number of Spanish families from the prosperous neighbouring towns in and around San Sebastian — said to be the smartest seaside resort in Spain — a little over ten miles to the south.

An increasing number of Spanish families were buying second homes in Hendaye and many others were moving there on a permanent basis. Probably due to the lack of readily available homes on the more densely populated Spanish side of the border. There was also the San Sebastian metro system, with the last station of its northern line situated on the French side of the border, giving Spanish residents the possibility of easily commuting from Hendaye to their work places in and around San Sebastian.

In the space of a decade or so, Hendaye's Spanish population had risen to almost one third of its total permanent residents, a not unwelcome change for the previously pleasant, but economically waning, seaside town.

It was a situation that inevitably led to unrestrained property development with the kind of infrastructure projects, said to meet the needs of a burgeoning population, including a large and ecologically questionable garbage incinerator just a few kilometres to the south of Hendaye and its Spanish neighbour Irun.

The municipality of Hendaye formed part of what was called the Consortio, a cross border administrative structure made up of three neighbouring municipalities; Irun and Fuentarrabia being the other two with populations of one hundred thousand and ten thousand respectively. Fuentarrabia, an old and picturesque coastal town, stood on the south bank of the Bidassoa River, dominated by its magnificent Cathedral and the Castillo de Carlos V, built to defend Spain against France in the 16th and 17th centuries.

There was an odour of speculation in the air. Everything was up for sale or aggrandisement, from homes to the extension of the San Sebastian Airport's runway, which if planners had their way would spoil the splendid view from Reagan's stylish traditional Basque home, built on a hill overlooking the bay, not to mention the effect the arrival of large jets would have on the bay's tranquillity.

For decades the small airport and its single runway, lying under the shadow of the 547 metre high Jaizkibel — the westernmost summit of the Pyrenean foothills — and a couple of hundred metres from a sandy bank called Ile des Oiseaux by the locals; a transit zone for migratory birds, had been the point of arrival and departure of not more than a dozen daily commercial flights, half of which were relatively silent turboprops. That was until ambitious politicos and businessmen focused their attention on the advantages that could be drawn from extending the runway. Another half a kilometre into the bay would bring more traffic with the arrival of larger jets. The bay's residents saw it differently: the transformation of a site of extraordinary natural beauty into another polluted regional airline hub.

Even Hendaye's small park with its century old plane trees, bequeathed in trust by a long defunct owner, was being transformed into yet another concrete play park. On a very much larger scale was the project to cover the one hundred and fifty year old Paris-Madrid railway line that ran through a deep cutting in the town's centre. A massive pre-stressed concrete platform was planned, more than three hundred metres long by almost one hundred wide. A project more in keeping with a monumental building than the foundations of a small town apartment complex. On completion the development would also include a shopping centre and a parking facility, all conceived on an entirely speculative basis. The architects plans showed a total of three hundred and fifty apartments, increasing the total number of residential units in Hendaye by not far off ten percent.

Elected representatives told voters the changes were needed for growth, for jobs, to encourage development. Reagan asked himself what they would do for an encore once the on-going projects were completed. Would the cycle start all over again? Then again, and again? Who was going to pay for it? Where would it lead to? Were such changes needed? Changes if repeated on a national and international scale would surely influence the course of events in other parts of the world: the struggle for resources, oil, minerals, water, space — with the threat of climate change, and a future where summers with temperatures of 37°C in temperate regions would become commonplace.

London

Arriving in his more than generously spacious office high above the narrow streets of the City of London, Fitzwilliams, sporting a fresh tan, felt very relaxed after his week of yachting and partying in Poole. He sat down to his morning coffee and picked up the neatly folded copy of the Financial Times his secretary had placed on the coffee table before him. There was not much serious news; trade between rich and poor countries and some nonsense about pig bladders.

He buzzed his secretary.

'Is Pat in yet?'

'No, he's called to say he'll been in about lunch time.'

Fitzwilliams snorted. Thinks he's still on holiday, he mumbled to himself putting down the phone.

Over an hour later Kennedy waltzed in looking pleased with himself. His sunburn was looking less vicious, probable due to the fact he had sloped off with a nice-looking Russian blond, one of Sergei Tarasov's party, present on the Marie Gallant II for the weekend.

'Been taking care of your sunburn,' asked Fitzwilliams sarcastically.

'Fitz,' he said in a familiar bantering tone. 'I was showing Anna around London.'

'I'll bet you were. Swatting up your Russian!'

Kennedy shrugged uncomfortably.

'I'm starving,' said Fitzwilliams moving on to something more to the point. 'Let's get something to eat.'

'Where? Upstairs?'

'No. The pub.'

The Stone Horse Paper Cow was a short walk from 30 Saint Mary Axe. A quick glance around assured Fitzwilliams they would be safe from lurking City journalists ready to transform a beer and a sandwich into a wild rumour. It was still relatively quiet with many City workers still on holiday.

They ordered beer and sandwiches then seated themselves in a couple of comfortably worn leather arm chairs around a low table in a quiet corner.

‘After all the Champagne and caviar it makes a changed to have an old fashioned cheese and pickles sandwich.’

Kennedy nodded stuffing a ham sandwich into his mouth.

‘Quiet isn’t it.’

‘Holidays.’

‘Hmm.’

‘There’s talk about a liquidities problem in the States.’

‘Will it affect us?’

‘Difficult to say. I mean we’re in the mortgage market.’

That afternoon there was a buzz about a problem at the French bank BNP Paribas. The rumour concerned three of the bank’s funds that had lost over twenty percent of their value during the course of the previous week.

Wednesday morning, August 9, the BNP Paribas formally announced the suspension of three of its funds that had invested in US sub-prime mortgage assets using short-term borrowed money.

‘The complete evaporation of liquidity in certain market segments of the U.S. securitization market has made it impossible to value certain assets fairly, regardless of their quality or credit rating,’ the bank’s spokesman announced.

The non-specialist world suddenly discovered sub-prime mortgages: the riskiest kind of property loan, conceived for buyers with low credit ratings, payment difficulties or a poor credit history.

Fitzwilliams immediately called a meeting of his closest advisors to determine the impact a liquidities crisis could have on the Irish Netherlands Bank, which with its broad based retail banking business had recently turned, like its rivals, to non-retail funding for its mortgage products.

It had never occurred to Michael Fitzwilliams, when he sipped Champagne with friends and hangers-on, aboard his luxurious motor yacht during the heady boom years, that the future would be any different, a utopia of greater profits and personal wealth. An observer could have been excused for wondering whether Fitzwilliams had forgotten all he had learnt at the LSE, or if he had simply become blinded by his own cupidity.

In the happy summers of 2006 and 2007, holidaymakers strolling on the quay in Poole gawked at the rich at play on their yachts. Those blessed by fortune included bankers and traders, property developers, estate agents and mortgage brokers. Many lesser mortals certainly asked themselves where they had gone wrong, how come they had missed the gravy train in the speculative years of the property boom?

2008

February

Several days had passed since Tom Barton said goodbye to Emma Parkly in New Delhi. On arrival in Bangkok he had set about exploring the city, discovering to his surprise a considerable contrast with the poverty and underdevelopment of India, where he had just passed what was doubtlessly the most difficult month of his life. During his stay in the small coastal resort of Kovalam a cholera epidemic had broken out, ending with the spectacular evacuation of thousands of foreign tourists, airlifted out of the country before the ecstatic cameras of the world's news media.

Barton had been looking forward to Emma joining him once she had completed the remaining formalities relating to death of her husband, Stephen Parkly, head of the failed West Mercian Finance mortgage bank. Since Barton's last call to the New Delhi Oberoi, a thin shadow of doubt had drifted his mind. Was it his imagination, or was there a barely perceptible change in the tone of her voice, a vague hint of vacillation? But Emma reassured him announcing she had booked a flight to Bangkok for the following Sunday.

The next evening Barton called the Oberoi as promised. Emma was not in her room. He left a message then waited in his suite, in vain; she did not return his call, leaving him tormented by doubt and uncertainty. The following morning he called again, without success. That same evening, to his profound chagrin, he was informed she had quit the hotel.

Late the following day she called from London; he was not totally surprised. Her father had been suddenly taken ill, she weakly explained. She had had no alternative but to fly home from Delhi to be with her mother. The doctors pronounced a mild stroke, it was not life threatening. Emma then quietly informed Tom she would like to spend a little time with her family. There was little he could do but try to hide his pain.

The days passed. A week later she was still putting off her arrangements to join him in Bangkok. Then, towards the end of Barton's second week in Thailand, Emma told Tom she needed time to rethink the future. He was hurt and felt abandoned after all the promises they had made to each other.

After returning from yet another now depressing walk in the stifling dusty city the front desk handed him an airmail letter addressed in Emma's writing. It seemed strange to receive an airmail letter in a hotel in Bangkok, it was like something from the past. He could not remember when he had last received an airmail letter, something he could have never imagined only two months before, and even stranger in the world of Internet and instant communication.

Apprehending bad news he returned to his suite to read the letter. It was long, Emma poured out her thoughts, she was confused, her parents had persuaded her to take more time to think things through, after all she had her family and friends in London. Starting a new life far from them would be too much — with a man she barely knew — after the dramatic events that had suddenly and brutally changed her life following the tragic death of her husband in India, and the subsequent collapse of his mortgage bank, West Mercian Finance.

At first Barton accepted Emma's need to be close to her family in the UK. Under any other circumstances he would have jumped on the next flight to join her, but given the conditions under which he had left London that was not an option.

There little he could do but wait and hope. Then, as the days passed it slowly began to sink in Emma would never join him. At first he passed the time by the hotel pool overlooking the Chao Phraya River, hopefully waiting for news, making plans for their new life together — where exactly remained vague. Then slowly, as the reality of his situation became clearer, he accepted the idea he was on his own again and began to look at his surroundings differently. He had all but ignored the magnificent hotel and its personnel with their respectful wais, giving little attention to the lobby he passed through each day. He became aware of the enormous crystal chandelier that lit the elegant atrium, the sound of the grand piano, played by a graceful Thai girl, the burbling of the water flowing from the imposing fountain sculpted in white marble that dominated the hall.

Finally, as his hopes faded, he was reluctantly forced to turn his attention to other things. Thailand, he discovered, was different from India, very different. Bangkok was a vibrant modern city, another culture, another world. He explored the seedier side of the city with its abundant bars and clubs: Patpong and Soi Cowboy, for the entertainment of less discerning tourists and weary expats. He had to admit the girls were nice looking, different, but nevertheless attractive. He was tempted by the bar girls and massage parlours, but he had been warned of the risks of such brief encounters; that, with his refusal to drown his sorrows in drink, kept him on the straight and narrow.

Little by little he began to feel strangely at home in his suite, developing a kind of familiarity with the surroundings of the garden wing of the Oriental, a hotel where great writers such as Conrad had once stayed. He drifted into a careless routine, rising early; an hour in the fitness club followed by a shower, then a buffet breakfast in the Veranda Coffee Shop overlooking the river, there he caught up with the details of the international news in the English language press, observing the comings and goings of other guests. Then an hour sunning himself by the pool, becoming part of the scenery, exchanging words with those he began to recognise, business people for the most part.

At first he had kept to himself, his thoughts too fixed on Emma, then as boredom threatened he forced himself into a semblance of action. He checked out the squash courts where he played a couple sets with another long staying guest, who thoroughly thrashed him. Barton was surprised to discover how out of breath and out of form he was in spite of his daily visits to the fitness centre.

After showering he joined his squash partner at the bar for a cold beer. Steve Howard, an amiable Liverpudlian, chatted about Bangkok and South East Asia in general. After more than two weeks of maudlin introspection Howard was a breath of fresh air, unpretentious and good company, asking few questions, clearly used to discretion. Howard vaguely intimated he was an investment consultant, alluding to the development of hotel projects in nearby Cambodia.

He was what certain Americans would have described as a corporate fixer, or the French an éminence grise. Whatever the description it was he who, behind the scenes, arranged affaires for powerful men in the world of business affairs. He was also an astute investor using the knowledge he gleaned in the company of men such as Sergei Tarasov, a Russian banker, and Fernando Martínez, a Spanish property and construction magnate.

He was a discreet guest wherever the rich gathered; London, Biarritz or on a yacht in warm waters. Howard's skills lay in the buying and selling of commercial property: landmark properties, prestigious hotels and the occasional condominium or golfing complex. His commissions had made him wealthy man.

Contrary to growing media reports, Howard knew business continued whatever else happened in the world. It was just a question of looking in the right places. He had no fixed place of business and could move with the market, and like any wise investor he knew the rules were simple and never changed: buy low and sell high.

Howard parted company with the promise of a return match on his return from Phnom Penh, which he informed Barton was just a short hour's flight from the Thai capital. He had meetings scheduled with his Spanish clients who were planning a hotel complex. Laughingly he told Barton of his preference for the comforts of Bangkok, a city of eight million, sophisticated in comparison to the provincial atmosphere of Phnom Penh, a small and underdeveloped city, where it was difficult to go about business unnoticed.

The North Atlantic

Far from Thailand's beaches one of the world's largest collections of private jets stood waiting on the tarmac of Reykjavik's Keflavík International Airport where the temperature hovered around minus fifteen degrees centigrade. The sleek jets were on standby, fuelled and ready for de-icing, all set to fly their newly rich owners from their desolate island planted in the middle of the North Atlantic between Norway and Greenland, to London, New York or any other city where Iceland's elite had built their international network of business operations.

It was surprising, even astonishing, that such a small country, officially part of Europe, with a population of just three hundred thousand souls, was competing with the likes of Switzerland as a major offshore banking centre. In the UK, almost overnight, Icelandic companies had become familiar high street names. There was Baugur, an Icelandic investment group, owner of a long list of British shopping chains and businesses. Landsbanki, a banking group established in the City of London, owned the Internet savings bank IceSave, which held billions of pounds in small savers deposits.

The news that the rating agency Moody's was threatening to downgrade the Iceland's entire banking sector rattled investors. Standard & Poor's warned that Kaupthing, Glitnir and Landsbanki were in trouble, even though Iceland's government had vigorously rejected any risk of a Northern Rock style crisis with its banks.

It was a strange situation considering Iceland's only real economic resource was fishing. What was even more difficult to understand was the country's average per capita income stood at forty thousand dollars, one of the highest in the world, almost double that of a decade earlier.

A small clique of Icelandic entrepreneurs had made fortunes overnight in banking, buying and selling foreign businesses, and speculating on property in the UK and other European countries. The total assets of its banking sector had jumped to eight times the small country's GDP by the end of 2006, a result of the hot money that had flowed into its banks attracted by their high interest rates.

Trouble first appeared at Gnupur, an investment firm that held a large stake in Kaupthing, when it ran into difficulties requiring urgent recapitalisation. However, Icelandic businesses were interlinked by a complex web of cross holdings that tied banks and major business enterprises together. If one got into difficulty it could provoked a chain reaction that would threaten the stability of the whole complex structure.

Kaupthing entangled Exista, an Icelandic insurance and investment group, in its web of misfortune. Exista was also a key shareholder in Kaupthing, which owned forty percent of Bakkavor and twenty percent of the Sampo Group, a Nordic insurance firm.

The incestuous affairs of the country's banks were highlighted by the revelation of their links with Robert Tchenguiz, an Iranian born entrepreneur based in London, known for the lavish parties he threw on his yacht in Cannes and his affairs with a long list of beautiful women, including a former Wonderbra model. Tchenguiz, a director of Exista, owned five percent of the group with much of his funding coming from Kaupthing.

In a similar manner Thor Bjorgolfsson was chairman of Straumur, Iceland's fourth-largest bank, and his father the chairman of Landsbanki. They also owned Samson Holding, which held thirty percent of Straumur and forty one percent of Landsbanki, whilst Landsbanki held almost five billion pounds of UK saver's deposits.

The panic that ensued on the Icex stock exchange in Reykjavik caused a tremor of fear in London where politicians desperately tried to measure the effect an Icelandic failure would have on UK business and savings.

In the City of London the value of the Nassau Investment Fund plunged as rumours of a downgrade hit the market. The Irish Netherlands Bank had sizeable investments via its hedge fund manager Nassau Asset Management in commercial properties owned by the Icelandic investor Thor Jonsson. Confidence was severely shaken and investors were pulling their money out. The only solution was to pump in fresh capital and weather the storm, but capital from where?

Nassau Asset Management's star fund, the Nassau Investment Fund, had more than six billion pounds in assets. Over its short six year existence it had boasted gains of almost eight percent annually and been quoted as one of the most solid investments in the City for middle sized retail investors. In 2006, Michael Fitzwilliams had triumphantly introduced the fund onto the London Stock Exchange, where eighty percent of European hedge funds were listed.

Though the fund itself was based in the Cayman Islands, Nassau Asset Management was an onshore business, as were many fund managers, enabling them to attract funds in financial centres such as the City, which after New York and Connecticut was the second largest centre for the management of hedge funds, and where an estimated three hundred billion dollars in such funds were managed.

Fitzwilliams' had boasted his staff included the most valued specialists in the statistical analysis of financial data and the development of the kind of algorithmic models necessary for sophisticated trading. The team was led by Greg Schwarz, a brilliant mathematician, who had been poached from Lehman Brothers, for an astronomical salary, to develop the models for the statistical analysis needed in electronic intra-day trading.

'Their salaries are out of this world,' Fitzwilliams had told journalists from the City press, 'more than five hundred thousand pounds a year,' adding with a conspiring wink, 'more than my own.'

A Tourist

Feeling a load had been lifted from his shoulders Tom Barton wandered into the hotel shopping arcade where he paused at the hotel's travel agent, amongst the offers posted in its window was a three day trip to Phuket. It sounded like a good idea. Without further thought he went in and the girl informed him the trip included three nights in a hotel near to Patong Beach.

'Is that in the centre?'

'You mean Phuket?'

'I don't know. I'd like something near the centre, the beach area, close to the shops and restaurants,' he said cheerfully.

'Look, La Flora is fine, it overlooks Pa Tong Beach, that's the most popular of Phuket's beaches,' she said showing him a brochure with photos.

Barton wanted to discover where the tourists were going, the routine of the Oriental was becoming a little dreary and he was in need of a change of atmosphere.

'It looks good. When can I go? Today?'

She checked for flights and reservations on her computer, at the same time informing him February was the best season, the weather was good and the skies clear.

'No problem,' she announced after a couple of minutes. 'There's a flight with Thai Airways at 6.40 this evening if that suits you, what would you like, business?'

'That would be nice.'

'How long does it take to go to the airport?'

'You should leave here at 4.30 the traffic is a little less heavy at that time.'

'Okay,' he said producing his still shiny Black Amex card.

After a little more than an hour's flight the Airbus landed at Phuket International Airport, which lay at the northern point of the island, about twenty five kilometres from Pa Tong. The airport was small and carrying hand luggage Barton quickly made his way out of baggage claim into the arrivals area where he spotted a driver holding a hotel sign with his name written in black marker pen, waiting to pick him up.

Outside of the terminal building it seemed hotter than Bangkok. Night hand fallen and from what little he saw of the surroundings they was rural and with little traffic. After exiting the airport the driver took a motorway in direction of Phuket town. After about five kilometres they turned off to the right where the road rose steeply passing over a series of low hills before finally descending towards Pa Tong Beach. The bright lights and heavy traffic announced their arrival in the tourist resort and some minutes later the car pulled into the La Flora hotel on the bustling Taweewong Road.

The hotel was new, only recently opened. Barton's large comfortable room came with a spacious terrace that overlooked the pool and the beach. Checking at his watch he saw it was just after nine; he had eaten on the plane and decided he would postpone any exploration until the next day.

Taking a cold Singha beer from the minibar he stepped out onto the terrace and dropped into one of the chaise longue savouring his new surroundings. It was a change from the background noise and rush of Bangkok. As he sipped his beer he listened to the waves and felt the warm sea breeze, a sensation of release flowed through his body, life suddenly seemed better, though there was a brief pang of tristesse as Emma floated back into his thoughts.

The next morning Barton was up early and after three or four lengths of the pool he headed for the hotel restaurant, choosing an English breakfast and coffee followed by fresh papaya with a slice of lime. He then set off to explore Patong, which the brochure he had picked up described as Phuket's most popular and prettiest beach, offering water sports in translucide waters with hotels, restaurants, shopping centers and a vibrant nightlife filled with endless bars and pubs.

First, like for any tourist, was an inspection of the beach; a tropical paradise set in a crescent shaped bay; surrounded by low hills covered with thick dark green vegetation set against a sharp blue sky. Trees with thick tropical foliage lined the beach offering early risers, busy staking out their claims, protection from an already hot sun. Couples strolled in the gentle ripples of the calm transparent sea as beach attendants unhurriedly went about their work, setting out lines of loungers and parasols on the fine white sand, others attended to the beached jet skis and sailboats for rent. Barton was pleased with what he saw; it was more real than a postcard image and exactly what was needed for a carefree pause in the sun.

Next on his morning's programme was a look at the town starting with Taweewong Road, which ran north to south parallel to the beach. It was a tourist paradise, a profusion of signs and neon lights, a kaleidoscope of fashion boutiques, gift shops, jewellers, bars, night clubs, restaurants, hotels, car rental offices, Internet cafés and tour agencies. Patong was light years away from Kovalam Beach in southern India, where he had made a disastrous start to the year and which had been Barton's first encounter with a tropical beach resort. The tourists, on the other hand, were for the most part interchangeable. Pa Tong was neat and clean, as was almost all that Barton had seen of Thailand, there was not the slightest comparison with Delhi or Bombay, dystopian cities compared to modern Bangkok, the only point of resemblance was the endless tangle of traffic.

It was early; there was still a freshness in the air, everything seemed bright and the people smiling. Early bird tourists looked happy, pleased with life, pleased to be where they were. There was no searching for explanations, the kind of puzzlement he had seen on the faces of tourists in Kovalam, the effort of trying to reconcile local poverty and misery with costly holidays, beaches and sunshine. At the same time it was hard to realize that only three years before Pa Tong had been almost destroyed by the terrible tsunami.

La Flora was situated at the halfway point on Taweewong Road, better known as Beach Road, between Swadirak Road and Bangla Street. He crossed through the slow moving traffic and turned south to Bangla Street. There he discovered an extraordinary profusion of bars and nightclubs, visibly recovering from a long,

long, night, doubtlessly like every night. Young women, who were evidently bar girls, made their way to and fro, they wore short shorts or brief skirts and tank tops, many of them carried bowls that almost certainly contained their breakfast. Cars, pickups, scooters and motorbikes crawled past.

It was understandable that the daily routine in Pa Tong commenced with the beach, where revellers sunned themselves and recovered from their hard night, then as the day wore on they slowly began to think about preparing for the coming evening.

From the brochures he had glanced through on the Thai Airways flight, there were other distractions: visits to butterfly gardens, crocodile farms and elephant rides; not really his thing. There were also boat trips. That did not seem like a bad idea, perhaps he would try that tomorrow. In the meantime he decided when in Rome…and with an indolent about turn made his way back to the hotel to prepare for the beach.

First he picked up a copy of the Bangkok Post Sunday edition and The International Herald Tribune, the latter a couple of days old. Then, nonchalantly, he made his way down onto the beach where he selected a lounger with a good view. A few vendors lazily made their way along the sand displaying their wares, cold drinks, fruit, T-shirts and souvenirs. He positioned himself under the parasol and assiduously applied a layer of sun protection, even though he already sported a good tan he was taking no chances given his now already two months experience of the tropical sun.

Looking around he observed holidaymakers doing the same thing. He wondered which category he fell into. He was not a holidaymaker, and no longer a businessman. Perhaps he could be described as a well-to-do traveller he thought pleased with the label. The past weeks had been so uprooting and so full of events he had had really very little time to analyse his own situation or think about his future.

Emma Parkly had for a moment filled him with what now turned out to be a false promise. It was difficult to accept he had been — how could he describe it — left in the lurch — dropped. Well that was what it was. She had returned home and made a choice and that choice wasn't him. He was back to square one. Not that such an adventure had been part of his original programme, if there had been one.

The International Herald Tribune reported on events in Pakistan and George Bush's African tour. The economic crisis appeared to have faded from the news. West Mercian and the Northern Rock had been forgotten by the press, the former was being bought by a large Spanish bank and the latter nationalized. Wall Street and the Footsie had bounced back in what he judged to be a moment of uneasy calm in the market, between successive bouts of nervousness. Barton knew that the fundamentals had not changed and made a mental note to tell his Swiss account manager to buy gold. The nervosity of financial markets made little difference to him, he had burnt his bridges and the only way was forward.

As the temperature rose and the noise of the traffic from the nearby streets wafted through the air he began to feel stiff on the lounger and started to think about getting something to eat and drink in a cool air-conditioned corner. The food peddlers' wares looked good: fried chicken and freshly cut pineapple, but considering his recent experience in Kovalam he dismissed any idea of ceding to the temptation.

He slipped on his T-shirt and tucking the newspapers under his arm made his way to Taweewong Road, resolved to try one of the many bars rather than go for hotel fare. He had spotted a steakhouse earlier and the idea made his mouth water. After a trip around the block he found La Boucherie, situated in the Royal Phawadee Village. There were no other diners, perhaps it was a little early, but the menu looked appetising. A steak and a baked potato would make a nice change, he was hungry, he had almost forgotten what a good steak was; especially a French one — well at least that was how the menu described it.

He was greeted by a smiling girl who seated him by a window overlooking a small garden area and handed him a menu. He ordered a beer and selected a steak, he felt better, the air was cool, not too cool as was often the case in Thailand where restaurant and hotel staff seemed to like pumping up the aircon. Then inspecting the surroundings he noted the restaurant was part of a hotel, it was not too full and he imagined that at least some of the other diners were hotel guests.

Soon his concentration was focused on the delicious charcoal grilled steak placed before him; he ordered another beer, too busy to see a couple of tourists take a table near to his own. It was some minutes before his attention turned away from the steak and looking up he was pleased to note he had company. A couple of women, who they way they talked he figured were French, one was about thirty and the other in her mid to late fifties, probably the mother. They were what he would have described as stylish, not over tanned, nicely dressed in a casual holiday manner. The waitress handed them the menu and a long discussion ensued. There was obviously some difficulty in understanding and the friendly waitress glanced in his direction for help.

His many visits to Spain had given him a little Spanish, but his French was much more limited. Perhaps it was the waitress's English that was the problem.

'Vous êtes françaises?' he tried.

'Oui,' they replied together.

'You have a problem with the menu?'

'Yes, we want our steak saignant, the English word has slipped my mind?' said the younger woman.

He was in luck; it was a word he knew.

'Ah, rare.'

'Oui, that's the word we were looking for,' said the daughter laughing in amused embarrassment as her English was almost accentless, which was not the case for her mother's.

The girl reminded him of Emma, perhaps a little more confident, sure of herself; not surprising given the circumstances under which he had met Emma.

She told him they were making a beach pause on a tour of Thailand and Cambodia. They had visited Ayutthaya and Chiang Mai and in three days they planned to explore Bangkok before flying to Phnom Penh from where they intended to visit Angkor Wat. The names did not mean very much to Barton, perhaps he had seen them in travel brochures, Thai place names were still confusing and in any case he had no idea where they were geographically. The two French women seemed keen on temples and history; Barton's own oriental cultural knowledge of Asia was limited to the little he had seen during his tumultuous weeks in India.

'Where are you staying?' he asked them moving on to more familiar ground.

'At La Flora,' the younger woman said.

'That's a coincidence, so am I. My name is Tom Barton.'

'I'm Sophie, this is my mother.'

'Nice to meet you.'

'Are you staying here in Phuket — I mean are you visiting the rest of the country?' asked Sophie.

'Not exactly, I'm staying in Bangkok — business.'

'Oh, that must be interesting,' she said brightly, looking at him as though he was a specialist on the country.

'Yes,' said Barton not very convincingly. 'How do you like it here?'

'We've just arrived here, we haven't really seen very much, it seems a little touristique,' said the mother in a more hesitant English and with a pronounced French accent.

'We chose Phuket and Pa Tong in particular because my other daughter was here when the tsunami struck. She's a doctor and helped the injured.'

'It was very bad here?'

'Yes, it was one of the places most affected by the waves, five metres high,' replied the mother. 'Thank God my daughter had arrived late the evening before the tsunami and was in her room when the wave struck. Her hotel was on the hill at the north end of the beach.

'We're flying to Bangkok Thursday,' said Sophie more cheerfully, 'and we'll be staying for three days to visit the sights before leaving for Cambodia.'

Their lunch was served and Barton returned to his steak thinking he should become a little more knowledgeable about Thailand. Up to that point he had been living in a cocoon and had paid little attention to anything else but his own thoughts.

He called for the bill and bid his neighbours goodbye then returned to the hotel where he spent the next two or three hours sleeping off his lunch.

Spain

Grupo Martínez Construcciones, one of Spain’s largest property development and construction firms, like many other businesses, was having difficulties in rolling over its loans as liquidities dried up. This did not however dampen the optimism of Fernando Martínez the group’s founder. He had come a long way since he graduated from the University of Salamanca in architecture almost two decades earlier.

The Spanish property market had experienced a decade of extraordinary growth and many great fortunes were made. There had never been a more propitious moment for investing in building and construction. In 1997 housing starts in Spain totalled 350,000 — then in 1999 almost 600,000 — and over 900,000 in 2007. Grupo Martínez Construcciones was one of Spanish industry’s most glowing success stories. Its new headquarters, a futuristic glass tower, was a gleaming addition to Madrid’s Cuatro Torres Business Area’s skyline.

The entrepreneur’s beginnings, like many of his contemporaries, had been modest. His university professors and fellow students remembered him as extremely hard working and ambitious, from the start he had set his goal on being more than just being another architect. Martínez had been motivated by the need of a diploma and being accepted by the Real Academia de Bellas Artes, this accomplished he turned his attentions to business studies and successfully completed an MBA at Valladolid University before commencing his business career.

Fernando was born in La Alberca, a village that lay thirty five kilometres to the south west of Ciudad Rodrigo, with Madrid two hundred and fifty kilometres to the east and the border with Portugal sixty kilometres to the east.

An only son, Martínez had been an excellent pupil at the village school of La Alberca. The local padre remarking his potential found him a place as a borderer at a college in Ciudad Rodrigo. His parents pride turned to disappointment when at eighteen he left for Salamanca. Though he loved his parents six years in a large town gave him little desire to return to tedious village life. The very thought of following in his father's footsteps, raising sheep on the hard land his family had owned and worked for generations, dismayed him.

As a young boy he had watched his father doffing his hat to the well dressed notables at Sunday mass in La Alberca, then an almost isolated village, situated at 1,084 metres above sea level on the northern slopes of the Las Batuecas-Sierra de Francia mountains. Arriving in Ciudad Rodrigo he remembered how he was laughed at as a paleto by the other borderers.

Fernando's grandfather had often told him stories of the village's curious houses built in granite, the upper levels with timbered beams, their balconies overhanging the narrow cobbled streets and small squares. At that time the village was a backwater with a population of a little more than a thousand, its history going back to the fifteenth century. It was remarked when it became the first village in Spain to be declared a National Heritage Site in 1940, situated in the heart of a natural park, surrounded by four mountain ranges; the Sierra de Bejar to the east, La Peña de Francia to the west, with the Sierras de Francia and Kilama to the north.

Over the years La Alberca's fortunes changed for the better. It was transformed into a picturesque destination visited by Spanish and passing tourists. Its were houses renovated and decorated with geraniums, as were its plazas, with many city people investing in second homes there. The transformation brought a welcome change of fortune for the villages small hotels and restaurants and unexpected prosperity to the village's inhabitants.

At the University of Salamanca, founded in 1218, with its thirty thousand students, Fernando discovered the pleasures of university life taking advantage of the city’s rich variety of cultural and leisure activities. He played an active role in different societies where he learned to use his latent communication skills, winning new friends and build a network of relations that would serve his future needs. His last year of studies was spent in Valladolid, capital of Castella y León, acquiring a precious MBA in business management.

In 1986 Spain officially entered the European Union and investment started to flow in for modernisation programmes of all kinds. Franco had died more than ten years earlier and following the decades of architectural and economic stagnation under the dictator Spain had entered a period of spectacular change. Martínez had no difficulty in finding a job as a junior architect. The country’s construction boom was already launched on a growth trajectory that was to last more than twenty years: housing developments, offices complexes, public buildings, holiday resorts, highways and infrastructure projects were all up for grabs, enriching astute promoters and creating fortunes overnight.

As a creative indefatigable worker Martínez was valued member by the architects firm that employed, but it was too limited for his ambitions. In 1992, on the strength of his six years experience and the business contacts he had astutely developed, Martínez set out on his own working with developers and construction firms for holiday homes on the Mediterranean coast. As business grew, Martínez, seeing the money to be made in construction, invested in a local building firm in difficulty owned by an old but waning Ciudad Rodrigo family. In 1995 he acquired the controlling majority and appointed his close cousin, Antonio Martínez, as managing director. Then leaning on Fernando’s growing political influence, they acquired the contract to design and build a large local housing project.

Phuket

It was five in the afternoon when Barton awoke and pointed the remote control at the television screen zapping from one English speaking channel to another. Bloomberg reported on the volatility of financial stocks and declining hedge funds with a passing reference to Nassau Investment, a fund Barton had vaguely heard of. The BBC announced Gordon Brown would address the House of Commons that afternoon while CNN reported on the US election primaries.

In short there was nothing very new, leaving Barton to shower and ponder his own future. During the brief period since his planned though sudden departure from London, his new life had been punctuated by a series of unexpected and dramatic events. He had barely had time to consider his personal situation after being caught up and carried along helplessly in a turbulent current of circumstance by what he could only explain to himself as fate. For the first time ever, he had lost control of his life. It was now time to define a plan. It was not easy, he was alone, which perhaps explained why he had so easily attached himself to Emma.

It was just after six when he stepped out onto Taweewong Road where the decibels had risen steeply; a sure sign the bars were warming up for another hot night. He turned onto Bangla Road, described as the pulsating heart of Pa Tong's nightlife in the guide books. Darkness had quickly fallen and bright neon signs flashed everywhere. The road was closed to traffic, the crowd thin for the moment. Girls beckoned him from the arcade bars, others sauntered up to him, brushing against his arm seductively, flashing their enticing smiles and their perfect white teeth.

Beyond the bars, small dance floors were already occupied by a scattering of lewd males, including a few sexagenarians. All were Europeans, most grinning mindlessly, as local girls — from nearby and more distant villages — slow-danced with them. Other girls gogoed on bar tops to the beat of the music, gyrating their hips in brief bikinis that glowed blue-white in the fluorescent lighting.

He stopped at Soi Vegas, there was a sign pointing to Sala Muay

Thai, a small Thai boxing arena with nightly fights, he entered and made his way to the bar ordering a beer. It did not resemble the kind of fight evening he remembered from London's East End. A desultory combat was in progress accompanied by the sound of hypnotic Thai music in the less than half full hall.

A Thai girl appeared at his side, pretty, but obviously commercial. She smiled and asked his name in fairly good English, responding to the smile he ducked the question telling her he was waiting for a friend. A few moments later he paid for his beer and left.

He continued his exploration; the bars were mostly indistinguishable from one another as were the scantly dressed girls who waved shamelessly to Barton. He paused at the Tiger Disco, one of at least two dozen bars that lined the road, one after the other. The general impression was of a wild party, an amusement park, as the noise of music and voices built up, it was almost deafening, more girls gogoed on more bars, others pole danced before leering drinkers. A few customers feigned indifference to the scantily clad dancers, others laughed raucously, shouting, transpiring, waving their arms to draw attention to themselves, not that the girls needed much encouragement.

It was after eight when he quit Bangla Road, a little disappointed at his own lack of enthusiasm, returning to Taweewong Road. Then, narrowly avoiding a couple of girls in mini skirts riding past on a motorbike, he turned south where he hoped to perhaps find a quieter bar. Instead he found the road was packed with stalls selling every kind of tourist wares imaginable: from tacky souvenirs to clothing, from sunglasses to jewellery, where the bustling crowd of evening shoppers seemed to move in every direction at once.

He stopped at one of the stalls to look at an astonishing display of watches, all fakes. It wasn't surprising he couldn't have expected a stall in a night market to be selling real gold Rolexs. He was nevertheless taken back by the outward appearance of quality, picking up a Blancpain he compared it to his own, he was surprised, at first glance it was difficult to tell the difference.

'Thinking of buying it?' a voice said behind him.

He recognised the accent; it was Sophie, the French girl from La Boucherie, the restaurant where he had eaten at midday.

'No, but the copies are quite amazing, everything imaginable.'

'In broad daylight.'

'Nightlight.'

They laughed.

'Out for a stroll?' he asked.

'Yes, my mother is feeling tired, it's been a hectic few days, up early, visiting temples, changing hotels….'

'I know what you mean,' he said, thinking of how he over the last weeks he had lived out of a suitcase.

'And you?'

'Same thing.'

They moved on to the next stall selling trainers, again all copies.

'Would you like something to drink?' he said pointing to a pavement bar.

'Why not.'

They took a couple of bar stools, ordered drinks and turned to watch the evening spectacle of tourists bargaining with the locals in the general throng of the market.

'What do you do back home?' asked Barton.

'I'm an architect. Interior design.'

'Are you independent?'

'Yes, well not exactly, I work a lot with my father who is also an architect. He has his firm in London, Victoria Street, and I have my office there.'

'Funny that's where I grew up.'

'Really, where?'

'Not far from Westminster Cathedral.'

'How strange, I went to Grey Coat Hospital Girls School.'

'Do you live in Westminster?'

'Not exactly, it's a bit complicated, my parents are divorced and I live in Biarritz.'

'That's not far from Spain?'

'About twenty kilometres from the border and twenty more to San Sebastian. My mother's family is Basque.'

Barton racked his brain to recall something about Basques whom he hazily assimilated with the IRA, remembering bomb scares that had more than once delayed his flight to or from Spain.

'Spanish?'

'No, Basque.'

'Ah,' he said lost.

'There are Basques in France and in Spain.'

'I see.'

'My father is English, well his family is Irish, maybe you've heard of his firm in London, Michael Emerson and Partners, they designed the Dubai Bank building?

'Emerson doesn't sound very Irish,' said Barton.

'No, but my father was originally from Dublin. My mother's name is Ibarbour, that's Basque.'

'So you're Sophie Ibar…' he said fumbling over the name.

'Ibarbour,' she said laughing at his difficulty with the tongue twisting name. 'No, I'm Sophie Emerson.'

'I'm sorry,' he said feeling silly.

'But I live a good deal of the time in Biarritz — near my mother, and my sister who's a journalist.'

'A journalist!' said Barton.

'A freelance, she specializes in modern Basque politics, writes for French and Spanish newspapers.'

'Interesting.'

'Charlotte — that's her name — but she prefers Maite, that sounds more Basque. Her real thing is anthropology, social anthropology.'

'Ah….'

Once again Barton had the feeling he had lived in a bubble, in more ways than one, over the last ten years or more. He seemed to recall anthropologists studied prehistoric men, or was it some kind of missing link with the apes?

Sophie seeing his unease with Basques changed the subject with a gently mocking smile, 'I also have an apartment in London, Lower Sloane Street, it's not very big, but it's convenient, central and easy to get to the office. What about you?'

‘Well,’ he said looking for a suitable reply, ‘I’m in business.’
‘Yes, you said you were based in Bangkok.’
Barton thinking quickly remembered his squash partner in Bangkok and said, ‘I’m into investment, property, hotels, here in Thailand and Cambodia.’
‘So you know Cambodia, that’s where were going to next.’
‘Not really, it’s my partner, who handles Cambodia,’ he said getting in deeper.
‘And you’re on holiday here?’
‘Just a few days, checking out the rebuilding after the tsunami.’
‘Of course. I’m sorry but I’d better be getting back,’ she said looking at her watch, ‘my mother’s alone.’
‘No problem, I’ll walk back with you.’
Barton left Sophie at the hotel.
‘I’ll see you tomorrow.’
‘I’d like that,’ Sophie replied.
He then strolled along the beach enjoying the warm evening breeze looking forward to meeting up with her again.

The following morning from his terrace he spotted Sophie taking breakfast alone on the poolside terrace. Quickly slipping on his shorts and a tee shirt he made his way down to join her.
‘Where’s your mother?’
‘She’s a little tired. She’ll be down shortly.’
‘She not unwell I hope?’
‘No not at all, just taking it easy before we start travelling again. Have you had breakfast?’
‘Not yet.’
‘Join me then.’
‘Thanks,’ he said sitting down.
A waiter appeared taking his order for coffee and fresh fruit juice then pointed to the buffet.
‘What are your plans for the day?’ he asked trying to read the title of the book that lay on the table beside her.
‘Houellebecq,’ she said.
‘Sorry?’

‘Michel Houellebecq — The Possibility of an Island.’

Barton looked non-plussed.

‘I picked it up at the airport. He lives in Ireland.’

‘Who?’

‘Houellebecq.’

‘Oh, my grandparents were Irish,’ he replied for want of something better to say.

‘What are my plans for the day?’ she said amused at Barton’s discomfort. ‘Well, nothing special, I can’t really leave my mother alone. I suppose we’ll stay on the beach. I would have liked to try a jet ski.’

‘What’s the problem?’

She laughed, ‘I’ve never tried it before.’

‘I’ve had plenty of practice in Spain, if you like you can I can show you.’

Her face lit up, ‘I’d love that.’

‘Great.’

‘Once my mother is fixed up on the beach.’

‘Good.’

An hour later they were speeding across the turquoise bay with Sophie hanging on to Barton as the jet ski bounced over the waves.

Notting Hill Gate

The prospects were not looking so good for Sarah Kavanagh; the days when Russians bought London properties without asking the price were counted. The myth that quality property would not be affected by the crisis had exploded in the faces of her smug employers. Prices began to tumble and the scramble to get out of Cool Britannia looked like it could turn into a stampede if things got as bad as certain predicted they would.

Sarah’s year end bonus, in spite of the pessimistic news building up on almost all fronts, had been over one hundred thousand pounds. The firm’s partners pocketed very much more. They had had a good year and wisely built up a reserve to tide them over hard times.

The prospect of a property downturn was not all bad news since Russian oligarchs and the like had to sell, whatever the price, which meant that the partners would continue to earn solid commissions. Moreover, once prices became attractively low for those having strong financial positions a killing could be made, it was just a matter of time.

Sarah had taken out a stiff mortgage to buy her Notting Hill Gate flat. She had paid a top of the market price for the small flat in not the smartest spot of an otherwise fashionable district of London. Her mother had paid the deposit, assuring Sarah a foot on the property ladder, the rest was covered by a sixty percent plus mortgage with West Mercian.

Her job at Guthrie Plimtons, an upmarket real estate agent, had been good, and working in their very stylish Mayfair offices had been something to swank about. Sarah was the first to admit she had given little thought to the future, she had grown used to her annual bonuses that more than covered the overdraft at her bank, money burnt a hole in her pocket. She had had been taken in by the story prime properties would be unaffected by the fall in prices, her bosses had told her so, and was sure cash would continue to flow in as it always had for her.

It was true for some the roll would go on for ever, the truly rich would always be rich, they lived in a world so far removed from ordinary mortals it was not even worth the trouble to try to understand. It was inevitable that Sarah would become dazzled by the rich and ultra-rich clients she encountered in her job, for whom ten million pounds for a home in London was a mere bagatelle, she even deluded herself by identifying with them and quickly glossed over her own modest middle class background.

Her bonuses seemed to evaporate in a self induced illusion of wealth, disappearing as fast as they came. Sarah, a self-confessed fashionista, she shopped until she dropped: dresses, handbags, shoes, perfumes and fashion jewellery. Cash became like Monopoly money, there was nothing in the shops she could not afford, anything she wanted she bought. She vacationed in the

Caribbean, Spain, Dubai and even Australia, staying, naturally, at the best hotels.

The shock came when Lionel Guthrie announced an opening for her in the Caribbean. The trouble was she wasn't looking for an opening. Of course the Caribbean sounded good, good for a holiday, but why quit London, that was where it was all happening. She had gotten used to living a Champagne lifestyle.

It took a little time to decipher Guthrie's smooth words. Business was not looking so bright, and as for the opening it was that or nothing.

More depressing was the news concerning the value of her Notting Hill Gate flat, it had unexpectedly fallen. Pied-à-terre style flats represented a significant proportion of all properties in residential central London and with the encroaching crisis there was suddenly a glut of similar properties on sale. Second home owners were downsizing. To make matters worse the idea of renting out the flat was not good — rents had started to fall, in any case Sarah wondered whether the job she was being offered would last long. As for Dominica she vaguely confused it with the Dominican Republic, a package tour destination for the less discerning to her mind.

Bangkok

It was mid-afternoon when Barton arrived back in the Bangkok Oriental where he found a message waiting for him at the desk. Howard was back. He called his room and they agreed to meet in the squash courts for a game late in the afternoon. It would be a good opportunity to learn something about Cambodia.

As Sophie's flight was scheduled to arrive late that evening, they had decided to meet for lunch the following day at her hotel, the Royal Orchid Sheraton, just a short distance along the river from the Oriental. Their plans were to visit the Grand Palace and Wat Phra Kaeo.

Barton immediately spotted Howard's imposing frame in the squash club where he was seated before one of the courts, a cigarette in hand, concentrated on a couple of sporting Thai girls whacking the ball.

‘Looking at the game or the girls?’

Feigning surprise he turned towards Barton and stood up, obviously pleased to see him again.

‘Tom, how are you doing?’ he asked warmly in his soft northern accent. His home was in Southport though he had grown up in Liverpool itself.

‘Great, and you?’

‘Glad to be back in Bangkok. Those who think this place is difficult to do business in should try Cambodia.’

‘How’s that?’

‘The whole bloody place is totally corrupt!’

‘I can imagine it,’ said Barton not over surprised.

‘There’s not much you can do about it, you have to live with it.’

‘What about Angkor is it worth visiting?’ asked Barton anxious to have his new opinion.

‘Absolutely, it’s definitely one of the wonders of the world, that’s why we’re investing in Siem Reap.’

‘Where?’

‘Siem Reap, that’s the name of the town next to Angkor. You should visit it, well worth the trip.’

‘I was thinking about that.’

‘Great.’

‘They’re Brits or Americans?’

‘Who? Oh sorry — no Spanish. A hotel complex.’

‘That’s not surprising, the construction business in Spain is going through a rough spot.’

‘Right, that’s why they’re getting into new markets.’

‘Which company is it, if that’s not indiscreet?’

Howard looked at Barton, weighing him up. ‘Martínez Construcciones,’ he said after a moment.

‘Ah yes, I’ve heard of them, they’re big.’

Barton had been involved in arranging mortgages for buyers at a Martínez development just outside of Marbella where they were promoting a large complex of holiday homes and a golf course.

Howard then informed him there were several flights a day to both the Cambodian capital and Siem Reap, where he could pick up a visa on arrival.

'What's the best place to stay?'

'It depends on how long you're planning to stay and where, my business is in Phnom Penh and Siem Reap — Angkor. In Phnom Penh I stay in the Raffles Royal, in Siem Reap I avoid the big hotels, too full of tourists, I usually stay at a guesthouse.'

'A guesthouse?'

'Well it's private villa, the company guesthouse — for VIPs,' Howard said laughing.

'Ah so it's not for tourists.'

'Actually it belongs to the group I'm working with, their directors usually stay there, you know the Spanish Group. I can arrange for you to stay there if you like.'

Howard was not the kind of person to slum it, thought Barton, so why not give it a try.

'I'm thinking of going in a couple of days, the day after tomorrow, some friends of mine are visiting Angkor, they have their own arrangements.'

'Good, at the moment I think there's still one or two people there, the others have just gone back to Madrid. I'll call the house manager.'

'I'd like that.'

'Excellent. What are you doing this evening Tom?'

'I've got nothing special planned.'

'Why don't we have dinner together, we can go to the British Club.'

'Sounds good to me.'

'There are not only Brits,' he added perhaps detecting a little uncertainty in Barton's voice.'

'No really I'd like that — Brits or no Brits.'

'Great, let's meet in the lobby at eight.'

The club was a ten minute taxi ride from the hotel, a palatial looking establishment situated on Suriwongse Road. On the Friday evening menu was a curry buffet, but the first things first, a before diner drink at the Churchill Bar, a cross between an English pub and a club bar, furnished with comfortable armchairs and low tables.

There was a small crowd in the bar and from the smiles and nods to Howard it was obvious he was a regular visitor to the club. At first glance most were Brits, but Barton detected one of two foreign accents.

'What'll you have Tom?' asked Howard as they reached the bar.

Barton looked at the signs, being not much of a drinker he sometimes felt a little out of place in strange pubs and bars.

'I'm having a Singha,' said Howard helping him.

'Me to.'

The barman set two glasses of Singha draught on beer mats before them.

'Cheers.'

'Nice place,' said Barton admiringly. 'This is where you hang out in the evenings.'

'From time to time, a little too much expat talk for my liking, you know shop talk and cricket matches. Not really my thing, but there's not much else to do.'

'I thought Bangkok was full of night life?'

'For tourists or short stay visitors, the fun soon wears off.'

'So what do you do with yourself then?'

'I'm interested in underwater archaeology.'

'Treasure?'

'In a way, but not gold and silver, mostly antique Chinese porcelain.'

'Do you explore by yourself?'

'No, here I have friends at the Southeast Asian Ceramics Museum at Bangkok University. They organise exploration expeditions.'

'Interesting,' said Barton once again realizing he had lived in a narrow world of mortgage brokering in the City and knew so little about much of the outside world.

'Yes, theoretically it's tightly controlled, but unfortunately anything goes. But it's great, you meet all kinds of people, from palaeontologists to archaeologists.'

Barton had no time to reply a tall well built man appeared. He grasped Howard's shoulders in a friendly and familiar gesture. 'How are you Steve, nice to see you,' he said in an accent that Barton had difficulty in placing.

'Hi there Sergei. Great, great. Let me introduce you to a friend, Tom Barton, he's a newcomer to Bangkok.'

'Sergei Tarasov, nice to meet you Tom,' he said thrusting out a confident hand.

'I'm just beginning to find my way around,' Barton replied as his hand was taken in a firm grip.

'What are you having?' said Howard pointing to vaguely to the brightly lit shelves of bottles behind the bar.

'I'm okay for the moment Steve, I with some of the guys from HSBC,' he said nodding over his shoulder. 'I'll catch you a bit later.'

'A Russian,' Howard said in a low voice as Tarasov headed back to his friends. 'In business in the City, made a lot of money in oil and gas. He's also in banking. At the moment he's in and out of Thailand on some deal with Thai Gas. He's also looking at a couple of property deals.'

'Interesting,' Barton replied, not knowing anything about oil or gas. 'How's the property market here?'

'Not great, but it depends on the deal.'

'What's his interest then?'

'Condos, for Russians, they've got plenty of money at the moment and Thailand's not that far for a lot of Russians.'

'I didn't realize that.'

'We'll have a drink with him after we've eaten.'

The diner wasn't bad, it didn't resemble the curries Barton had so recently eaten in India, on the other hand he was enjoying the company of Howard who spoke about Cambodia recounting amusing anecdotes about his negotiations.

'Isn't being away from home all the time difficult?'

'No, I get back quite a bit. I'm single — divorced, no kids — you

know too much travelling and all that.'
'How long do you expect to be staying in the region?'
'Well we should be signing pretty soon now, I'm just waiting for the confirmation from the Thai investors and the Cambodians. Once that's tied up then Martínez will be back for the ceremony. It just depends on the financial arrangements between the Thais and Santander, the bank that's financing the business, you know guarantees and all that.'
'They've been pretty active in the UK.'
'Martínez?'
'No, Santander. They bought out Abbey and are about to pick up West Mercian.'
Something on Barton's face prompted Howard's curiosity about him.
'You've not mentioned your business Tom? Perhaps it's confidential,' he said teasing him a little.
Howard was one of the few Brits Barton had been relatively open to about his own life since he had left London, he seemed dependable, somebody who had no doubt experienced some of the ups and downs in life. Then after the beers and a glass of wine over diner Barton felt encouraged to confide a little more in him.
'Well I am — was in — property, in the City.'
'Was?'
'It's a long story.'
'Sorry, I didn't intend to pry.'
'No, it's not a problem. I quit the business — made some money — now I'm wondering what to do next.'
'I see.'
'I did a lot of business with West Mercian.'
'They were unlucky. I met Cameron a few times — then Parkly.'
'Interesting.'
'Terrible about what happened to him.'
'I was there.'
'Where?'
'India.'
'In Kovalam!'

‘Right.’

Barton told him the story of the Cholera epidemic in Kovalam and Parkly’s death.

‘Incredible. So what happened to Emma Parkly?’

‘Back in the UK.’

‘So what are you going to do now?’

Slowly Barton told him his story, how he had quit his brokerage business in the City, leaving for Dubai, then India and now Bangkok.

‘If it’s not a fair question, you don’t have to answer, but you must have made quite a bit to be staying at the Oriental long term.’

‘Yes,’ he replied, leaving no doubt about the fact. ‘Honest by the way, wheeling and dealing if you like, but aboveboard,’ he paused, then added with a smile, ‘at least in my books.’

‘I see what you mean,’ said Howard laughing, relieved that Barton took it that way.

Barton laughed too and felt relieved; better for confiding in Howard, a man like himself. He was the kind of person he trusted, like himself, single, independent. Those who were married often felt the need to let their wives into their business and other secrets opening the way to all kinds of problems.

‘By the way Tom be careful in Bangkok. I don’t want to tell you how to suck eggs, but be watchful about the kind of women you meet in bars, you could wake up in a bath full of ice,’ said Howard seriously.

‘A bath full of ice!’

‘That’s what I said. The last thing you remember is having a strange tasting cocktail and you see a note floating next to the rubber duck saying, “We’ve taken your kidneys. Here’s the number for the hospital. Call it immediately or you will die.”’

‘You’re joking!’

‘I don’t know,’ he laughed loudly, ‘but it’s a story going around.’

‘I’ll make a note to be careful.’

‘Look why don’t you put your visit to Angkor off for a week then you can keep me company on my next trip to Phnom Penh.’

‘That’s a good idea, but I have to be there sooner.’

‘Sooner?’ said Howard raising his eyebrows in surprise.

‘Well, you see I met this girl in Phuket, a French girl, she’s going there on Friday and I was thinking of joining her, she’ll be there for three or four days.’

‘Ah, a French girl, I see. From the frying pan into the fire.’ He paused a moment then said, ‘Look use the guesthouse, then I’ll join you after your friend has gone. A few more days away wouldn’t do any harm especially with the problems here,’ he added alluding to the political demonstrations that were beginning to heat up in the streets of the city.

‘Sure,’ said Barton unaware of the growing political crisis in Bangkok.

‘We should be getting over to the lounge, Sergei will be looking for us.’

‘Maybe you have something private you want to talk to him about.’

‘No problem.’

The lounge was like an old fashioned club room, sedate and comfortable, with discreet waiters who at a nod would be at hand to take orders for drinks. They found an empty corner and were settling down into the plush armchairs when Howard spotted his Russian friend at the door and waved to him.

‘Over here Sergei.’

‘So Steve what’s new,’ said Tarasov seating himself next to them and waving to a waiter.

‘Got back from Phnom Penh yesterday, it’s looking good. They’ll probably sign next week. What about you?’

‘Excellent, with the price of oil going up Russia is doing fine and people are spending. It’s a good moment for your average nouveau riche Russian manager to buy a second home,’ he replied with a cynical smile.

‘Do you think the price of oil will go higher?’

‘The price of oil is not important, what is important is to make a profit from it while it lasts, covering yourself for a quick retreat if things go wrong, as they often do.’

As a Russian Sergei knew his country’s history and how quickly things could change for the worse.

'What are your plans Steve?'

'Well once the business in Cambodia is completed I suppose I'll be back in London.'

'Good I have some business you can help me with. If we could have lunch tomorrow I'll fill you in.'

'Suits me.'

'And Tom, what's your business.'

'Property and finance,' replied Barton becoming used to the question.

'Ah, interesting.'

'By the way Steve, I'm planning a little get together on my boat soon, I'd like it if you were there.'

With that Tarasov stood up.

'So tomorrow, lunch — at my place.'

'Count on me.'

'Nice meeting you Tom.'

Miami

A tactical retreat to Miami had always been a possibility and when Sid Judge's UK investment firm, Home Counties Properties, went belly-up, his sudden appearance in the Sunshine State did not surprise those who knew him well. Sid had always been way ahead of the market when it came to scams and after promising annual returns on property of as much as fifteen percent it was not wise to hang around to explain the vagaries of risky investments to dumb investors.

Small punters willing to invest ten thousand pounds or more had been assured that the flats and houses acquired in and around London would be modernised, maintained and very profitably let to selected tenants. The firm's luxuriously renovated and furnished show homes, glossy brochures and London headquarters in Victory Street, had been more than enough to convince investors of the quality of the investments proposed. Management of the properties had been sublet to third parties paid large fees to ensure their complicity.

Sid Judge hopped on the first flight to Miami when he got word he was wanted for questioning by the Serious Fraud Office, accused of deceitfully using investors' money. His highly geared buy-to-let investment firm was bleeding cash as hundreds of the properties bought by his company were exposed by the press as being abandoned and unoccupied, with building and maintenance contractors unpaid.

Things had got serious when the Irish Netherlands Bank, which had financed him in the good times, leaned on him, demanding him to increase his firm's equity to compensate for falling property prices. The need to find additional millions came as a shock to Sid with his investors already rattled by the approaching crisis. It was all in the small print and Sid had only to read the agreements with the bank to know that the bank could ask for additional funds if the firm's assets shrunk in relation to the value of its loans.

Sid's system was not unlike a boiler room scam where small middle aged punters, amongst the most naïf and poorly informed, were the targets when they sought higher returns on their savings. They were conned into investing in a company that was on the surface genuine, cloning the names of well known property companies to dupe incredulous investors. Investor's money was deposited into bona fide British bank accounts, part of which was used to pursue a semblance of business and the rest siphoned off via different accounts to an offshore bank in Dominica.

Sid's arrival in Miami coincided with a steep fall in property prices that was beginning to make prime real-estate in Florida look attractive to cash-rich investors. The glut of new properties on the market was forcing desperate developers to offer discounts of up to fifty per cent.

He was not a newcomer to Florida, or to its property market. Sid's first foray into Miami real-estate had taken place at the turn of the millennium when he discovered the quick gains that could be made from flipping. At that time anybody could with a minimum deposit sign up for a mortgage as prices rose month in month out. He lived extravagantly off the boom flashing his money around and getting a reputation as a high roller. His luck ran out when he got in with a bunch of unsavoury friends and found himself on the wrong side of couple of ugly mobsters. After word got out they were after his skin he had little choice but to make a hurried exit to London. There, with the experience he had gained from his sub-prime adventure in the US, he set up Home Counties Properties and surfed the UK boom.

As in all Ponzi schemes, Sid's UK enterprise got off to a good start, but then, as in the case so many legitimate businesses, he found himself embroiled in the sub-prime crisis. To top his financial worries the Serious Fraud Squad's sudden interest in his business was bad news. It was time to move on. News that the troublesome Miami thugs were behind bars removed most of his qualms about returning to the Sunshine State, where at least the sub-prime crisis seemed to offer the prospect of cashing in on the stricken property market. Sid was not put off by economic situation; on the contrary, he had always known what goes up must come down, and vice versa. In his reckoning property would soon be as far down as far as they could get and cash rich investors from all over the world would soon be scrambling to pick up good deals in Florida.

Miami was living up to its reputation as a sunny place for shady deals and Sid was one of those buyers who, convinced the time was right time, was determined to grab part of the action. He figured that if recovery was not just around the corner it was not that far off, perhaps the green shoots everyone talked of were not yet visible, but the moment was propitious with the market was finally approaching the bottom of the trough. According to Sid's calculations cash rich foreigners would soon be disembarking in the hope of a good bargain, which they would no doubt get, but not before he took his slice.

Sid's primary criterion was size, he wasn't interested in small stuff, he was looking for anything from a thousand square feet upwards, then came proximity to the beach, restaurants, nightlife not forgetting the ever present Miami problem of security. The rest held little interest for him in spite of the heavily discounted prices in Coconut Grove, Coral Gables and South Miami. Sid's focused his attention on Miami Beach, Surfside, Bal Harbour and Sunny Isle Beach. Orlando and the rest was for the chavs and their budgets represented slim pickings.

People forgot that whatever happened America was full of people with plenty of money. Especially those who ran businesses like Terry Young, plenty of cash, import-export oriented, dealing with showbiz stars and the like.

Not all were so lucky in Florida. There were places like Fort Myers, so recently a boom town, where new home prices had doubled in the space of three or four years before plummeting to less than their original price in 2009. They were the homes for workers; McDonald burger flippers and an army of strip workers. Areas of Fort Myers now resembled a war zone, areas where a couple or so years previously there were more jobs than people to fill them. With the crisis restaurants and stores were closing down, and one in four people were reduced to food stamps. In many other parts of Florida the collapse of the American Dream was the same, bringing misery to countless ordinary families.

'Fantastic deal, last year they were asking over four million,' said Sid convincingly, turning to point to the spectacular view from the apartment's panoramic windows. 'Fabulous, in the morning you can see the sun coming up when you're having breakfast on the terrace watching the boats sailing by. It's unbeatable.'

Sid had no difficulty in convincing Terrence Young to go for the condo intended for his daughter who managed his designer fashion boutique on Ocean Drive. What Sid did not tell his friend was he had picked up the property just a couple of weeks before with a mere five percent deposit. A distressed seller with creditors hot on his heels had been happy to find a buyer at almost any price.

Sid could not have gone wrong, he knew the rules; quality and location, and the two thousand five hundred square foot apartment in Bal Harbour had just that, situated to north of Miami Beach, a view overlooking the pale blue pools thirty three floors below with the sea and beach on three sides.

Terry, to his pals, an expatriate Brit, was one of the many more colourful and less scrupulous characters that lived in and around Miami. Owner of a trendy night club in the Art Deco district and a small but very exclusive chain of up-to-the-minute fashion boutiques specialized in designer jeans and accessories. He subcontracted the fabrication in sweatshops in Mexico, where it was rumoured he had dealings with a drug cartel.

Terry had every reason to feel pleased with life as the money flowed into his business. He was a friend of the stars who wore his fashionable designer jeans; the kind of people who frequented his night club, or who bought his jeans did not look at the price tabs.

Sid Judge had first met Young in Romford in his early days when he needed a young tough to accompany him on his rounds collecting unpaid rents. Terry Young, always in and out of trouble, mainly with the police, nothing serious, fights and general unruliness, had gotten on the wrong side of a local police inspector. Sid provided him with enough money to tide him over in Spain whilst things cooled off, but then Terry got himself into a serious brawl with a couple of drunken tourists in a Sitges bar, unable to return to the UK he was forced to flee to France to avoid arrest.

He enrolled in the French Foreign Legion and after a three year stint ended up in Marseille where he met his wife; then owner of a stylish fashion boutique. Without any other skill or experience than that of a tough Legionnaire, he was hired by a security firm, first for the Cannes Film Festival, then to accompany a French pop star on a concert tour in Morocco.

After another brawl outside a smart Marrakech nightclub, he was arrested, accused of drug dealing and jailed. By chance found himself in the same cell as James Milland, a spoilt heir to a British property fortune, going through a wild period of drunken debauchery. Much sobered Milland befriended Young, who speaking fluent French found a local lawyer and after payment of a hefty bribe, arranged by Milland’s family, the charges were dropped and the two men were invited to return to London.

Back in the UK Young had little difficulty in persuading a grateful Milland to put up the money to open a new London nightclub club. Their target was the French colony: young traders and City workers who had invaded London, attracted by the booming financial sector and the opportunities in the freewheeling fashion and showbiz world. Situated off the Kings Road in Chelsea, The Marrakech, a reminder of their adventure in Morocco, was an instant success. Even on weekdays it overflowed with high flying traders and their friends, eager to spend their lavish salaries and bonuses, letting off steam along with the showbiz crowd attracted by glitzy media gossip.

Young's wife, Marise Lang, created a Marrakech fashion line, and surfing the wave of success they successively opened clubs in St Tropez, Miami Beach and Marbella. The openings nights covered by leading gossip magazines featured a galaxy of showbiz personalities: Madonna, Michael Jackson and Paris Hilton, starring David Guetta and other DJ stars. The fashion line became a must, every budding would be wanted to be seen wearing a Marrakech creation; the most exorbitant the price ticket the better.

Sid made a hefty profit on the sale of the Miami Beach penthouse, which he promptly used to buy and flip another bargain he picked up in the same luxury condo a friend Terry had introduced him to. Sid was back in his old business.

As always Sid could not resist making the kind of friends he should have best avoided; his latest were in money laundering for Mexican and Colombian drug cartels. Miami had become the hub of a vast a cash flow system serving to an ever expanding drug network that supplied European markets. Colombian cocaine was shipped across the Caribbean in a system of cash transactions requiring a highly planned network for the laundering of the huge quantities of cash involved.

The money was channelled to Caribbean banks and then, after laundering in tax havens, invested in legitimate businesses including the Miami real estate market. From the US dollars were shipped in vacuum packs hidden on boats and planes of every description and deliver to the Caymans, the Virgin Islands and lesser known destinations such as Antigua and Dominica. It was thriving business, carried out on a vast scale, with huge profits, tax-free, no regulations, no questions asked and no crisis.

Sid was one of the few outsiders to have witness their clearing operations, run on business lines, equipped counting machines and state of the art industrialized packaging systems. Watching the millions of used dollars efficiently processed and packed reminded him of waste paper — green paper. The packing machines were designed for containers and could be loaded onto trucks and transported to a new location at a moments notice. A meticulous accounting system recorded every single dollar of clients' money that passed through the system.

At the UK and European end of the laundering system channelled the incoming cash into a network of legitimate money changers and cash transporters who delivered the money directly to Caribbean banks.

The world market for hard drugs represented a dynamic high growth sector compared to that of cigarettes and alcohol. It was the only sector in that end of the leisure market that was really making good money. Across the Western World cigarette smoking was being forced out of its usual haunts: pubs, bars, restaurants and even public places. Drinking and driving had been outlawed in an age when a driving licence was indispensable. It was no longer possible to spend a relaxed evening out in the company of friends smoking and drinking. Consumers abandoned their age old traditional and legally consumable soft drugs for cocaine, a discreet and easily consumed drug once reserved for stars that could now be snorted in the toilets of any club, pub or bar, available everywhere, affordable to any casual or serious consumer.

Ocean Links, the golf club where Sid Judge had made many of his deals during his earlier ventures in Florida, was a shadow of its former self. The players were older, many well into retirement. They considered themselves to be fortunate, still able to play golf in an exclusive and expensive club. Many of their absent former friends had lost everything in real estate deals, Ponzi systems and other scams.

Behind well the trimmed hedges and impeccable gardens stood the elegant early twentieth century wood framed club house overlooking the beaches of the Atlantic. For generations wealthy members had exchanged tips on lucrative deals, Wall Street rumours and insider information. In the past the club had been more select. Whenever a new member arrived it had been the tradition to present him to the wealthy and powerful inner circle. Years, even generations, had been required to be admitted into that hallowed circle. Newcomers remained on the fringes where they were thrown the crumbs, used, or sometimes plumed by the more predatory members.

Those who could have remembered Sid from earlier times were gone; bankrupt or deceased. Times had changed. Like many Florida golf clubs, even the most exclusive, Ocean Links was trying to keep pace with rising expenses and falling membership. When Sid presented himself as a former player, disdaining the extravagant membership fee, he was made welcome.

Times were hard for so many. For Sid it was different, with his instinctive guile and a ready reserve of hard cash he knew it was the right moment to make a killing.

In spite of the fact that more than one and a half million home owners had defaulted on their mortgages during the first six months of the year and people losing their jobs at an alarming rate, Sid Judge felt confident. His newly found friend, Henry Turner, was the president of the Albany Savings and Deposit Bank, the headquarters of which were conveniently situated in Savannah, just a couple of hours drive north from Jacksonville. What attracted Sid to Turner was the fact that his small bank was doing well at moment when so many other similar small institutions were in trouble.

Like many small American banks the Albany attracted a lot of hot money, volatile money, that jumped from bank to bank in search of the best interest rates. Sid soon discovered the bank owed a good part of its phenomenal growth to Juan Ramón Jiménez, a Venezuelan expatriate, and his friends.

What intrigued Sid was how, in spite of the ongoing crisis, had the Venezuelan's property empire continued to thrive in hard hit Florida.

Phnom Penh

Phnom Penh looked like an underdeveloped provincial version of Bangkok. The people were no different to Thais to Barton's inexpert eye, the landscape was the same, as was the climate, it was not surprising considering it was barely an hour's flight south-east from the Thai capital.

The next day he explored Phnom Penh, visiting the royal palace and other tourist spots, most of which were within walking distance from his hotel on the bank of the Mekong River. The atmosphere was less urgent than that of Bangkok's, more easy going, the city was of course much smaller.

That evening back at his hotel he found a message confirming he would be picked up early the next morning by a car and driven north to Siem Reap. It would have been of course easier to take a direct flight from Bangkok, but Barton had wanted to see the capital and the rural area to get a feel for the country before visiting the ancient ruins of Angkor, he figured it would help him to appear a little better informed when he met Sophie.

After a surprisingly long four hour drive he arrive in Siam Riep and was delivered to the guesthouse off Wat Bo Road, a splendid French colonial style villa surrounded by tropical gardens and shaded by large trees. He was welcomed by an amiable major-domo and shown to a luxurious corner apartment, furnished in traditional Cambodian style, decorated with antique oriental bibelots and paintings, and complete with a spacious en-suite bathroom. The first floor room overlooked the lush tropical gardens that lay to the back of the villa and a perfectly maintained swimming pool complete with chaises longues and a fully equipped bar.

Once refreshed he checked out the location of the hotel where Sophie and her mother planned to stay during their visit. The Raffles, which stood in the Old French Quarter overlooking the Royal Gardens, was a testament to the site's history in comparison with the majority of Siam Riep's recently built tourist hotels. The hotel was about a kilometre's distance from the guesthouse. The major-domo insisted Barton take the car, which he told him was at his disposal, the dry season was not only very hot it was also very dusty.

Barton discovered an old colonial hotel that had first been opened in 1932 as the Grand Hotel. After suffering wars and Pol Pot's cruel Khmer Rouge regime it was now restored to its past splendour and renamed Raffles Grand Hotel. The restoration was in the traditional Raffles style with its legendary sedate colonial air.

The desk called Sophie's room and informed her Barton was in the lobby, five minutes later she emerged from the lift looking enthrallingly fresh, wearing a light summer dress, a pleasant change from the majority of the women tourists he had seen dressed in shorts and jeans.

She kissed him lightly on the cheek.

'Hello Tom, welcome to Angkor,' she said greeting him with a glowing smile.

'Tell me about it, I arrived just a couple of hours ago.'

'Fantastic and we've only seen a couple of the temples.'

'What's your mother doing?'

'She's going to some archaeological lecture,' Sophie replied a little dismissively.

'I don't want to spoil her visit by taking you away.'

'Don't worry about that, she's very independent and in any case she's met up with friends who are working here with UNESCO on temple restorations.'

Barton contemplated the ruins and the twisted roots interlocked with the massive stone building blocks, the ruins of a temple abandoned to what was now dense and omnipresent jungle. Angkor had once been the thriving capital of a powerful civilization, where it was said a million people had lived, a vast city visited by the ambassador of the Emperor of China. The outlying ruins were for the most part neglected, visited only by the more courageous tourists who ventured beyond the well known temple sites..

The Khmer civilization had spanned four centuries before suddenly disappearing, abandoned to the forest and forgotten for centuries. Without explanation. Barton had read Jared Diamond's book Collapse that explained how civilizations rose and fell as they consumed and exhausted their environments to feed and clothe their ever growing populations.

He wondered whether the economic crisis that now threatened was poised to envelope the industrial world and whether the effects of global warming were harbingers of imminent collapse. He was not too convinced about global warming and financial collapses were not new, but Diamond's observations certainly provided him and many others with food for thought.

The planet's political elites had not only failed to resolve its growing economic dilemma, they failed to foresee the crisis even when it was staring them in the face. Only a year earlier politicians, together with the majority of pundits, had dismissed contrarians out of hand scorning them like Malthusian doomsters.

Jared Diamond wrote of environmental, economic and political stress, the meaning of which was becoming clearer and clearer to Barton since he had commenced his random odyssey that had led him to Dubai, India, Thailand and now Cambodia. The political demonstrations he had witnessed as a detached visitor on the streets of Bangkok were a reaction by the people to their corrupt government, the desperation seen on faces in the streets of Phnom Phen was most certainly a reaction to pervading poverty.

The deranging question was whether the American Dream, abundance and comfort for everyman, now struck by a sudden malaise, was sustainable or not. Barton was forced to admit his experience was very limited, but from what he had observed in India pressures on the environment had reached a state of no return and collapse was inevitable if things did not change very quickly. Even in Cambodia's rainforests, he had read, illegal logging had reached alarming proportions, and was condoned by corrupt officials.

Barton had little faith in the institutions designed to save the planet, saving the forest meant nothing for the soon to be three billion Indians and Chinese, not to mind Africans and those forgotten by civilization. Surviving was more important to the disinherited. That very morning a local English language newspaper reported thousands of Chinese workers had rioted at the news of a takeover deal, beating a manager to death. A manager who had earned four hundred thousand dollars a year and whose retired workers were paid a piteous forty dollars a month.

Oil

Sophie left early that morning; up at five and at the airport for a seven o'clock flight to Bangkok with a connection to Paris. They had said their farewells the previous evening with the promise they would meet again in Paris.

After breakfast Barton lounged around half heartedly wondering what to do with himself for the rest of the day. Howard would not be there until about six or seven that evening. The temples were certainly interesting, but he had had his dose, finally after thumbing through a few brochures and speaking with the villa's aimiable major-domo he decided on a boat trip. The nearby Lake Tonle Sap, he was told, was the largest fresh water lake in South-East Asia.

He was driven to Chong Khneas, a floating village — at least that's how it was described in the guidebook. To his disappointment, with the dry season approaching its end, the level of the lake was at its lowest, leaving the village high though not very dry; the broad banks of the lake resembled a vast a mud swamp. It may have been picturesque floating, but beached it was a miserable quagmire; little better than the most wretched of villages he had witnessed in southern India.

He made his way over the rickety board walks and took his place in the small motor boat that had been hired for him, the driver handed the boatman a plastic bag containing a light lunch composed of a couple of chilled cans of soda, sandwiches and fresh fruit. With a wave from the driver the boatman pushed off heading out onto the lake at a leisurely speed. Barton positioned himself under the canopy taking cover from the already hot sun and away from the noise of the small motor then sat back to enjoy the scenery. The breeze provided a pleasant cooling effect; a change from the brutal contrast between the fierce heat of the outside sun and the chill of the guesthouse's overworked air-conditioning.

As the village disappeared behind them the boatman eased off on the motor and they moved smoothly across the still waters. From time to time and he pointed at a bird or the isolated clusters of fishermen's huts that drifted across the surface of the lake.

Barton's thoughts wandered, there was no denying it was pleasant enough boating on a strange lake at the other end of the world, but there was his own curious self-made dilemma, what was he going to do next? It was now two months since he had started his odyssey and at the rate it was going there was no end in sight, there was no fixed objective in sight; he could not continue as an eternal tourist, meeting people, saying goodbye, living in hotel rooms. He was drifting like one of the villages, without familiar surroundings and fixed friends. As a single man he had had few close friends, those around him had been business friends for the most part, more precisely acquaintances. He decided he would speak to Steve Howard whose life appeared to be in some ways similar to his own.

It was after three when he returned to the guesthouse feeling he had seen a little of the real Cambodians and their country. He showered and walked the half mile or so to the centre of the town and found a sidewalk bar where he sat down to watch the passers-bye, tourists and locals working in the tourist trade. When he returned he found Steve seated on the garden veranda drinking a beer.

‘Looks like you could do with a beer.’

Barton nodded approvingly.

‘Good flight?’

‘Yeah, no problem.’

‘What’s your programme?’

‘Got to see the local partners tomorrow probably have dinner with them — and you?

‘Said goodbye to my friends…,’ he lifted his hands trying to look for a logical continuation.

‘Why don’t you join me tomorrow, it’ll be interesting.’

Barton thought for a short moment then acquiesced.

‘Why not.’

The beer arrived and Barton felt better. Then little by little told Howard of his dilemma.

‘So — if I can be direct — you don’t know what to do next.’

‘Exactly,’ he replied ruefully.

‘It’s not as bad as that, relax, something will turn up. You don’t have any problem meeting people. I mean there’s your friend, Sophie.

‘I suppose so,’ Barton replied a little despondently.

‘Come on Tom,’ Howard said with an amused laugh, ‘you’ve got no money problems. A lot of people would like to be in your position.’

‘Yes, I suppose so,’ he replied trying to snap out of his maudlin mood. ‘I’ll have to put it to work — and that’s another of my problems, given the present economic situation.’

‘Concentrate on that. Start by pulling out of the stock market.’

‘Don’t worry I’ve already done that.’

‘Good. One of the short term things to do is to buy into oil.’

‘Oil?’

‘Yes, oil. It’s now at one hundred dollars a barrel and it’s going up. That what Sergei tells me, it’s from the horse’s mouth. It’s the

best tip you'll get for a long time, buy oil futures, it'll cost you a few thousand pounds up front, you can't lose.'
'How come?'
'Look put what you can into oil futures for July put options.'
'How much?'
'Five thousand barrels.'
'Five thousand barrels!'
A quick calculation told him that five thousand barrels was enough to fill ten thousand or more large cars.
'That's five hundred grand.'
'Come off it Tom, don't tell me you can't afford it, you'll only need ten percent up front?'
Barton was not really a betting man, but then fifty thousand up front was not that big a deal. If Steve was right then perhaps he could make more than the lousy interest rate he was pulling in from his term accounts.
'Okay, tell me what to do.'

April
Rehabilitation

The first hint of his possible rehabilitation came when Tom Barton found a copy of the London Evening Standard abandoned on a seat in the coffee shop. The headline announced that the Northern Rock chiefs would not be taken to court over their management failings according to a declaration by the government appointed chairman for the now nationalised bank, who told a press conference, 'There are insufficient grounds to proceed with any legal action for negligence against the former directors.'
As for West Mercian Finance it was being sold off to Santander and its directors cleared of fraud and negligence. West Mercian, like so many other banks, had simply been caught up in what was now seen as a world wide financial crisis, provoked by the enormous lending spree afforded to homebuyers through aggressive and short sighted marketing policies.

The old West Mercian, together with its CEO, Stephen Parkly, who had died suddenly in India, was now history, and its collapse, which had seen a senior board member throw himself under a train, was now almost forgotten as the company was being restructured on a less ambitious scale by its new Spanish owners. The demands of West Mercian's small investors and savers were brushed aside. The mood was don't rock the boat and the new CEO told the press, 'We are now part of one of the largest banking groups in the world and our responsibility is to rebuild our home market.'

Barton's plans were still vague; furthermore he was disenchanted by his attempt to make a new life, at least in Thailand. It was not only the problem of adapting to a new country, a new climate and a new culture; there was also the threat of the growing political rest. The streets of Bangkok festered as the daily confrontations between police and anti-government demonstrators became more violent. To complicate things a border incident between Thailand and Cambodia had deteriorated into an exchange of fire with the death of two Cambodian soldiers. But in the final count he could never feel at home in a country where he did not speak the language, where he now knew, having had time to observe those who had made the choice, he would remain forever an expatriate.

Up to that point Thailand had been relatively untouched by the worldwide collapse of the property bubble. The difference between Bangkok and the other regional capitals was buyers were for the most part were Thai and as a consequence the speculative effect was less than that felt for example in Hong Kong or Singapore, though the glut of new developments reaching completion would certainly influence the market.

The discovery that no legal proceedings would be made against the West Mercian and its former directors prompted Barton into thinking it was perhaps the moment to reconsider the idea of returning home. He, as a broker, had been nothing more than an intermediary and was in no way implicated it the bank's demise, even though he had been instrumental in promoting their unrealistic mortgage offers. As he mulled over his different options the idea began to please him, however, there was no question of flying into the open jaws of the jackals who he knew would be waiting if his timing was wrong.

The big question was where would he be near to home. The answer was not long in coming. The obvious point of fall would be Spain, the only other place outside of the British Isles in Europe that was familiar to him. Then there was Sophie, almost a month had passed since she had returned to Thailand spending an idyllic ten days with him in the east of the country near the Cambodian border on the island of Koh Chang.

There was little doubt that Sophie was the main reason for his malaise. In reality there was nothing for him in Thailand, his sojourn had perhaps been nothing more than an interlude, a useful pause during which he had discovered more about himself and about the world. On the other hand what kind of future could he expect back home in the UK with the effects of the economic crisis growing by the day; that is if the papers and the BBC World Service were anything to go by.

June
England

The Whitsun bank holiday weather was looking promising, and as usual, when he had no special engagements in London, Fitzwilliams liked to head for Poole in Dorset where he owned a weekend getaway, a magnificent twelve room villa overlooking the sea and where his twenty million pound ocean going yacht, the Marie Gallant II, was moored.

Fitzwilliams flew down by his private helicopter from the Battersea Heliport. The Friday afternoon rush out of London with the inevitable snarl of bank holiday weekend traffic made any suggestion of travelling by road unthinkable, though not quite as absurd as thought of travelling by rail with a crowd of bank holiday trippers for company.

His regular guests included bankers, politicians, one or two wealthy locals, and as if to spice up an otherwise dull crowd a couple of showbiz personalities. Fitzwilliams avoided sports stars, particularly football players, and the lesser nouveaux riches, even though certain of the latter had made their money in the City, including a good number of the minor property tycoons. On the other hand he always welcomed media personalities; after all they were part of the hype system that encouraged the British public to participate in wealth acquirement as he like to call it.

The locals knew Fitzwilliams was in town when they saw his black Porsche at the boat pier, not out of place amongst Bentleys and Ferraris that the local jet set used for running around. Surprisingly Poole was amongst most expensive places to live in the UK, if not the world, it was the home of millionaires and celebrities; Fitzwilliams joked it was like Monte Carlo at home.

As for Pat Kennedy, not only the bank's number two and director of the international operations but a close friend and confident of Fitzwilliams, he was always pleased to join the junkets in Poole, even if it meant putting off a weekend down in Biarritz. Pat had been looking forward to practicing his French, though in Poole he would be able to take advantage of his smattering of Russian, which was more useful than one could have initially thought. The growing number of Russian oligarchs and their friends in London had prompted Pat's enthusiasm for the new language that he quickly discovered could be extremely useful, especially since the Russian oligarch Sergei Tarasov had become one of Fitzwilliams' frequent guests.

Michael Fitzwilliams, a fan of Cool Britannia from the beginning, naturally had many friends in high places and was often seen at cocktail parties with the country's leading politicos including Blair himself, another go-getter. The two men were of the same age and Fitzwilliam's arrival in the City, as an up and coming member of an old Anglo-Irish banking family, coincided with Blair's accession to power and the start of the feverish banking boom. After all the Castlemain side of the family had been a part, be it modest, of British banking for generations, even though the troubles in Ireland had at one time cast a shadow over an otherwise prosperous future.

After David Castlemain's disappearance in the Caribbean, Michael Fitzwilliam, a nephew on the aristocratic mother's side of the supposed defunct CEO's family, had been appointed head of the bank. Fitzwilliams had been moulded for a career in the family bank from the outset and after university and the London School of Economics he had spent a year at Harvard followed by five years with Merrill Lynch in New York.

It was in the US he first met Pat Kennedy, another young Irishman, also learning the ropes of his respective trade. Pat, wily though curiously naïve in certain worldly matters, and Fitzwilliams, in spite of their very different backgrounds, became close friends. They were not of the same class, one Protestant and the other Catholic, but they were young, far from home and discovering the world. It was in 1997 Fitzwilliams returned home to take charge of the family bank's mortgage business in their London offices.

In 2000, the sudden and dramatic disappearance of his uncle unexpectedly broadened Fitzwilliams perspective. Up until that point he had been facing the rather uninspiring prospect of working under his uncle at the Irish Union Bank for many more years, something that did not correspond with the ambitious young banker following his eye-opening experience at Harvard and in the rarefied air of New York investment banking. In fact he had been contemplating quitting his solid but unexciting sinecure at the family bank for a position with the HSBC in London when Castlemain's disappearance changed his destiny.

In spite of his uncle's Cuban adventure and high tech investments, the Irish Union Bank had escaped the worse of the dot-com crisis. Fitzwilliams, with his recent mortgage sector experience, swiftly took advantage of growing property values and the booming mortgage business, which he expanded, introducing attractive packages for the Irish and UK markets, structured around the kind of models being promoted in the US.

The guests included Jeroen Hiltermann head of the Nederlandsche Nassau Bank, a venerable institution, founded in Amsterdam in

1796 for the development of business in the booming Dutch East Indies, now part of INB Holdings Plc.

The Dutch bank during almost all of its existence had been controlled by an extremely conservative Protestant family, that is until the relatively young Jeroen Hiltermann took control of the bank following the death of his grandfather. It was a deciding moment as the time was well overdue to broaden the bank's activities and there was no lack of opportunities, the first of which had been the financing of a major computer assembly plant for a Dutch firm in Shannon on the west coast of Ireland.

Hiltermann had naturally been present for the inauguration ceremony and the cocktail that followed, which was somewhat complicated by the difficulties he had in understanding the Irish and by his inate reserve. The banker was not difficult to spot, tall and somewhat stiff, and when Pat Kennedy introduced himself, speaking a vaguely correct Dutch spoken with a solid Irish brogue, Hiltermann was pleasantly surprised. Kennedy's firm had been engaged as accounting and tax consultants by the owners of the assembly plant. The two men hit it off and met for lunch the next day at Kennedy's golf club in the Irish countryside a few miles from Limerick City.

Kennedy's business sense, embroidered with amusing anecdotes relating to international business, impressed the conformist Hiltermann. Pat however took care to omit the unsavoury details relating to his almost catastrophic brush with the Irish criminal justice system. Convincingly, Pat vaunted the advantages of Ireland as a growing financial centre, privileged by low corporate taxes and few regulations, and as ever on the look out for new opportunities he had little difficulty in getting Hiltermann to invite him to stop by at the Dutch bank's offices in Amsterdam on his next trip to the computer firm's headquarters near Schipol.

Hiltermann was delighted to discover of Kennedy's close relations with the new head of the Irish Union Bank and had no problem in persuading him to arrange a meeting with Michael Fitzwilliams with a view to developing business relations between the two banks.

Initially the cooperation between the two banks was timid. A series of unforeseen events changed that; first was the dotcom crash, then came September 11. With the introduction of the euro and both banks seeking a new way forward a merger became inevitable. This gave birth to the Irish Netherlands Bank.

The newly formed Irish Netherlands Bank Ltd. soon became one of the country's fastest growing banks, able to take advantage of a bigger and international banking market that would go hand in hand with the development of the Celtic Tiger economy and the opportunities Cool Britannia offered.

The bank's operations were divided into two spheres of operation. On the one hand the Irish Netherlands Bank Ltd., controlled the UK, Ireland and the Caribbean markets, and on the other the Irish Netherlands Bank N.V., controlled European and South East Asia markets.

With the booming Irish and UK markets, the Irish Netherlands Bank Ltd., had within two years outgrown its Dutch partner. In late 2003, INB Holdings Plc was founded in the City of London and Michael Fitzwilliams appointed as CEO. The new holding, a British banking and financial services group, controlled the Irish Union Bank and the Nederlandsche Nassau Bank with operations in Ireland, the UK, the Netherlands, the Caribbean and Indonesia.

Its UK headquarters was naturally based in the City of London, from where it controlled the holding company's subsidiaries in the Ireland, the UK and the Netherlands.

Hiltermann on his side expanded the group's operations into New Europe and the ClubMed countries, targeting property investments. They were exciting times and the sky was the limit with the bank's executives jetting around Europe signing new deals with an ever-growing list of partners.

The holding company's offices were established in the newly completed 30 St Mary Axe, also known as the Gherkin, on its upper floors overlooking the City and the emblematic Bank of England. Fitzwilliams appointed the well known architect, Elliot Stone, to design a modernistic setting, announcing a new era in the bank's history, consistent with the avant-garde architecture of the landmark tower. The result was modernistic furniture in black ash, black trimming on grey walls, black computers and charcoal grey carpeting set off by valuable avant-garde sculptures and paintings.

The newly appointed CEO took pleasure in inviting his privileged clients and business friends to the restaurant situated under the dome of 30 St Mary's Axe; reserved exclusively for the tower's tenants and their guests, with its stunning view of the world's leading financial centre, dwarfing everything around it, and where it was difficult to resist the 'master of the universe' complex.

Fitzwilliam enjoyed all the privileges expected of a dashing figure in City banking: the luxury of a vast Knightsbridge apartment, a stable of luxury cars, including his favourite high powered Porsche, and to crown his success the Marie Gallant II, his recently acquired motor yacht. In spite of, or perhaps because of, his strict family upbringing and the life he had acquired a taste for in New York, he was ineluctably drawn towards the glittering aura of London's tight circle of rich and powerful people. And naturally his old family wealth together with his eclatant foray into the City never failed to impress his newly made friends. From what he was soon describing as his eyrie, he projected his bold banking style that soon made him the darling of London's asset boom, drawing the admiration of New Labour's politicians and fellow travellers alike.

Financial markets had drifted into a period of calm, lulling Fitzwilliams and his friends into a precarious complacency. He and many others like him fiddled whilst politicians averted their eyes from the crisis that was stoking up. As his party sunned themselves on the deck of the Marie Gallant II many serious people in the London and New York pointed, unheeded, at the imminent dangers the banking world faced. They feared that investment banking had gotten out of control, that the accumulation of massive personal and national debt would plunge the world into a financial crisis never before seen, dwarfing tulip mania, the South Sea Bubble, the 1920s economic bubble, the Japanese asset bubble and the dot-com bubble.

In the middle of the first decade of the twenty first century, investment banking, and its products, was beginning to resemble a South Sea Bubble company that went public in 1720 and advertised itself as ‘a company for carrying out an undertaking of great advantage, but nobody to know what it is’ [sic].

Amongst investment banking’s complex products were credit derivatives, which at the outset were insurance policies on large loans. A lender, for example a bank, could hedge a bet by buying a credit derivative to cover losses if the debtor defaulted. Credit default swaps became the most widely traded form of credit derivative. Though CDSs resembled insurance policies, there was in fact no need to actually hold an asset or sustain a loss, as a result CDSs became broadly used as a means of earning money by gambling on market fluctuations.

Thus in general terms, a CDS functioned like an insurance policy, enabling investors to insure against the default of municipal bonds, corporate debt and mortgage-backed securities. Thus a hedge fund, for example, could collect premiums by selling insurance on a risky bond. However, if the bond went into default, the hedge fund would have to pay out on the claim.

In this way risk was eliminated. Moreover, CDS cover permitted banks to remove the risk from their books, allowing them to lend more without having to increase their legal reserves. Further, unlike traditional insurance, no collateral was required, which meant the hedge fund could sell guarantees without having the least asset to back them up.

This would have seemed fairly reasonable, except hedge funds, to increase their business, allowed third parties, not even remotely concerned by the transaction, to join in, buying CDSs linked to the same loan. Which was equivalent to betting that someone unconnected party would have an accident, or taking out a life insurance policy on a total stranger.

Kennedy

It was six in the morning when Kennedy jogged down to the river bank and under Chelsea Bridge towards the park. He kept himself fit, ate no more than was necessary, drank little or no alcohol, and whenever he could ran three or four miles in the morning before setting off for the City. Battersea Park, bordering the Thames, had over the years become bourgeoisified, invaded by young, upper-middle-class professionals, or as George Pike like to call them, Hooray Henrys and Sloanies.

Unlike Fitzwilliams, Kennedy's tastes were for all that was modern, to his eyes. It was why he chose to live in the modernistic spacious fifth floor Chelsea Bridge Road Warf apartment overlooking the Thames. To one side he had a panoramic view of the river and to the other the park offered a carpet of greenery. The unsightly ruin of Battersea Power Station, in a state of suspended animation, was hidden from view on the other of the luxurious apartment complex.

Surrounded by the springtime exuberance of the park, his early morning sortie was a moment of tranquillity before plunging into the challenging world of City banking. At moments the park vaguely reminding him of his home in Limerick, that is before traffic, and noise, built up on the opposite bank of the river. Kennedy's choice of apartment offered him another non-negligible advantage, it was within walking distance of the Chelsea Kings Road area, whenever he felt inclined to make the effort, with its pubs and restaurants where he could meet his friends, and equally important an easy taxi ride to and from the West End and City when traffic permitted.

Central London with the wealthy areas fringing its parks had become an international melting pot, in much the same way — but in opposite senses — as the poorer areas beyond, a global city. Chelsea, Kensington, Belgravia and parts of Nottinghill Gate were reserved for the truly rich: Russian oligarchs, American bankers, Asian billionaires, petro-dollar princes and a mixture of very wealthy Europeans. The rest was abandoned to a multitude of Third World immigrants struggling to make a living. As for the grassroots English middle and upper middle classes they had become misfits, forced to flee to the wilderness of Cheam and beyond.

Kennedy's apartment was as clean as a new pin not only because he had a very efficient housekeeper, but because he led a Spartan life and in fact spent as little time there as possible. It was almost without character, a place to sleep, shower, keep his clothes, in short a landing place where he could make a quick stopover before moving to where the action was. He was meticulous, opting for an uncluttered decor, almost sparsely furnished, with clean lines and decorated with a few well placed but unobtrusive modern paintings by recognised avant-garde artists. Of course there was everything that was the very latest in home theatre and sound systems to keep his mind occupied whenever he found himself alone. There were few personal belongings such as memorabilia; his material needs and comforts were few. What turned him on were people, he like to be surrounded by people and not necessarily friends, in fact almost anybody would do, not as an audience, but those who lived in the world that was moving, where there was action.

Kennedy was immensely curious, anything that was new and foreign interested him, Russia, Eastern Europe, Japan, China, he kept misery at a safe distance and was thus very selective when it came to things Indian or African, perceived by him as underdeveloped, putting a solid sanitary cordon around disease, misery and mysticism.

Pat Kennedy, like Fitzwilliams, though to a somewhat lesser degree, had little to worry as far as his world was concerned. Even if the unimaginable were to happen and bank went belly up I'd come up smelling of roses Pat thought, reassured, rubbing his hands together with self-satisfaction. It would take an event of catastrophic scale to separate the two men from the world of power and luxury they had become used to.

The moment Fitzwilliams became uncontested head of the family bank in 2000; he unwittingly joined a new and rapidly growing class of what some described as modern robber barons. He was then paid a relatively more modest salary, but within a short period of time this had rocket to £750,000 — then well over one million pounds a year in early 2007, to which were added a profits linked bonus and various share options. As if this was not enough the bank paid for a fleet of Mercedes and drivers, at his and his close cohorts' disposal, the leasing of private jets and helicopters, in addition the bank paid for just about every other of Fitzwilliams' day to day living needs: from flowers to telephone bills, from restaurants to theatres, from clothes to his luxurious second homes in Poole and Biarritz, where he could, according to his contract, enjoy a seven weeks of annual vacation to recuperate from the effort of jetting around the world first class.

Kennedy was not far behind in the gravy train. In addition to salaries, bonuses and perks, were directors' pension funds, guaranteed to ensure them the equivalent of fifty percent of their annual compensation based on their final working year's pay cheque, plus a retirement bonus of one year's salary.

But it was not the salary or the bonuses that motivated bankers such as Fitzwilliams and Kennedy; they were also driven by a pure lust for power, the freedom of being able to do whatever they wanted, the power of life and death over the bank's employees and suppliers of services. They wielded the power of medieval princes. Domination, ambition and control were the forces that drove them. To call them masters of the universe was no hackneyed phrase, in their universe they were the masters, answerable to neither God nor man — and especially not the bank's hapless shareholders.

With each day profits accumulated as deals were struck and as the value of the investments and assets they controlled, or their clients had in hock to them, climbed. They were on a roll as had never before been seen. They could do no wrong and they revelled in their power and wealth, jetting out of London to Dublin and Amsterdam, visiting the bank's European, Caribbean and Indonesian interests, punctuated by weekends in Poole, Biarritz and other watering holes for the rich. The only thing that held them back in their reckless scramble for more power was an unalterable obstacle: each day had only twenty four hours.

In less than a decade the Irish Netherlands Bank had become a financial force in the City, with its links to the Continent, the

Baltic, Central Europe and beyond. Fitzwilliams had gambled on expanding the bank's business by creating Nassau Asset Management and its investment funds. His success was undeniable. He had become the personification of the bank's emblem: a seated lion with one paw firmly posed on a globe and a sceptre in its jaws.

Robber barons was no exaggerated term, men of Fitzwilliams' breed became despots, manoeuvring reluctant shareholders and governing boards into surrendering their authority, leaving their appointed executives the liberty of expanding their empires, producing ever growing profits. In compensation share prices rose vertiginously bringing bliss to their disenfranchised owners.

Who would have been so rash as to criticize Fitzwilliams' success? He transformed the bank into his own personal empire, accepting no truck from middle management whose sole duty was to execute his orders, as for lesser mortals in the bank they were all but invisible, well paid providing they toed the line, implementing the policies, good or bad, determined by Fitzwilliams and his unshakably loyal lieutenant Pat Kennedy.

INB Holdings Plc was part of what economist declared was a new financial order. Propelled by their own momentum, banks went from success to success, growth begat growth and profits begat profits, flooding the economy with seemingly never ending flow of money. Few cared to pause and ask where that torrent of money came from? The answer was credit. Growth and prosperity had been created by a vast expansion of consumer credit. INB, like every other bank had opened the flood gates to a wall of new money. Businesses and individuals were encouraged into embarking on a wildly unprecedented spree of leveraging, creating a mountain of debt to be reimbursed at some indeterminate date, on the expectancy of ever rising asset values and revenues. In short the Fitzwilliams' and the Kennedys of the financial world had foisted the greatest Ponzi scheme ever invented on their unsuspecting and naïve customers.

July
Santorini Greece

As Tom Barton boarded the sleek sixty metre long motor yacht, moored off the Greek island of Santorini in Aegean, he could not help thinking how quickly things had changed. Only nine months earlier his mortgage brokerage firm in the City had been prospering, though storm clouds had been gathering on the horizon, now mortgage brokers were seeing a seventy percent fall in their business whilst the average real estate agent sold just one house a month as the UK's economy went into crisis mode.

It was early days and perhaps governments would come up with a plan to resolve the crisis that was now threatening to overwhelm the world, after all credit had fuelled a decade of spectacular growth, bringing prosperity and employment to many. Was debt really such a bad a thing, Barton mused, as he recalled to mind the words of Thomas Macaulay he had read on the pages of the Financial Times on his flight to Athens: At every stage in the growth of the debt it has been seriously asserted by wise men that bankruptcy and ruin were at hand. Yet still the debt went on growing, and still bankruptcy and ruin were as remote as ever.

On the other hand the scale of Britain's debt, accumulated during the booming years of New Labour, was truly horrendous, a mind-boggling mountain of money borrowed at low interest rates with almost no thought as to how it could be paid back. Looking back it was incredible to think how blind people had been, there was however no doubt the public had been lulled into complacency by Blair's 'Cool Britannia' and his almost sneering attitude vis-à-vis the country's uncool European old fashioned neighbours. Tony Blair had in fact taken the UK for its greatest ride in history. The reality was Britain had put its future at risk for an unforeseeably long period of time, building up trillions of pounds in debt tied into homes on the greatly mistaken supposition that prices would continue to grow for ever, as would the means necessary to repay those debts.

Barton remembered the special deals of the now defunct West Mercian Finance, which had allowed homebuyers to borrow extravagantly through the combination of a secured 95% mortgage with the remainder on a low interest unsecured personal loan. West Mercian was not alone; it had simply been following the way shown by Northern Rock and Bradford & Bingley.

Barton's own worst deal concerned the Dublin BTLs he had bought with a Euro loan. He shuddered to think of it, his only comfort was the loan, contracted from the West Mercian via a Dublin broker and on which he had now defaulted, was now submerged in an extricable tangle of bankruptcy and international legal procedures and the properties now almost certainly been disposed of in some way.

He was a world away from those concerns when to his great surprise and pleasure he was welcomed aboard personally by Sergei Tarasov. The Russian oligarch, like his country, seemed full of confidence as oil prices reached unheard of heights.

Russia was unaffected by the financial crisis that was spreading like a bushfire across the US and the UK, now reaching the countries of the former Soviet bloc where highly leveraged European banks had accumulated over three trillion euros in cross-border loans. Romania, one of the least prosperous members of the EU, was forced to raise its overnight lending rate to 900% to stem capital flight, as one of the most extraordinary waves of property speculation the country's history hit the rocks.

Aboard their flight to Athens, Barton had expressed his thanks to Steve Howard for the handsome profit he had made betting on oil futures. Thanks to his friend, and the knowledge indirectly gleaned from Sergei Tarasov, Barton's foray into the futures market had been crowned with success.

Barton was surprised, even a little dismayed, when Steve tried to talk him into upping the anti and putting more money into oil, to his mind the risk seemed unreasonable. This time however, Howard explained to him, the betting was on a steep fall in the price, which at first glance seemed absurd given the barrel was

currently hovering at the $140 mark, and certainly heading up.
Howard simply laughed at his concern.
'Remember Tom what goes up will surely come down, you know Newton's law or something like that.'
'I'm not so sure, we need oil and the producers are holding all the cards. Imagine what would happen if they turned off the taps? No transport and no electricity, everything would come to a stop.'
'That's not our problem Tom.'
'What did Lord Cameron say — it would take just three full days without food on supermarket shelves before law and order started to break down.'
'That's just scaremongering.'
'I'm not too sure, maybe oil will go down, but I'm sure it will go up in the long run.'
'Then when the time comes we'll bet on it going up, but for the moment it's the other way around!'
Barton had trusted his friend's judgement once and did not regret it, now he tried to convince himself he was right again. Steve explained the price of oil had to fall; it was untenable at its present price in a world on the verge of economic collapse. Barton accepted the logic, but it still seemed like risky a gamble — if they got the market wrong he would have to pay out some real money.
'Believe me Tom, it's Sergei talking.'
Perhaps it was the rarefied atmosphere of Champagne and yachts that made Barton wonder whether he was getting reckless, allowing himself to be drawn into another gamble on oil futures.
The invitation to the three day birthday party on Sergei Tarasov's yacht, the Cleopatra, had pleased him. Since meeting the oligarch for the first time in Bangkok with Howard, he had become one of the Russian's regular guests. Barton was now on close terms with Tarasov, who appreciating the arrival of the evidently affluent, uninterested, Englishman, welcome him into his narrow circle of foreign friends.
The yacht was anchored off the Greek island of Santorini, where Tarasov's banker friends, including Michael Fitzwilliams of Nassau Asset Management, and other high flying business

personalities and socialites had been invited to the party.

Energy derivatives gave Barton the possibility of selling crude oil at a predetermined price by buying put options, if the options were taken at the current oil price of around $140 a barrel and price fell to $50 dollars then the banks who sold the options would have to buy at $140 and as holder of the option Barton would make a profit of $90 a barrel.

It was exactly the inverse to what had happened when oil prices had risen up from $100 to $147. Barton's initial options were taken up at a fraction of their price so the profit on the original bet had been almost a quarter of a million dollars.

Tarasov had intimated his doubts to Howard over oil futures, not only was there an abundance of oil but there was no way it could rise further given the prevailing economic situation with a crash just around the corner. Barton had only to follow suit, he had won once and odds were he would win again.

In retrospective Barton had chosen the right moment to get out of the mortgage business. As for his properties he had off loaded the last of them at the end of 2007, though admittedly a couple or months or more earlier would have been better. Had he been lucky? Was he being wise after the event? Whatever the answer he now needed to put his money to work, which could not be done as an onlooker sitting on the wall.

Barton checked his watch; it was just after eight in the morning in New York, not too early to contact his broker. He was in luck Bernie Weinfeld replied and he instructed him to buy a December option for ten thousand barrels of NYMEX crude. Weinfeld's silence was difficult to read. He simply repeated Barton's instruction and Barton confirmed it. The order was carried out and all that remained to be done was wait.

If the price of oil rose to $200 Barton would lose over $500,000 — if it dropped to $50 he would gain almost $900,000. His anxiety was lessened by the possibility he could sell his options and cut his losses at any point along the way.

After a couple of more phone calls Barton turned his attention to the new arrivals; some of whom like himself had flown in via Athens, others arrived directly in private jets, and some had the leisure of sailing in from neighbouring islands on their own boats.

Amongst the guests was a British lord, a couple of billionaires, one or two celebrities from the world of fashion and show business, and the odd politician, one of which he recognised as a well known European Commissar. He was most surprised by the presence of Saif Gaddafi, the suave and charismatic son of the strange Colonel, said to be committed to political freedom and free-market reform. Barton felt a little strange amongst such guests and found himself in conversation with a strange bearded messiah, a friend of the Rothschilds, who proned peace between the Arabs and the Jews.

They were all present to celebrate Sergei Tarasov's fortieth birthday. Informality was the rule and over the three days that followed a flurry of high powered socialites and business people came and went presenting wishes to the oligarch, renewing old links and making new ones in the process.

It was not the first time that Barton found it was as easy to talk to a lord or a billionaire as it was to a market stall holder, with not a few of the former being much less intelligent. Tarasov treated him like an old friend, however, he was under no allusion as to his own somewhat ambiguous position and decided to make the most of it as he sipped Champagne and enjoyed the sun in the splendid Aegean setting.

The following day a traditional Greek evening was organised for the guests in the gardens of an authentic taverna on one of the small nearby islands. Barton found himself seated at the same table as the European Commissar, who seemed to be on more than just friendly terms with Tarasov, no doubt one of the Russian's power brokers who smoothed the path for complicated City deals where political punch counted.

Tarasov went from table to table preening his guests, encouraging them to eat, drink and dance to the basooki music that echoed into the silky night sky. Toasts were exchanged with heady local wines, guests bathed in the magic of the Aegean night. The perfume of spices and olive trees wafted through the warm air mixed with the delicious smell of roasting lamb. Beyond, from the shadows of the night, came the all pervading drone of the cicadae, rising and falling, punctuating the animated conversation of the convives.

The simplicity of the evening in the small island taverna belied Tarasov's enormous wealth. Not only was he rich, he now exuded the prestige of Russia's newly found power and riches as oil peaked at almost one hundred and fifty dollars a barrel: with Russia exporting more oil and gas than Saudi Arabia the Kremlin could once again bully the world.

Behind Russia's newly found pride the ghosts of once would-be powerful nations looked on. Japan for one had been the darling of crystal gazers, the star of the eighties, a time when economists predicted the Land of the Rising Sun would dominate the world. That vision was long forgotten. During the country's lost decades Japanese interest rates hovered around the zero mark, the Nikkei had fallen from its peak of nearly 40000 points to a mere 8500, its comatose banks survived on life support and property prices were halved.

Pundits now pointed to Russia, China and India as rising powers. Barton for one was not convinced, he had seen India first hand and the enormous problems it faced. He also knew that the Asian economies were interlocked with the fortunes of the West, as were those of oil producing nations.

It was late; the sound of the music had fallen as thick black coffee was served accompanied by the local cognac. Across the table from Barton, Mark Dangerfeld, who ran a Mayfair based hedge fund, was explaining that many such funds were dollar denominated which was why money was pouring into US bonds as investors retreated from emerging markets.

Barton himself had diversified his capital into a basket of currencies: dollars, Swiss francs, euros and pounds, parked in his different accounts, where he was at least earning interest, and what he lost on one currency he gained on the other. If his money had been in shares he would have said goodbye to almost half of it. But he had not and had earned enough in interest to more than cover his new style of living, for the moment cash was king.

As the cognac flowed so did the conversation with Barton entering into the debate, suggesting liquidities, notably cash, were the best safe havens as falling asset values and fire sales threatened emerging markets.

'I agree Tom,' said Dangerfeld, 'hedge funds that have invested heavily in emerging markets are unwinding with credit drying up in places like the Ukraine.'

'And they don't have any oil or gas,' said a small stiff Russian, one of Tarasov's friends from the giant Gazprom.

'The hryvnia has lost a fifth of its value in the last week or so, we pulled out of those markets months ago,' continued Dangerfeld talking over the Russian.

'Da, Hungary and Belarus have asked the IMF for bailouts,' persisted the man from Gazprom.

There was a silence.

'There's also Baltic States, they're appealing to Brussels for help,' the European Commissar balefully added.

'Do you think oil will reach two hundred dollars?' said Tom addressing the man from Gazprom.

'Confidentially,' said the stiff Russian, 'I can assure you our prime minister is doing the best he can to hold the price down, but I'm afraid to say there's a good chance we'll be at two hundred before Christmas.'

That's from the horse's mouth, thought Barton, wondering if he had made a big mistake.

Amongst Sergei Tarasov's Russian friends was a quiet grandfatherly figure, who with his white moustache looked to Barton like a cross between Zorba and Stalin. The grandfatherly figure appeared to be the subject of a low and urgent conversation between Tarasov and the European Commissar, a creepy looking Englishman. It was something about a UK visa. From what Barton could catch of the conversation, it concerned Tarasov's friend, a certain Demirshian. The old man, a Russian-Armenian, had been consistently refused a UK visa.

Unknown to Barton this refusal arranged everybody, except the person in question, who did however have a Schengen visa, which allowed him to move freely around a good part of the EU, including Greece, which he said reminded him of Armenia.

The party slowly unwound, new friends met, promises made, and confidential cell phone numbers swapped on small pieces of plain paper. The guests had done their best to reassure each other, hoping their futures would be as glowing as in the years just past, the longest period of non-inflationary growth in modern times. It had been a golden era; one during which the principal task of central banks had been to decide whether to increase or decrease interest rates by a quarter of a percent.

The New World

Fifteen day had passed since Barton's return to Bangkok following Tarasov's party in the Aegean. It took a considerable amount of soul searching to admit that there was little future for him in Thailand. The climate was good as was the food, he had gotten used to the people, but in spite of the positive points it was a world too different from that he was used to. There remained few things to do in Bangkok; return the keys of his rented apartment and close down his local bank account, and that was it.

He had no clear idea as to his next destination, at first glance the UK seemed out, he had discovered warmer climates and did not relish damp cold winters and windy rainy summers.

Then there was Sophie.

Finally he bought a ticket to London with an open stopover in Dubai. He was curious to see what had happened in the emirate during the intervening months.

Barton remembered his first visit on Christmas Day and how he had been astonished by the spectacle seen from his hotel window, an extraordinary contrast with the grey landscape of London's City and the green forest of his Epping home. Vast towers shimmering in the heat of the sun, thinly veiled by the rose coloured haze that hung over the desert city, the booms of a quarter of the world's construction cranes stretched out like the arms of preying manta, tending to the crystal towers of an artificial city that ravenously gulped down the Emirate's dwindling energy resources. Towering above all the rest, like a thin black finger pointed towards the sky, was the yet to be completed Burj Khalifa, the world's tallest building.

A couple of months on, property prices were still rocketing irrationally in the arid city of glass and steel, but in spite of the phenomenally high price of oil things had somehow changed. In the euphoria of oil riches there was an air of denial as the crisis that had hit the Western world slowly drifted closer. The towers still glittered but the mood was irrational. The orgy was approaching its paroxysm.

The mood was different; the Emirate's stock market had all but collapsed. Its many unfinished towers now stood forlornly gazing out over the sands of the desert. Beyond Bur Dubai, the emirate's historic old town district, the unyielding towers stood as symbols of an outmoded architectural concept of cities based on gigantism, laid out in uninviting grids with almost no hope of being transformed into a warmer and more human place to live.

The rush was over and the hordes of gold diggers gone, having left their mark on the sun scorched landscape, a monument to the hope and unbridled ambition that had welcomed in the new millennium. Who would live in those towers, those luxury apartments and villas built on artificial islands in the searing heat of the Persian Gulf?

Dubai World had tried to transform what was once a sleepy fishing town into a booming regional centre for finance, investment and tourism, pouring eighty billion dollars of borrowed money into a water world folly.

The Dubai real estate market had collapsed overnight. Values had fallen sixty percent or more, the only possible acquirers were gone leaving behind them an army of penniless Indians, Pakistanis and

Bangladeshis. Who would pay for the upkeep of empty towers? Who would carry out the maintenance work after the migrant workers left for home, as they would be forced to when their jobs were gone?

Would the skyscrapers resemble the temples of Palmyra, forgotten in the desert sands, memories to a rich past, their epitaph written in Shelley's poem Ozymandias:

I met a traveller from an antique land
Who said: Two vast and trunkless legs of stone
Stand in the desert. Near them on the sand,
Half sunk, a shatter'd visage lies, whose frown
And wrinkled lip and sneer of cold command
Tell that its sculptor well those passions read
Which yet survive, stamp'd on these lifeless things,
The hand that mock'd them and the heart that fed.
And on the pedestal these words appear:
"My name is Ozymandias, king of kings:
Look on my works, ye Mighty, and despair!"
Nothing beside remains: round the decay
Of that colossal wreck, boundless and bare,
The lone and level sands stretch far away.

Or perhaps when oil took off again, as it surely would, the fortunes of the Gulf economies would once again boom.

The alternative was a Mad Max like nightmare with the city transformed into a vast Daliesque creation, its towers occupied by hundreds of thousands of stranded workers, eking a living on a seashore transformed into another Alang, a ten kilometre stretch of oily, murky beach, a toxic nightmarish of sprawling shipbreakers, in an unequal struggle against the encroaching dunes of the desert seeking to reclaim their lost realm.

Sheikh Mohammed bin Rashid Al Maktoum's fabulous yacht belied the impending disaster. Five decks, its pool and spa, offering its over privileged passengers a cinema, a beauty salon, gym and massage rooms and a sun deck. It was an unbelievable one hundred and eighty metres long and would not have been totally put to shame by the Titanic's two hundred and seventy metres. Barton could not help comparing it to Tarasov's Cleopatra, a mere dingy in comparison.

His stop-over was desultory, confused, hesitant, a pause for a moment of soul searching. Deep inside he realized he could not go to London, it was too soon, much too soon, the crisis was growing, the worse was still to come.

Sophie had spoken of Biarritz, which remained an open question, there was little doubt about his feelings for her, but there were the legendary difficulties of France, and apart from the dim memories of schoolboy French he knew almost nothing of the country that had always been so close, but had remained so far.

It was too early, he needed more time.

After two days he took out Emirates timetable and studied its route map. There was only one route that seemed to offer some sense of direction; west, much further west, to New York, the real economic and financial centre of the world. He bought a one way ticket for a flight leaving at 8.30 am the following day, with the time difference he would arrive the same afternoon.

Almost fourteen hour after leaving Dubai the Emirates Boeing 777 broke through the low lying clouds as it made a westerly approach across the Hudson River to JFK International Airport. It would be Barton's first visit to the USA. His curiosity mounted when the plane banked, his nose against the window, and he caught his first glimpse of the New York skyline. It was different to Dubai; what he saw spread out before him was grayer, older, more densely packed, much more densely packed, and much much more varied in form. Beyond, across the river, were the docks and Brooklyn; flat, uninteresting, and followed by what looked like a residential area, formless and stretching beyond the horizon.

Outside the arrivals terminal he was surprised by the unexpected heat and humidity — not unusual for New York in July — not that he found it especially uncomfortable, Kerala and Bangkok had gotten him used to that kind of weather. As the taxi wound its way through the dense afternoon traffic in the direction of Manhattan, his eyes were remained fixed on the cluttered landscape, fascinated by the inner suburban sprawl; strangely familiar, recognizable from countless Hollywood movies and television series. After thirty minutes or so in the snarl the taxi plunged into the Midtown Tunnel under the East River, resurfacing on 2nd Avenue, a few blocks from the Plaza Hotel where he had booked a room.

Barton had decided he would spend a week in the city. A visit Wall Street was the first on his list, feeling America's pulse, in search of signs unprecedented oil prices were having on its economy, and the deepening effect of the sub-prime crisis.

The talkative Haitian driver complained about gas at four dollars a gallon, cheap compared to London or Bangkok, hugely expensive compared to Dubai.

'Eighty dollars,' said the driver.

Barton looked at the meter that indicated fifty.

'Airport pickup charge,' replied the driver to the unvoiced question, 'extra baggage.'

Barton was too weary to argue and handed over a one hundred dollar bill waving away the change.

His room overlooked the summer greenery of Central Park. The sun had come out and New York was looking fresher and exciting. He decided to take a shower and shake off the effects of the long flight before starting to explore the city.

Wall Street

The next morning Barton took a cab to Wall Street. It was disappointing. Apart from admiring the New York Stock Exchange, its magnificent Corinthian columns and the sculpted figures that decorated its marble pediment; Integrity Protecting the Works of Man according to his guidebook, watched over benignly by a bronze statue of George Washington standing before the Federal Hall, there was little to else to do. As for the famous charging bull he finally discovered it a couple of blocks away from the Street in a park.

Barton felt disappointed and annoyed when he discovered the Stock Exchange was closed to non-professional visitors. After several fruitless enquiries he returned to the hotel and explained his predicament to the concierge who encouraged by a hefty tip promised to help. It would take a few calls he explained suggesting Barton in the meantime take lunch in the coffee shop. An hour later as he settled the check the concierge appeared and after whispering a discrete word slipped him an envelope containing an invitation. Then, noting Barton's casual wear, politely informed him formal business wear was de rigueur.

Barton was invited to celebrate the listing of a new name on the big board. The VIP cocktail was to take place on the NYSE trading floor that same afternoon at the end of the day's session.

The NYSE, the largest stock exchange in the world, was the ultimate symbol of American capitalism, where ringing the bell on the platform above the trading floor had long been a public relations must for top executives, visiting dignitaries and celebrities, with a long to be cherished souvenir photo. Disappointingly the experience was not only like that he had often watched on Bloomberg TV, that was of course to be expected, but the excitement seemed a little forced. It was not a good time for Wall Street or its traders considering the recent performance of its key index: the Dow Jones.

The crisis had originated on Wall Street, a point Barton did not miss, which went a long way to explaining why he found himself in New York that summer day. It was there on the NYSE the mortgages of almost six million, not very credit worthy American homeowners, were traded in the form of CDOs. Homeowners who had borrowed one hundred percent of the value of their house at the peak of the housing bubble, now known to the world as sub-prime borrowers.

Lending banks had not been especially concerned about the risk of default, since sub-prime mortgages had been bundled together and converted into bonds called MBSs by investment banks, these bundles were then sliced into tranches called CDOs. Certain tranches bore higher risks, carrying higher rates of interest. Others, about eighty percent, were classed as medium or low risk investment grade bonds and naturally bore a lower interest rate.

Investment banks earned money by selling CDOs to financial institutions with the riskier tranches were sold to hedge funds. During the course of the boom years, when it seemed the value of property would go on rising forever, risk was considered low, and the value of CDOs rose. Few investors imagined borrowers would default. Thus it did not seem unreasonable for hedge fund managers to use these bonds as collateral to borrow money.

The market thrived; an abundance of cheap money was available with the promise of huge profits for all as the value of CDOs rose. Banks put more and more money at the disposal of hedge funds to buy more and more CDOs in the belief they were covered if hedge funds got into difficulty. It provoked a seemingly unstoppable chain reaction with hedge funds buying more CDOs from investment banks, who in turn bought more mortgage backed securities from mortgage lenders, who loaned more money to sub-prime borrowers, who bought more homes, forcing the value of property higher and higher.

Once the bubble started to deflate banks wanted the money they had loaned to the hedge funds back. The trouble was the hedge funds no longer had it. All their money had been invested in CDOs. The only way out was to sell the bonds held in collateral. Therein lay the catch; they were unsaleable as buyers, if there were any, had no way of estimating their value. The banks were caught in a trap and the question of their capacity to weather the storm sent a series of violent tremors through the market.

Alarmed, the banks pointed to their insurers and the cover they had contracted against the default of CDOs. Amongst the insurers was the giant AIG that had underwritten the risk with credit default swaps, or CDSs, which were insurance policies designed to protect the banks.

New York Miami

Perhaps the Caribbean would be a good place, he figured, not far from Miami, on one of those island where you could live like a king, especially with a few million pounds in the bank. He remembered Karen, the Romford stall owner he had met in Kovalam, she had spoken of her dad who lived in the Dominican Republic, or was it Dominica, maybe it would be worth checking out.

Barton did not know whether the travel agent was trying to sell him an expensive ticket or not, but it seemed complicated trying to get from New York to Roseau, which he had just learnt was the capital of the small island nation of Dominica. It appeared there was no other option than to fly to San Juan in Porto Rico or Miami, then pick up an island hopping flight. Finally Barton plumped for Miami, that was where property was really going down the drain, and besides he could finally get a look at that destination greatly favoured by many Brits and their families during the boom years.

Checking the travel agent's map of the Caribbean he saw that Dominica lay between the French islands of Martinique and Guadeloupe, from where he was informed there were daily high-speed boat services from Pointe-à-Pitre in Guadeloupe to Roseau. A couple of days in Miami would suffice he figured, from there he could take the regular Air France flight to Pointe-à-Pitre.

Three days later, seated in first class section of an early American Airlines flight to Miami, he thumbed through the New York Times and the Wall Street Journal. The economic situation was beginning to look bad, but the press was pinning its hopes on the presidential candidate Barack Obama. Barton doubted Obama, if elected, could do much to get the country out of the dire economic situation it had got itself into. Property prices had gone into reverse and the stock market had fallen twenty percent since the beginning of the year.

Palm Beach and Ocean Drive were the places where it was all supposed to happen in Miami, it was why he had chosen Loews, a palatial hotel situated between Collins Avenue and the ocean that lived up to his Palm Beach expectations. Miami was certainly different to New York. It was quieter, that was to be expected, it was hot, humid and the hurricane months were approaching.

After checking-in he armed himself with the Miami Herald and a handful of brochures then headed for the coffee shop to orient himself before setting off to explore Miami Beach. The newspaper headlines announced more repossessions and a set of new laws intended to get tough on crooked mortgage brokers.

After checking the beach he set off down Collins towards Ocean Drive and the Art Deco district, where like so many visitors he paused at Casa Casuarina, the mansion where Gianni Versace had died, now transformed into a luxury restaurant. He joined a throng of gawking tourists many of whom were busy taking photographs of other tourists going in for lunch.

Versace, after a casual stroll in the Miami sunshine had returned home to his palatial art deco mansion, a couple of fashion magazines tucked under his arm. He was gunned down on the steps by a gay prostitute; two shots, one to the head and the other to the neck. Stories of Miami violence, drug trafficking and mafia mobsters did not very reassure Barton. Versace's killer committed suicide in a Miami houseboat where he had been hiding. At least that was the official story; the latest theory suggested the fashion designer had been killed by a mafia hitman.

Ocean Drive lived up to its image; palm trees, bikini clad girls on rollers, Ferraris, and Miami Beach's many strange denizens. After an hour's walk Barton paused for lunch, opting for the terrace of an Italian restaurant, a tourist trap, but with a grandstand view of passing local life. He ordered a paella topped with crayfish, not very Italian, but it was good, accompanied by a carafe of chilled Californian rosé.

Reinforced by the lunch, and the wine, he set off again, northwards. A couple of blocks from Loews he stopped before the window of a luxurious sales office. A large scale architect's maquette announced a newly built forty five floor condominium. Ideally located on Collins, the Villa Capri overlooked the ocean offering its privileged owners direct access to the beach.

Barton pushed the door and introducing himself as a prospective buyer, was given a virtual tour of the condominium. Tami, the not unattractive agent, proposed a visit to the show apartment.

The spacious fourteenth floor five room apartment was ideally situated on the south east corner of the condo, its balconies overlooking the ocean and beach. It featured two large bedrooms with ensuite bathrooms; the master bathroom with a Jacuzzi, a designer gourmet kitchen with 'European' appliances and marble fittings. A round the clock concierge service was provided with video surveillance, valet services, securized underground parking, a heated pool and a gymnasium.

'The asking price is one million four hundred thousand dollars,' announced Tami.

There was a moment of silence.

'We'd be prepared to consider a reasonable offer,' she added before Barton had time to think of a suitable replique.

'Does one million sound reasonable,' he asked after some moments of silence.

'I can speak to my manager.'

He nodded as though in reflection.

'Where are you staying?'

'At Loews.'

'How long for?'

'A few days.'

'You're British aren't you?'

'Yes, I live in New York at the moment and thinking of moving to Miami for my work,' Barton lied.

'Well, we're at your service Mr Barton.'

It took a couple of days to confirm prices in the Miami area had all but collapsed, there were few buyers and sellers were desperate to sell at any price. To Barton's mind Miami seemed too far removed from his way of thinking, like Bangkok, strangely surreal, another world, in spite of the common language shared with Americans. After exploring Miami's better residential districts Coconut Grove and the North Bay area he concluded it was fine a break, but not the kind of place to live.

August
Dominica

The Air France flight was delayed; Barton had half expected it. In the first class section he found himself seated alongside a fellow passenger who appeared to be another Brit who had also boarded in Miami.

A charming hostess offered them Champagne and an assortment of appetizers announcing lunch would be served soon after take-off.

Looking at his neighbour he seemed vaguely familiar.

'I'm Tom Barton. We've met before?'

'Yes…where?'

'Sergei Tarasov! That's it.'

'Yes, his boat. Of course. Santorini. What a pleasant coincidence!'

'It's a small world.'

'Have you been staying in Miami?

'No, New York, I started this morning and changed flights in Miami. It's complicated getting a connecting flight to Dominica.'

'Ah, you're going to Dominica!'

'Yes. I have business there — and you?'

'Well to be honest I've never been there. I'm in consulting, I'm interested in looking at property there,' he replied. Barton had discovered the title of consultant covered everything and avoided a lot of unnecessary explanations.

'Interesting,' said Fitzwilliams studying Barton: a friend of Tarasov's, obviously a world class traveller, tanned and dressed well, wearing a Blancpain Brassus chronograph. Being a good judge of people was primordial in Fitzwilliams' world.

He held out his hand and to refresh Barton's memory added, 'Michael Fitzwilliams.'

'Yes, of course.'

'Dominica is very small, I'll introduce you to my good friend Malcolm Smeaton, he's been living in Dominica for years, knows the island like the back of his hand, in banking — like myself.'

Fitzwilliams opened his wallet and handed a business card to Barton.

'The Irish Netherlands Bank, in the City,' he read, thumbing the card appreciatively for Fitzwilliams' benefit. He was familiar with the name, but not much more; it was not one of the top high street banks, though he remembered they had been quite active with in the mortgage business at the height of the housing boom.

'Yes, I also have banking interests in the Caribbean.'

'Are you going directly to Dominica from Point-à-Pitre?'

'Yes I have a connecting flight, a charter.'

'I was planning in going by boat from Guadeloupe.'

'That's fine if you have time for tourism, why don't you join me? It's a twenty minute flight. I'll telephone to Malcolm to see if there's a spare seat on the charter.'

'Why not,' said Barton taking the opportunity of benefiting from Fitzwilliams experience.

Fitzwilliams used the onboard telephone and after speaking with Smeaton confirmed his offer.

Four and a half hours later after a pleasant flight together they landed at Point-à-Pitre in French Guadeloupe. After formalities they headed to the SVG Air-Grenadine Air Alliance desk and were informed their charter was waiting. They were the only passengers for the five seater twin engined Aero Commander.

The plane was barely airborne when the pilot pointed to a hazy grey-blue outline on the horizon; the mountains on northern point of Dominica. Twenty minutes later, after flying down the rugged western coastline of the mountainous island, they approached the tiny Cane Field Airport.

Barton was struck by the dense forest covered mountains that swept sharply down to the sea, at certain points ending in abrupt cliffs and at others in small sandy coves. The sparse built-up areas they had passed consisted mostly of small homes hugging the slopes bordering the shore. To the right side were the blue waters of Pringles Bay and the Caribbean, and ahead to the left, Fitzwilliams pointed out, was the small town of Canefield, set against a backdrop of forest covered hills culminating at Morne Trois Pitons hidden in a crown of white clouds almost 1,300 metres above.

The airport was just fifteen minutes by road from Roseau, the capital of the Commonwealth of Dominica. It was not Point-à-Pitre, as Pointe-à-Pitre was not Miami. In just a few hours Barton found himself in another world, a world of tranquillity, a lush easy going tropical paradise, without the crowds and the urgent hum of Asia, a place where time was unimportant and life was good.

A small slim man sporting a flowery Caribbean style shirt, wearing horn rimmed half frame glasses and a Panama, was waiting for them. He was accompanied by a uniformed customs and immigration officer. The plane taxied to its parking position in front of the small terminal, stopped, and the passengers climbed out.

'Hello Malcolm, nice to see you,' said Fitzwilliams shaking Smeaton's hand warmly and beaming at the customs officers who welcomed him back to Dominica. There were few flights and even fewer formalities at Cane Field International Airport.

'This is Tom Barton, I can vouch for him,' he said turning to the official.

The formalities took no more than the time their baggage was unloaded from the aircraft and put into the waiting Land Rover.

'Tom is planning to stay for some time, looking for property here,' he told Smeaton.

'Excellent Tom, where are you staying?'

Barton was a little embarrassed, he had not booked a room, thinking he had planned to overnight it in Point-à-Pitre.

'Why don't you stay at my place until you've got your bearing?'

Fitzwilliams gave an approving nod.

'Well I don't want to put you to any trouble.'

'There's no trouble Tom, Malcolm's got lots of space as you'll see.'

'That's very kind of you,' said Barton turning to Smeaton. 'It'll

be a pleasure.'
'The pleasure's all mine,' Smeaton replied gracefully.
They climbed into the Land Rover and the driver set off in the direction of Roseau.

The City

The common man's wealth lay in the value of his home and with the rise in the value of property the perception of his personal value had multiplied beyond all he could have previously imagined, mechanically lifting his expectations. When home prices started to fall those expectations faded and a great many ordinary families awoke to discover their new found prosperity had been nothing but a chimera.

In the euphoria of their make-believe wealth people had gotten carried away; everyone wanted a bigger and better house, a better car, exotic holidays and why not a second home. Suddenly, in a brutal awakening, people were forced to abandon the affluent lifestyles they had just had time to get used to. Slowly they realized the objects of their imagined affluence had been financed by credit and, like it or not, that credit had to be paid back interest included.

The City of London with its newly invented financial products given birth to a new breed of manager, fortune-hunters who invented a new way of exploiting the system: gambling on the rise and fall of complex financial products and commodity markets. Few understood the risk of their actions, even fewer imagined the devastating effect the bubble they created would have when it burst, as it inevitably did. The widespread belief that modern City bankers were a new species of wunderkind crumbled with the collapse of the sub-prime mortgage industry as the chain reaction it provoked wreaked its damage across the entire planet.

Investment bankers grew rich by trading a vast new spectrum of financial products. Their goal was nothing less than short term personal gains, huge salaries and outrageously large bonuses. However, it would have been a mistake to imagine that only the bankers were guilty. There were also the rating agencies. Their task was to determine the quality of the financial products placed on financial markets by the banks. This was however problematic since the rating agencies depended almost entirely on the banks for their business. This inevitably led to a certain degree partiality when it came to rating investment bank's mortgage linked products.

As for regulators they had little real understanding of what the mathematical geniuses of the investment banks had created. They were totally out of touch and thoroughly failed to understand the mentality of the managers who ran the bank's sales obsessed culture with its system of excessive rewards; a bonus system based on short-term objectives, driven by unrestrained risk.

Tom Barton had observed the extraordinarily rapid transformation of long established building societies, whose business was based on the staid traditional values of creditworthiness, into irresponsible mortgage banks offering doubtful customers, and even those with clearly fraudulent evaluations, almost unlimited credit and based entirely on self-certification.

As a long time City mortgage broker Barton knew why mortgages were essential to the economy, how they formed the financial foundations of the country's housing market, without which the great majority of honest home buyers would never be able to buy their own homes.

Traditionally, UK building societies made home loans with the money deposited by their savers, first locally and then nationally. Then after demutualization the newly established mortgage banks such as Northern Rock and West Mercian Finance, lacking access to the kinds of funds traditional commercial banks, had progressively turned to financial markets to raise money to finance loans.

During the boom years, when interest rates were at historic lows, investors both in the UK and the US poured vast sums of money into mortgage backed securities that bore attractive yields. Those low interest rates coupled with lax mortgage requirements created a whole multitude of new home buyers whilst offering existing homeowners the possibility of drawing down on the equity in their properties, inflated by the spectacular rise in home prices.

When the reckoning came the halcyon days of New Labour's Cool Britannia would be gone, leaving bitter memories, and nothing but a sea of debt and misery. The reckless risks taken by investment bankers, with their complex mortgage related products had provoked a crisis that was even threatening the American mortgage giants, Fannie Mae and Freddie Mac and many smaller mortgage lenders. Hedge funds, pension funds and investment institutions looked on fearing their turn would come next sucking into the yawning black hole.

The City trembled. The crisis that threatened the future of its venerable banking system that went back to the middle of the 17th century. At that time goldsmith bankers offered the gentry and aristocracy a secure place to deposit their gold and valuables. At the end of that century forty four such bankers were established in London, mostly small independent firms. In the course of the following century more than one hundred banks were set up in England.

Banking underwent a transformation in 1826, when the government introduced new laws for the creation of joint stock banking. These laws permitted owners to spread the risk among their shareholders, providing the conditions necessary for the development of national banks. Three major banking sectors came into being: clearing banks, merchant banks and building societies.

During the course of the following century British banking to provided loans, current account services, and safe-custody facilities for valuables. Then in the 1950s the British government eased controls relative to the financial services that banks offered and a decade later approved bank mergers, giving birth to the so called big five high streets banks that offered savings facilities, personal loans, home loans, credit cards and ATMs.

Demutualization allowed the transformation of building societies into banks enabling them to not only offer mortgages, but also a complete range of banking services. Banks and building societies merged: Lloyds Bank merged with the Trustee Savings Bank to become Lloyds TSB and the Bank of Scotland with the Halifax Building Society to become HBOS.

After the 1929 crash, the US government introduced the Banking Act of 1933, separating commercial and investment banking activities. This act was designed to prevent commercial banks from engaging in securities activities thereby avoiding the possibility of trading losses, and the risks losses entailed for customers deposits. As a consequence American banking progressively lost business to foreign competition. To reverse this situation the Banking Act was repealed by the Clinton government in 1999, allowing American banks, as elsewhere in the world, to offer both commercial banking and investment banking services to their customers.

This had already taken place in the UK. The Thatcher government deregulated financial markets with what was called the Big Bang in 1986, designed to reinforce the financial institutions of the City of London, which had been overtaken as the leading financial centre by New York. Deregulation changed this and London became the world's leading financial capital. The economic boom that followed lasted two decades, giving birth to a new class of nouveau riche and the expansion of the City eastwards to the Isle of Dogs and in particularly Canary Wharf.

By 2006, the City had become the home of unrestrained capitalism, with the presence of over five hundred banks, the London Stock Exchange, Lloyd's of London and the Bank of England. In addition it was also an important centre for the trading of Eurobonds, foreign exchange, energy futures and global insurance.

Finance became to the UK what industry was to Germany, agriculture to France, and tourism to Spain. It became the most dynamic sector of Britain's economy, the heart of modern capitalism. Since the Big Bang the City prospered beyond all expectations with the value of shares traded increased fifteen fold and banking assets seven.

The trouble came when Banks forgot their real vocation, that is to say lending and started to act like hedge funds. Historically lending had always been a staid business entailing low risks and unexciting profits. That was all thrown out the window when bonus related compensation was imported from the US.

To achieve management's goal, banks became risk driven with highly leveraged transactions generating huge profits, and with correspondingly high risks. Progressively the banks and hedge funds came to resemble casinos and if Wall Street resembled Las Vegas, the City resembled Wall Street.

Few bankers stopped to consider what would happen when the music stopped, as it inevitably would. Wall Street had invented sub-prime mortgages, a casino with its one arm bandits, with jackpots for the poor and vast profits for the casinos. Jackpots came in the form of mortgages for borrowers with poor credit histories, who under normal circumstances would not have qualified for a mortgage.

These high risk borrowers were sold mortgages designed to rake in high profits. The most pernicious were adjustable rate mortgages, ARMs, luring the naïve with low introductory interest rates that after a predefined period of time became variable, indexed to the LIBOR rate. Borrowers unable to keep up with the interest inflated repayments defaulted and were foreclosed. However, unlike casinos, the banks found themselves in the same dire predicament as the hapless borrowers.

In terms of volume, more derivatives were traded on international financial markets than any other financial instrument, though most people outside of banking had never heard of the term 'derivatives' before the onset of the financial crisis.

The term derivative described financial instruments that had no intrinsic value and derived their worth from some other action. In reality these were nothing more than bets, which could be hedged by placing a side bet to offset the possibility of a loss. Thus hedge funds took their name from the business of hedging bets in the derivatives market. Surprisingly bets could be placed on almost anything in world financial markets, from the price of commodities such as wheat or oil to the fluctuations of financial markets themselves.

However, the buying of derivatives was not investing as such; it was a method of insurance, or in broader terms gambling, since nothing material was created, only the gains from a winning bet. Alan Greenspan described it as a means of improving risk management in businesses, offsetting for example future price fluctuations in oil or currency exchange rates, when buying or selling commodities, manufactured goods and services in international markets.

In the years leading up to the crisis trade in derivative had grown at an exponential rate reaching the astronomical sum of one quadrillion dollars that is twenty times the gross domestic product of the entire planet.

Pondok Indah Dominica

Pondok Indah stood in fifteen acres nestled between the slopes of a small valley surrounding by breath taking views; the Caribbean to the west and the nearby rain forest that rose up to the clouds and dark peaks to the east. Smeaton's home totalled almost seven thousand square feet, including the gazebo and garages, set in several acres of luxuriant vegetation with a stone paths leading down through carefully tended tropical gardens, past a series of natural waterfalls, to a small private sandy cove and jetty.

Two generators stood by in case of power outage and water was collected from a stream in the adjoining rainforest then treated to provide a constant supply of fresh, clean water to the house and grounds. An air-conditioning system provided protection from the tropical heat and a satellite link ensured communications and television.

'Beautiful place,' said Smeaton proudly waving his arm at the magnificent view from the terrace, stopping to admire the luxurious swimming pool below, as he guided Barton to his room. 'Dominica was discovered by Christopher Columbus in 1493,' he said filling his guest in on the history of the island. ‘It was British and French for centuries, before independence in 1978.’

Barton had little difficulty in imagining the Santa Maria and the navigator’s other ships in the bay, it was magic, the damp tropical vegetation, the mist hanging in the trees on the higher slopes, the scene was nothing short of breathtaking.

‘Over there,’ Smeaton said pointing to the ridge on south side of the valley, ‘we acquired forty acres of land and are building a few houses like this, we can talk about it later after you’ve freshened up.’

The sun was low in the sky over the Caribbean when Barton joined Smeaton and Fitzwilliams at the pool side bar for drinks.

‘So what exactly do you do?’ asked Fitzwilliams who had carefully avoided the question earlier in the day.

‘Property investment, mortgage brokerage. In the City off Fenchurch Street. I quit last year. Decided to retire if you like, live off my ill gotten gains,’ he replied jestingly, instinctively knowing the less he divulged the better.

‘Got out at the right moment,’ remarked Smeaton.

‘I suppose so.’

‘Set yourself up, a man of independent means,’ added Smeaton, seeming a little old fashioned.

‘Well you couldn’t say I’m exactly rich, more well off so to speak,’ he said modestly.

‘One of the almost rich,’ joked Fitzwilliams.

‘You could say that.’

It was a strange set of events that brought Barton to this chance meeting in Dominica with the successful scion of an old Anglo-Irish banking family. Under most circumstances the high flying City banker would not have afforded him much time. It was one those odd quirks of fate, the meeting on Tarasov’s yacht, which in appearance put him on the same plane as the banker, then finding himself seated beside him on the Air France flight. In distant lands, far from the unwritten rules and conventions of the society in which they normally lived, men met on an equal footing and unlikely friendships were often born.

'You have some plans to stay here Tom?' asked Fitzwilliams.

'Well I heard this was a quiet and discreet place, a good place to be for banking and investment.'

'I see what you mean. That's exactly why we're here, my family has long standing interests in banking in the Caribbean, like Malcolm with the Anglo-Dutch Commercial Bank.'

The discussion mellowed as dinner was served by Smeaton's cook and housekeeper, Cissie, with Clarence, Smeaton's kindly Jeeves, serving the wine and discretely fussing with the niceties. Grilled spiny lobster and Snapper Criollo were served with an excellent white Bordeaux.

'If you're looking for something to rent for a month or so Tom, I'll show you one of the villas at our Emerald Pool development tomorrow.'

'Yes do that Malcolm,' said Fitzwilliams enthusiastically. 'Our business here is rather informal Tom,' he added. 'Malcolm and I are old friends we don't go in for the kind of meetings you see in the City for our business.'

'That's right Tom. The only formal commitment we have is one of Stanford's get-togethers in Antigua next week, you can join us if you like.'

'Stanford?'

'The banker, he's sponsoring a cricket competition.'

Barton vaguely recalled seeing Stanford's name on the sports pages; he was little out of touch with cricketing news.

The next morning after breakfast, they were joined by an attractive young woman who Smeaton introduced as Sarah Kavanagh, the Emerald Pool development manager, giving Barton the uneasy sensation of finding himself in a situation where he would be obliged.

Smeaton seeing a shadow pass over Barton's face laughed. 'Don't worry Tom, it's because we're proud of out little development, and it's because I need a little time to discuss some business together with Michael, so it will be an opportunity for Sarah to show you

around.'
'Suits me fine,' said Barton a little embarrassed by his own transparency.
'After Sarah will show you Roseau,' he said, then turning to Sarah added with a smile, 'N'est pas my dear. Then we'll see each other here at lunch time.'
'I'll have Mr Barton back in time for lunch,' promised Sarah.
What had he to lose? Nothing, he reasoned, after all he couldn't have a better guide to Dominica than Smeaton, obviously a man of importance on the island with its tiny population, a mere seventy thousand. There could not be that many bankers with such opulent homes in Dominica. Then looking at Sarah he decided to keep an open mind, what could be more agreeable than to spending the morning in this tropical paradise with this nice-looking young woman?
'We'll take the Jimny,' said Sarah pointing to the small SUV parked on the drive, 'it's not far, but it's up and down hill, hard going in this humidity.'
Heavy white clouds clung to the tree tops further up the mountain and with a temperature nearing thirty degrees the humidity was undeniably high.
At the top of the driveway they turned right and a couple of hundred metres further along the main road pulled up at a large portal with wrought iron gates, it stood between two sweeping walls each bearing a polished bronze plaque, one engraved with the name 'Emerald Pool' and the other 'Hotel and Villas'.
Sarah pointed a remote control and the gates opened. A dozen metres beyond was a small green cabin, a check point, where they were greeted by a smiling security guard.
'Good morning Miss Sarah.'
'Hello Irvine how are you today.'
'Fine Miss Sarah.'
'We're just visiting the villas.'
'Okay, if you need me just call.'
'So there's a hotel here?' asked Barton.
'Not yet, construction should be starting soon. For the moment six

villas have been completed and two others have been sold, but work has not yet commenced. The hotel is still in the starting blocks.'

'Are the villas occupied?'

'Two are permanently occupied by the owners, the others are rented on short term leases, their owners live overseas and usually spend a couple of months a year here.'

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

'We look after the maintenance and upkeep, we also look after the leasing.'

They climbed out of the Jimny and Sarah led the way with a bunch of keys in her hand.

'Each villa has a sea view and a pool. The hotel will be built over there behind that rise, it will have its own entrance.'

'How many rooms?'

'Thirty suites.'

'That's not many.'

'No,' she laughed, 'it's not a tourist hotel, it's highly exclusive, top end of the market. The suites are in fact independent bungalows overlooking the sea, complete with kitchens, though the central unit includes a restaurant service for guests.'

'Sounds very exclusive?'

'It's intended to be.'

They walked 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?'

'Three million dollars.'

'I've got no idea what that means here.'

'Well, there's not much property for sale on the island. Mostly small stuff. For those with money Dominica is an almost private island, with a friendly population, off the beaten track, a tropical paradise, no taxes, no crime, a place for the rich to invest, those who want to get away, a haven of peace. The same thing in the Bahamas would cost more than twice that.'

'Perhaps it could be boring.'

She smiled a wry smile.

'You mean island fever?'

'I don't know, but it sounds like the right term,' he said laughing.

'If you want to get away, you're a twenty minute flight from France.'

'Guadeloupe?'

'Yes, there's plenty of life there.'

'Well I'm looking for a place that's quiet and no taxes.'

'Then this is the place.'

'I don't know about spending three million dollars.'

'At the Emerald Pool we start at about two million, the most expensive we've built so far is eight million. For a Russian who lives in London.'

The hotel site was extraordinarily beautiful, offshore were several small islands the nearest of which was connected to the beach by a narrow sandy peninsula. The construction site itself had been cleared of low lying vegetation leaving only the original palms and tropical hardwoods.

'We hope to start in September. It depends on the financing, with the situation as it stands at present we may have to wait.'

'Where do you live?'

'I live in Roseau, I've been here a few months.'

'How long do you expect to stay?'

She shrugged her shoulders suddenly forgetting her sales pitch.

'Depends on the economic situation.'

'Do you have many potential clients?'

'There's no lack of clients, but to be honest they're waiting.'

'Let's have a look at Roseau, I just arrived and know nothing about Dominica,' suggested Barton.

The root of the trouble was when investors started buying CDSs to cover the possible default of bonds they did not even own!'

'I don't even know what CDSs are!' said Sarah cheerfully.

'Credit default swaps,' explained Smeaton. 'They're what you could call contractual bets between two parties on whether a third party would default on its debt — invented by JP Morgan in 1995.'

'Trillions of dollars,' Barton added for good measure.

'The most incredible thing is if a bond falls into default the loss could be claimed from the underwriters by punters, who'd insured against its default, even if they did not own it,' mused Smeaton.

The sub-prime crisis had suddenly become a hot point of conversation for just about everybody, from bankers to homeowners. Smeaton had little doubt the roots of the crisis went back to the start of the new millennium and the dotcom stock market bust, after which interest rates had been forced down by governments to stimulate their economies. In doing so investment grade bonds became attractive, offering good returns for financial institutions. This led to a boom in CDOs and CDSs, the performance of which was considerably better than government bonds.

Default risk was covered by insurance and credit ratings agencies calculated risk based on historical default statistics. The trouble was the data was more than insufficient to make a realistic evaluation of the risk as these products were relatively new and when the sub-prime crisis struck CDOs, CDSs were caught up in the storm.

Sarah looked lost by the talk of technical terms of which she, and most other people understood little or nothing about, including Barton, who if honest, would have had to confess his own very fuzzy understanding.

'Look, let me give you an example,' said Malcolm. 'Imagine you're an investor and you've bought a million pounds of corporate bonds from a building firm with a yearly interest rate of say 5%...'

Sarah raised her hand: ‘What precisely do you mean by corporate bonds?’

‘Money raised by a firm on financial markets for its different business needs, like a loan.’

‘I see,’ smiling as to excuse her ignorance.

‘So your bonds could be insured against the risk of firm going broke for example, or the non-payment of interest — naturally for a premium — until the bonds reached their date of maturity or were sold.’

Smeaton refilled his glass.

‘If the building firm does not go broke and pays its interest then the insurer pockets the premiums, if on the other hand it does go bust then the insurer has to pay out compensation.’

‘Tough.’

‘Like any insurance company.’

‘Does it happen often?’

‘No, at least it didn’t up until the sub-prime crisis,’ said Fitzwilliams smiling grimly.

‘The biggest seller of credit default swaps has been the American insurance company AIG. They sold a lot of CDSs thinking that there was little or no risk. So since the crisis broke they’ve been in deep trouble. Their shares have collapsed, and they can’t raise the capital they need to function.’

‘Everybody tried to get on the bandwagon when things were good,’ said Fitzwilliams ruefully. ‘Even us.’

‘Yes, I’m sorry to say that’s true,’ said Barton. ‘In the US mortgage brokers sold sub-prime loans with low introductory rates to working-class Americans with little concern about their ability to keep up the repayments. It was like selling hot cakes and Mortgage businesses like New Century boomed.

‘At the peak of the market, sub-prime loans made up twenty percent of all mortgages, loans to people who had little prospect of fulfilling their commitments. Naïve buyers were pressurized into taking out loans by unscrupulous brokers. Falsified income declarations with seriously exaggerated property evaluations were almost normal.’

Barton spoke with experience; he himself had been drawn into the frenzy. His decision to quit had been motivated by his innate conservatism and sense of self preservation.

'I suppose the rot really set in when these sub-prime loans were then sold to investment banks through auctions,' Smeaton sighed. 'Investment banks made a fortune packaging these into mortgage backed securities bonds to be sold to institutional investors.'

'So why did they do this if it was risky?' asked Sarah.

'Money my dear, filthy lucre. Nobody stopped to consider the real risk. Salespeople worked on commission. The more loans they sold, the bigger their bonus. So from the beginning to the end everybody lied: the borrowers who were getting their dream homes, the mortgage salespeople, the investment banks, and last but not least the investors who bought the bonds believing they would make a nice profit.'

'But can banks do things like that?'

'Normally no,' said Fitzwilliams self-righteously. 'But many banks put their traditional caution to one side in the name of even greater profits, throwing due diligence to the wind, bringing banking into disrepute.'

Smeaton gave his friend a strange look.

Malcolm Smeaton had been one of the many friends of the late Irish banker David Castlemain, Fitzwilliams' uncle, with whom his own small trading bank had been a partner for over half a century. After Fitzwilliams had been appointed head of the Irish Union Bank, later the Irish Netherlands Bank, he visited the Caribbean with a stop in Dominica to renew business ties and relations and was invited to stay at the Smeatons. He was enchanted by Pondok Indah and the spectacular natural beauty of its site.

It was not long before Fitzwilliams persuaded Smeaton that a fortune could be made by developing part of the land, without of course spoiling the view from his home, which stood to one side of the point. His idea was to build a small though luxurious hotel surrounded by a dozen or so villas designed in the much-admired style of Smeaton's Pondok Indah. The villas would be entirely serviced by the hotel so that whenever the owners or wealthy vacationers arrived everything would be in perfect working order for instant comfort and stylish living.

The most luxurious villas were planned to stand ten or fifteen metres above the sea with stunning views overlooking the beach to the west and the lagoon to the south. The interiors were designed in a combination of modern and tropical themes, exotic woods, marble and granite, and of course panoramic windows. Mahogany doors were to open onto the spacious living area and terrace, offering a one hundred and eighty degree view of the Caribbean. On the first floor the bedroom suites would be surrounded by terraces offering the magnificent vista of the island's breath taking scenery.

At the time the plans were conceived nouveaux rich buyers were not lacking; wealthy businessmen from North and South America, Russians, Europeans and of course those who had made fortunes in the City of London.

Dominica was described as the Nature Island of the Caribbean, an alluring land of majestic, mist-covered mountains spilling with waterfalls. The luxurious homes were advertised as an investment in an unspoilt paradise, a vision of swaying palms overlooking beautiful beaches and a pristine sea. As Sarah had explained prices began at three million dollars, the homes were for the rich, the nouveaux riche, sports personalities and showbiz celebrities. They very private holiday residences serviced by a team of impeccably trained personnel to care for the whims of even the most spoilt.

The list of those who were said to have signed up for the Emerald Pool development in Dominica read like a who's who of rich and nouveaux riches. Smeaton offered them a corner of paradise and all they had to do was choose the finer details of their luxurious villas whilst waiting to enjoy the privileges of the wealthy far from snooping eyes.

Dominica was different, it was almost a virgin territory compared to many other Caribbean islands, a sleepy backwater where life was uncomplicated, without crime, off the package tour circuits, and where hippies and their likes were firmly discouraged. The absence of the kind of infrastructure that went with mass tourism made it haven of tranquillity just waiting to be discovered by the newly rich.

It was for the kind of people who wished to remain anonymous, far from the flashbulbs of the paparazzi and gawking tourists, and especially the invading hordes of cruise ship day-trippers. The Emerald Pool was designed to cater for discreet wealthy couples seeking a short break from the stresses of New York or London, for winter and Christmas breaks.

Smeaton was discussing a Mandarin Oriental franchise for the hotel to provide it with a prestigious name and a worldwide booking system capable of reaching out to the kind of client whose primary concern was seclusion.

Dominica, not being a destination for mass tourism, offered the rich advantage of its private beaches, where they could enjoy the tranquillity for their own secluded stretch of sea compared to other Caribbean islands where the most beautiful beaches were public.

Much to Smeaton's regret things had somehow gone awry, the timing was wrong; work on the site had come to a halt. The splendid project was in suspended animation waiting for the world economy to return to the halcyon days before the crash.

The Emerald Pool had been modelled on Pondok Indah, Smeaton's Dominican home, which had been designed in the style of his childhood home in the residential district of Kebayoran Baru, in far off Jakarta, built from native hardwoods and volcanic stone, where his father had managed the Indonesian business of the family's Anglo-Dutch Commercial Bank. On arrival in Roseau, decades earlier, Smeaton had paid just one hundred thousand dollars for the forty acre site from the hard-up heirs of a local planter.

Fitzwilliams put up the financing for the development as Smeaton hopped from island nation to island nation peddling the project to wealthy potential buyers or inviting them to his thirty metre yacht, anchored in the bay in full view of the superb site.

The Emerald Pool was not Smeaton's only ambitious venture, he together with his local political friends dreamed of turning the sleepy island into an offshore tax haven in the same way the billionaire Stanford had done for Antigua, another tiny island with a population of just 85,000. Smeaton's home had long been a venue for the island's most influential decision makers who regularly enjoyed the pleasure of the hospitality he showered on them, arranging tennis tournaments, garden parties, and diners on his yacht.

Smeaton's personal offices were on the same small city block as the modestly imposing Anglo-Dutch Commercial Bank building in Roseau. He preferred to separate his more important affairs from the everyday detailed activities of the bank, discretely meeting his business friends, many of whom were rich travellers and investors who from time to time visited the island to watch over their accounts.

The island turned inward when the final curtain came down on the British Empire. Britain granted most of its small island colonies in the Caribbean independence, an event that many were to regret. V.S.Naipul had described them as part of the jetsam of an empire. The British Foreign and Commonwealth Office when asked how they would survive retorted: they would turn themselves into tax havens.

Six British Overseas Territories remained in the Caribbean, including the Cayman Islands and the Virgin Islands. Amongst those that had been granted the dubious privilege of independence certain been more successful at transforming themselves into tax havens than others, especially the Bahamas, which enjoyed a per capita income on the same level with that of the US or Canada. The standard of living on island nations, such as Antigua — higher compared to certain other Caribbean nations — was considerable lower than in the British Overseas Territories. As for Dominica it was a long way down the scale, poorer and less developed, where the per capita revenue was a mere tenth of its richer neighbours, much nearer that of impoverished Jamaica.

Dominica had therefore been a virgin territory for Smeaton, a place where he could feel at home, it reminded him of his childhood Java, uncomplicated, and without the constant pressure of competition. On first sight, as a person, he would have never been described as a flamboyant individual, physically he was not tall; somewhat frail in appearance and had a modest, almost shy, friendly demeanour. That was deceptive; he liked the company of friends and those who knew him well were mindful of his terrier like determination.

Smeaton's popularity on the island was, to a large part, owed to his generosity and of course the jobs he provided. Over the years he earned the admiration of local businessmen and politicians who had to acknowledge the success of his astute investments in finance and property development.

The Commonwealth of Dominica

Roseau, the capital of The Commonwealth of Dominica, lay to the south-west side of the island. It overlooked the Caribbean from the foot of the low hills that rose steeply towards the mountainous tropical rainforests that dominated the island's landscape. With a few exceptions Roseau's buildings were one or two stories high with the architecture reflecting the colourful colonial style of the Caribbean, balconies overhung the streets with the ubiquitous red or green coloured corrugated-iron roofs marking the urban landscape.

The traffic was relatively sparse, mostly SUVs, vans and pickups, though strangely relatively few people were about. Barton felt at home noting that Dominicans drove on the left side of the road. It was hardly four kilometres along the coast road to the city centre where Sarah had no difficulty in parking the Jimny in a siding off Bay Street. The sea front consisted of a rock reinforced breakwater and a jetty that led out to deeper water where a huge cruise ship was anchored spewing forth its horde of day-trippers.

The locals had flocked to the market place next to the seafront where lines of minibuses and taxis waited. The sound of steel drums welcomed the arriving tourists eager to notch up another island, ready for another day of sightseeing. The market bustled as the stall owners tried to capture the attention of the passing tourists with their colourful goods: exotic fruits, souvenirs, local handicrafts, brightly coloured shirts and dresses.

Sarah pointed out the sights as they made their way on foot past the stalls and the ferry terminal, then through the market place that overlooked the Roseau River. It was not complicated; the town was five hundred metres by five hundred metres. The principal buildings of note were the Governor's Residence and Saint Patrick's Cathedral.

'I told you it wasn't big, now you see what I mean by island fever!'

'It depends what you're looking for, I've just spent six months with the teeming millions of India and South East Asia.'

'Well if you're looking for peace and calm it's here, you can spice things up with a bit by snorkelling and sailing, and if you're feeling more energetic there's the mountains and rain forest.'

'Where would you suggest I stay?'

'Why don't you stay in one of the villas, you've seen it's only a couple of miles from the town centre and airport, you're here in five minutes. There you'll have Malcolm and his friends for company.'

He was not sure how to take that and it must have shown on his face.

'Don't get me wrong, they're nice people. In addition the villa comes with housekeeping, plus satellite TV and the pool. If you like sailing you could charter a boat, there's plenty of things to do.'

'That must be pretty expensive.'

'No, we'll work something out and it's better for us to have someone in residence seeing things are very quiet with the crisis.'

Sarah was not wrong, Roseau was not Miami, and if Barton wanted to concentrate his ideas on his future business he did not need to be distracted by a tourist's vision of the world. The last six months had been hectic and it was time for a pause, a little peace and quiet. As for exploration he would be looking at Antigua and the Caymans for his investments.

They were back at Smeaton's on time for lunch. Barton had not made seen much of the island, but from what he had seen it was much smaller than he had imagined, barely fifty kilometres from north to south and about twenty at its widest. A complete tour of the island could be made in a couple of hours.

'So Tom what do you think of Roseau?' asked Smeaton with a knowing smile.

'An easy going kind of place.'

'In a nut shell that's exactly what it is, the only excitement is when a cruise ship comes in.'

'What about our Emerald Pool development?' added Fitzwilliams.

'Magnificent, a very discreet tropical paradise.'

'That's exactly what we want it to be, not a jetset destination like Saint Barts.'

'It's a pity that things haven't gone as fast as we would have liked, but who could have foreseen the crisis,' sighed Smeaton.

'Don't worry Malcolm things will pick-up again — they always do,' Fitzwilliams reassured him.

September
The Basque Coast

In the tiny fishing port, situated at the south end of Biarritz's beach area, Sophie spotted a free table in one of the small restaurants. It overlooked a collection of apparently little used, but picturesque upturned fishermen's boats. Without consulting the menu Sophie order grilled sardines for them both and a bottle of chilled white wine.

The weather was fine though there were few people on the beach apart from the surfers waiting for the next wave in their wet suits, bobbing in the water like black seals. The holiday season would soon be over and the majority of the midday strollers were retired people who mingled with surfer bums busy loading or unloading their boards and gear from beat-up vans, their eyes always fixed on

the sea.
Barton was pleased to be with Sophie, she had promised to show him the sights of what she called the last refuge for the French middle class — far from the jungle of Paris and the too cosmopolitan Riviera. He was also glad to breathe the cool clean air of the Basque country, a refreshing change from the heat and humidity of the Caribbean.
Barton had finally made it, after much hesitation he was back in Europe, in Biarritz a town he knew little of, fresh, sparkling clean situated in a beautiful region at the foot of the Pyrenees and overlooking the Atlantic rollers so much favoured by surfers.
It was in Biarritz in 1890, William K. Vanderbilt and two friends discovered golf watching an exhibition match, it was a game unknown to them and Vanderbilt was said to have declared: 'Gentlemen, this beats rifle shooting for distance and accuracy. It is a game that I think would go in our country.' Golf was on the world map and more than a century later Biarritz could boast some of the finest clubs in the world amongst them Biarritz-le-Phare, Chiberta, and Chantaco in the nearby town of Saint Jean de Luz.
Between 1860 and 1910 railway stations, hotels and apartments had sprung up along the French coast and Biarritz, once a modest fishing village, became the playground of royalty after the Empress Eugènie, who built a splendid villa there, introduced the town to Napoléon III. Among its celebrated visitors were Queen Victoria and Edward VII, followed in the 1930s by the Prince of Wales, who was to become the Duke of Windsor after marrying Wallis Simpson, making Biarritz a fashionable resort for the rich before WWII.
Times had changed, but Biarritz remained, for those in the know, one of Europe's smartest resorts far from the throngs of foreign tourists that regularly invaded the Riviera. Biarritz offered its grand hotels, fine restaurants, fashionable shops, a pleasant climate with little fear of the kind of urban violence that now stalked the Rivera.

Sophie was unable to persuade Tom Barton that things were not as bad as they looked in London; she would have preferred him to be nearer to her. But Barton was unconvinced, feeling more at home in Dominica than anywhere else since he had quit the City; it seemed like a safe haven with as he suspected the worse of the crisis yet to come.

'The City has become a casino, it's no longer a place to finance and invest in industry and commerce, not even for banking services or selling mortgages,' he complained. 'It's the biggest betting shop ever invented, if you've got the money you can bet on almost anything and everything.'

'Do you really think so,' asked Sophie half listening, she had heard the story before.

'Of course, it's no different from the local bookie, you put money on a horse or something in the hope of winning, in the City, instead of horses or football results, punters bet on shares and commodities.'

'If you say so Tom.'

'Then can even hedge their bets.'

'Doesn't that seem a bit like defeating the object?'

'Not really, it's what I do. The gains are small, it's a bit like betting on pairs and impairs in roulette, a lot of small gains add up, especially if you put a lot of money on the table.'

'Don't forget for every winner there's a loser,' said Sophie smiling at Barton's reflections. 'So what are we going to do this afternoon,' she said reaching out for his hand.

'Let's go to Spain.'

'Spain, why not. What about San Sebastian, it's less than an hour's drive, if the traffic's not too heavy.'

'You think that's a good idea,' he said nodding towards the dark clouds that had appeared on the horizon to the south.

That evening they joined a party of Sophie's friends for diner in a farmhouse that dated from 1505 in the small village of Sare. Olhabidea was in reality a high class maison d'hôte that took reservations only. It was warm and comfortable with a welcoming atmosphere Altogether they were nine, seated at an elegantly dressed round table, in a dining room surrounded by book cases filled with works on pelote basque, agriculture and gardening. Outside a gale was howling, the weather had brusquely changed as it often did on the Atlantic coast.

For the benefit of Barton the conversation turned to the Basque Country and how Biarritz had first appeared on the world scene as a fashionable coastal resort in the middle of the nineteenth century. But before that, long before, it had been part of English Gascony, when Eleanor of Aquitaine married Prince Henry Plantagenet, who then became King of England and a large part of what is now France.

The home of the Basques lay in the southern part of Aquitaine and in northern Spain. Tradition liked to recall Basques as whalers, however, Sophie told Barton the last whale caught off the coast of Biarritz was back in 1686. Like many other peoples Basque history was built around legends and distant history, eclipsing the less glorious and certainly more mundane reality.

Biarritz had to wait until 1854, when the Emperatrice Eugènie returned to the town after her marriage to Napoleon III, before becoming known to the world. Her first visit to Biarritz had been in 1838, with her mother, the Countess of Montijo, who in search of a home away from war torn Spain, arrived there with her two daughters, María Francisca and María Eugenia.

They then moved on to Paris, where the girls were educated and brought up in fashionable society and where Eugènie met Prince Louis Napoléon. Napoleon built a summer residence in Biarritz for Eugènie, and they became regular summer visitors until 1868, instantly transforming the resort into a fashionable venue for Europe's royals. Amongst its famous visors were the kings of Würtenberg, Belgium and Portugal, and Russian as well as Polish and Romanian princes, Spanish grandees and English lords and many others.

A Journalist

Michael Tomlinson as a reputed City editor of The Economist had been an ardent supporter of the square mile during its ten glorious years under New Labour. Tomlinson, a privileged interlocutor at press conferences, was often seen at the tables of deciders in the City. He was a regular guest at one of Fitzwilliams' homes, or on the Marie Gallant II, in the company of the banker's friends; notably the Parliamentary Secretary to the Treasury and Cabinet Member Paul Hopkins.

At forty eight Tomlinson's journalistic experience in the world of finance covered the crash of 1988, the Asian financial crisis, the Russian meltdown in 1997 and the dotcom bust of 2000. If anyone should have seen the sub-prime crisis looming it was him, but no, he was part of the soft landing school. So much so he had himself surfed the property boom trading up his London home for a four million pound gentleman's farm in the Surrey countryside, aping the City tycoons he admired so much and their cohorts of nouveau riche supporters.

After joining the The Economist in 1987, Tomlinson had taken out a mortgage on a home in Fulham, not such a fashionable area then, but an easy ride on the District Line into the business magazine's headquarters in the City. When the price of property started to rise in the mid-nineties he moved to a better area of Fulham, closer to Chelsea, cashing in on the added value of his existing home and taking out a larger mortgage.

Tomlinson's political leanings tended towards the centre. After graduating from the LSE he had voted conservative, but when Labour elected Blair to its head he was seduced by the youth and charisma of the young leader. In 1997, he like so many others gave Blair a landslide victory hustling the weary conservatives out the power. Blair lived up to his promise, it seemed like Cool Britannia could not go wrong as the country recovered its pride and self esteem, ultimately joining forces with George Bush to thrash Saddam in America's war against terror as London became the world's leading international financial centre.

In 2003, Tomlinson, at the peak of his glory as the City recovered from the dotcom setback, went from strength to strength. Property boomed and the price of his Fulham home rocketed, George Bush ruled the world with his sidekick Tony Blair dishing out lessons to the feeble hearted who recoiled at joining them in their war on terror. There was no reason to think that home prices would not continue to barrel upwards and with his wife's modestly comfortable inheritance they set their target on a more ambitious home.

As financial editor of the Economist he became a regular figure at City lunches, the BBC financial desk and Bloomberg's television shows. With his wife they became sought after guests for smart diner parties, including those of Fitzwilliams, where newly found wealth was the focal point of conversation.

The Surrey property seemed like a bargain and he snapped it up with the help of a huge loan cobbled together by the Irish Netherlands Bank in a special deal, stretching his finances far beyond that which his and his wife's incomes could reasonably justify. However, the idea of being unable to repay the loan in a market where prices rose ten or more percent a year seemed so farfetched and it was dismissed out of hand.

His wife's salary, as the editor of a fashion magazine, ensured the kind of life style that went with their property and it was only natural that they bought a flat in Earls Court to avoid commuting into town during the week.

Returning from what had become their established family vacation in Tuscany an unpleasant surprise awaited them: the magazine his wife worked for went to the wall when fashion businesses spooked by the looming crisis were forced to slash their advertising budgets.

Mortgages of over one million pounds and more were much more common than generally imagined and Barton knew it; it was he who had engineered Tomlinson's loans. When the crisis hit mortgage repayments of ten or fifteen thousand pounds a month became an unsupportable burden when a family income dropped as did Tomlinson's and selling became urgent, haemorrhaging money on heavy mortgage repayments needed fast action and the owners of trophy homes had to get out quick when the going got bad.

Tomlinson, as a financial commentator, had been naturally no stranger to derivatives; in fact he had followed their evolution ever since they had been invented by JPMorgan in the mid-nineties. But little did he think at that time derivatives could become one of the main contributing factors to a catastrophic financial crisis.

The word derivative was a broad label for a multiplicity of financial instruments. However, unlike conventional financial instruments such as stocks and bonds, a derivative was usually a contract rather than an asset itself. This meant a buyer promised to convey ownership of an asset, rather than the asset itself.

Futures and options were two of the most commonly traded derivatives. Options contracts gave the owner the right to buy or sell an asset at a set price on or before a given date. Whilst the owner of a futures contract was obligated to buy or sell the asset.

Such derivatives were used to limit the risk of losses of traded goods, the prices of which fluctuated with market conditions; for example when airlines hedged the prices of aviation fuel to offset losses that could occur when oil prices spiked, with the risk that the opposite could happen.

Tomlinson was no mathematician and as the demand for derivatives grew he like many other people only saw the bottom line, profits poured in and no one thought to question future risk. The people at the top had in reality no precise idea about what was happening on the trading floors, they only looked at the results not understanding the potential dangers linked to their booming profits.

As time passed derivatives, invented by JPMorgan, became commonly accepted and were used, and frequently abused, by investment banking to create vast profits. There were few rules governing derivative markets and nothing to hold back the fervour of banks and investors as markets flourished in a brave new world where profits and rewards were every man's due.

So convinced were men like Tomlinson that they, like so many others, branded outspoken bell ringers as contrarians, a species of jealous ne'er-do-wells

Russians

Sergei Tarasov had reason to be nervous, his friend Andrei Veronihkin had very discreetly put his palatial yacht up for sale. Twelve million euros, half the price he had paid for it, and it was rumoured he would be prepared to accept almost any reasonable offer given the difficulties he like certain other oligarchs were having in getting rid of their symbols of conspicuous consumption.

The yacht, safely anchored in Dominican waters, protected from the risk of seizure by bailiffs, lay just a few cables off Smeaton's jetty. It could accommodate sixteen guests in sumptuous staterooms, and came with gold leaf trimmings, marble, bullet proof windows and even a helicopter landing pad. Barton after a visit with Malcolm Smeaton agreed it was an exercise in nouveau riche poor taste.

The news of Georgia's invasion came like a bolt out of the blue. The reaction was a sudden and unexpected reversal of oil prices. For Russians it came like a throwback to the bad days of the nineties as the country's banks started haemorrhaging cash at an alarming rate as depositors rushed to change their roubles into dollars.

The Russian economy was seen by all for what it really was; an oil and gas economy. To the Kremlin's dismay, their untimely and arrogant invasion coupled with the stock market crash saw hundreds of billion dollars in Russian reserves suddenly evaporate into the country's polluted ether.

As liquidities dried up, forcing oil prices to tumble, fear began to stalk the Kremlin. The Moscow Times headlines announced 'Police Fear Crisis Unrest'. The bluster gave way to panic, even men like Veronihkin turned to the state for help. Oligarchs and state owned companies faced debts of hundreds of billions in dollar and euro liabilities, desperately hoping oil prices would rebound and save them from the disaster caused in part by their own lack of foresight.

That last week in August Russia's stock exchange was seriously rattled as hot money poured out of the country. Panicked at the spectre of war, following Russia's recognition of the breakaway regions of South Ossetia and Abkhazia as independent states following its invasion of Georgia, investors dumped Russian shares on a market whose very existence depended on speculative capital.

Russia was not alone, the other stock markets of the other BRICs, as Goldman Sachs had dubbed them — Brazil, India and China — were equally faced with the sudden prospect of collapse. After a period when it seemed that the BRICS were about to inherit the earth the brutal reversal came as a shock.

The situation resembled that of Japan's in the mid-nineteen eighties, when pundits were predicting it would soon be the world's new superpower, at least financially; that never happened. When Japan's real estate and stock market bubble finally burst, its major banks were pushed into insolvency and the country was plunged into two long decades of stagflation, from which it may never recover

All of a sudden Russia had lost its shine. Its inefficient oil industry was looking less interesting and the value of its banks plunged. The dark days that followed the fall of the Soviet Empire were about to return with capital flight threatening the country's stability. The Kremlin was forced to change its bellicose tone with Medvedev, after he had boasted Moscow could buy out American and European businesses at the snap of a finger, looking exactly like what he was, Putin's puppet, and as for Putin he was keeping a low profile as his oligarch friends ran for cover and the central bank struggled to shore up the hard hit rouble.

Moscow possessed the world's third largest of dollars thanks to the demand for Russian oil and gas that had grown at a spectacular over the previous decade. That summer, pushed by speculation, oil revenues flooded into Moscow's coffers. The illusion of power was irresistible and Moscow, in a display of post-Soviet might, flexed its muscles by sending its tanks into Georgia. Unfortunately for the Kremlin, Cold War posturing in a globalized economy had the opposite effect to that hoped for and the proverbial shit hit the fan.

The energy bubble like all bubbles burst and as the gravity of the crisis slowly dawned, bankers who had loaned incommensurately large sums of money to Russian oligarchs — to speculate on commercial property, buy private jets, yachts, art and antiques — began to get extremely nervous. Fitzwilliams was one of them; he had financed Tarasov's highly leverage property investments in London.

Alosha Demirshian, in spite of his amiable grandfatherly demeanour, hid a nasty background. He was in reality a vicious mobster, a Russian-Armenian who had made his money from trafficking forged one hundred dollar bills — in bulk. Demirshian, the head of a tentacular crime consortium, along with his brother in arms Sergei Lauristin, had in the space of just four or five years transformed himself into St Petersburg's richest property developer. At the outset this had been nothing more than a money laundering façade for a multitude of criminal activities, then more by circumstance than design property boomed overshadowing the Armenian's criminal activities.

Demirshian's penchant for crime had however prevented him from making a complete transformation; he was like an old Mafia boss who could not shake off his reputation and a lifetime of bad habits. Demirshian was reluctantly forced into retirement on to the French Riviera after an obscure finance company, the Ural Group, said to be controlled by the aging mafiyosa, was suspected of corrupting senior officials of the Russian Interior Ministry, members of the FSB, the ex-KGB, and tax officials in a massive fraud relating to Gazprom shares. Fortuitously the evidence was lost in a maze of wire transfers and electronic paper to unknown beneficiaries, which did not prevent Demirshian's return to St Petersburg from being out of the question.

France

As the world advanced towards the precipice life looked good in a small quiet corner of France. A powerful motor yacht turned out of the marina then surged down the Bidassoa River past Fuentarrabia on the Spanish side and Hendaye on the French side of the broad channel that separated the two countries. Once out into the bay they felt the swell of the open sea. Robert Moreau eased back on the throttle, he had no intention of having his guests throw up as his wife was about to open the Champagne. The short run to small picturesque Port of Pasajes San Juan, where they planned to stop for dinner, would take half an hour at the most.

His guests for the evening's outing to the firework display in San Sebastian were Niall Kavanagh and his wife Françoise, old friends, Sophie Emerson and her English friend Tom Barton, and a real-estate promoter David Jameson.

After rounding Cabo Figueras they headed west at an easy speed with the slab like cliffs of Montaña and the green hills of the Basque Country on the portside. Admiring the passing landscape from the upper deck, the guests sipped the Champagne, Moreau's wife, Gisle, had poured and helped themselves from the tray of appetizers she passed around. The weather was fine, around 27°C, the sky was clear and according to the forecast it would hold until late in the night when a depression was expected, momentarily putting an end to the fine weather, bringing a spell of high wind and rain.

Moreau's boat, the Corsair, a powerful Guy Couach 3000 motor yacht equipped with two 1800HP motors giving it a top speed of 30 knots with a consumption of 150 litres of fuel an hour, had set him back over three million euros, but it was a good investment for his business as the exclusive French representative of the Spanish firm Martínez Construcciones.

That morning he had signed an agreement with Jameson to form a sales company for the promotion of the new apartment complex and shopping centre to be built plumb in the middle of Hendaye Ville, a deal worth more than one hundred million euros. The sub-prime crisis was still far away from the small town; on the other side of the Atlantic, its ripples just being felt on the other side of the English Channel.

The real estate market had never been so good with Spanish buyers almost flooding into Hendaye, which lay directly across the border from the Spanish towns of Irun and Fuentarrabia, the latter a picturesque walled town dating back to the Middle Ages, dominated by a fortified palace built under the King and Emperor Carlos V, situated less than twenty kilometres from the prosperous city of San Sebastian.

Since Spain had joined the European Union the Basque Region had seen a considerable development of its economy. Geographically it was an economically strategic location; the only practical land passage between France and Spain, lying on the western side of the Pyrenees with major road and rail connections for the massive flow of goods from one side of the border to the other.

Hendaye formed part of the Consortio, constituted by the three contiguous towns, which coordinated the development of common infrastructure, environmental and cultural projects. It was the first such cross border local government structure established in the EU.

Their mood was celebratory as Moreau dropped anchor a couple of cables offshore in Pasajes San Juan. They reached one of the wooden pontoons of the little quay in a small inflatable outboard dingy, which Moreau took care to leave in view of the restaurant he had chosen — he did not relish the idea of having to swim back to his boat if one of the locals took a fancy to the dingy, or its motor.

Barton was fascinated to discover Pasajes San Juan, or Pasai Donibane as it was known in Basque, a picturesque village that dominated the narrow channel leading into a large bay that was the home of a large industrial port, Pasajes Ancho, and the fishing port of Pasajes de San Pedro, some five or six kilometres from the centre of San Sebastian. It was vastly different from the Spain of the Costas, with few tourists; apart from local visitors and a sprinkling of over-the-border French.

Sophie related the history of the village composed of a colourful cluster of 18th and 19th-century buildings overlooking the channel. In 1777, Lafayette had set out from Pasajes de San Juan to take part in the American Revolution. Then in 1841 Victor Hugo, fascinated by the beauty of the spot and its people, lived in the village for a year, describing it in his book Voyage aux Pyrénées. It was a popular spot for an evening stroll for families and friends, followed by drinks or diner in one of the many bars and restaurants that lined its narrow streets below the cliffs and abrupt hills that overlooked the village.

It was still early and a closed sign hung on the door of the restaurant; it did not prevent Moreau from entering and looking for his friend, the owner and chef, explaining to him they needed to eat fairly quickly, so as not to be late for the start of the firework display.

They were shown to a table from which Moreau had a good view of his boat, and of course the dingy. He made quick work of the menu ordering a plate of boiled shrimps with fresh mayonnaise, and a plate of pimento de Gernika for starters, for the main dish they all agreed to merluza à la plancha. Moreau then selected a Rioja from the wine list, which was promptly served without ceremony, then to whet their appetites a plate of finely sliced Jamon Iberico was placed in the middle of the table.

Babkin

Vyacheslav Nikolayevich Babkin's arrival in the Pais Vascos, for the inauguration of a Russian modern art exhibition at the Bilbao Guggenheim Museum in late 2007, was almost heaven sent for Fernando Martínez. Babkin, at the invitation of the Russian minister of culture, had flown up from Marbella where he was vacationing with his family.

Martínez had reached a turning point in the development of his group. Its future growth depended on the acquisition of prime construction sites his ambitious projects. Flush with success, he had emulated the methods of Ferrovial, another Spanish construction giant, builders of Frank Ghery's futuristic Bilbao Guggenheim, by using the market values of his group's assets as a lever to raise funds on international debt markets. The risks were enormous, but cheap and liquid financing incited Martínez to take advantage the growth of debt backed development.

With the saturation of Spanish markets, Martínez had realised Grupo Martínez Construcciones needed new markets and had expanded into sunshine destinations such as Morocco. This did not entirely resolve his problem as potential buyers remained Western Europeans whose buying power was slowly being strangled by increasing debt.

He turned to the new countries of the EU, but a larger market lay further to the east: Russia, with one hundred and fifty million potential consumers, with the advantage of its immense oil and gas wealth, and a vast potential housing demand given the aging decrepit Soviet housing stocks. Nova Russia had money, though its laws were not enticing for investors — a Wild West version of a free market economy — it better than the quickly vanishing Spanish market.

Martínez, eyeing the opportunities in Russia, invited Babkin to join him for a weekend in San Sebastian on his yacht the Jai Alai. In no time the two men were soon on familiar first name terms; Slava and Pepe. Both were self-made men and both were facing challenging changes in their respective worlds. Martínez had become one of the established business elite in Spain. Babkin, ten years younger, one of Russia's nouveaux riches, had built-up his business empire over the previous fifteen years after grabbing control of a Moscow construction firm on the verge of bankruptcy. He had started by building homes for the new Russian oligarchy, then graduated to building their prestigious office buildings and the luxurious condos they were promoting for the growing class of Russia's prosperous business elite.

Babkin knew little of Spain, but he immediately took a liking to the country's climate and life style. Marbella's more brash style appealed to the nouveaux riches and San Sebastian's to the more discerning. He felt at ease dealing with men for whom building permits and political arrangements could be easily fixed when it came to ambitious projects.

Babkin like many oligarchs had set up residence in London, a home from home for many rich Russians and their entourages, and in spite of its difficulties London looked like a haven of peace in comparison to Moscow. The after shock caused by the fall in oil and gas prices compounded by the effects of the Georgian war had shaken the confidence of investors and sent the MICEX tumbling. However, Babkin and his friends still had solid reserves, built from the revenues they had siphoned off from the ex-combinats they controlled and their commodity exports. In spite of the crisis they could count on the world's needs for oil, gas, fertilisers, metals, timber and other raw materials.

When Kennedy arrived at the soirée held in the exclusive Pushkin Club, on Argyll Street, he could have been excused for thinking he was in Moscow. Russian seemed to be the only language spoken and when Kennedy, who had never his tongue in his pocket, attempted to use his smattering of Russian he quickly attracted the attention of a couple of attractive, though rather flashily dressed, young women who were delighted to discover he was a real City banker.

As one of the friends successfully cultivated by Sergei Tarasov in London banking circles, and the number two at the Irish Netherlands Bank, Kennedy had been invited to the private cocktail party thrown to celebrate Vyacheslav Nikolayevich Babkin's decision to establish himself as a non-dom in London with the addition to his list of trophy assets a palatial home in Belgravia. The Russian was not alone in setting-up home in London, it was estimated that there were at least a couple of hundred thousand of his compatriots in the capital, many of them rich, accompanied by their families — and mistresses. A few were adventurers, others drunks, but the rest were for the most part simple job seekers.

Londongrad had become a second home to Russia's Gotha: politicians' wives, oligarchs, wealthy businessmen, artists, show business personalities, sports stars and supermodels, many of whom who commuted between London, Moscow and St Petersburg. There was also the jeunesse d'orée – the privileged offspring of the nouveaux riches – getting an education at the best public schools or studying at the most in vogue of the country's centres of higher learning.

The Russians had lavishly spent their millions on anything from jewellery to modern art, as well as on their own cultural legacy that was up for sale at Sotheby's or Christies. The rich new arrivals were propping up the venerable though ailing auction houses that were beginning to feel the effects of the credit crisis as the market for fine arts virtually came to an abrupt stop.

Kennedy was becoming used to the kind of evenings thrown by Tarasov, one of Irish Netherlands Bank's best partners, where he met other amateurs of Russian hospitality including Steve Howard. The names of the celebrities and stars that were flashed around meant little to him, celebrity gossip had never been his thing, however he was impressed to know that the heiress Paris Hilton, who had become a household name, had been a guest at the very exclusive Pushkin Club.

The Crisis Grows

'Eastern European property is about to go down the tube,' Tarasov discretely warned Howard. 'If you've got any business there I'd suggest you get out as quick as possible.'

'That's not what my Spanish friends are telling me,' replied his normally astute friend.

'Don't listen to them, they're trying to save what they can of their own affairs. My advice is get out and quick.'

'Do you seriously think it's that bad?'

'Yes, and much of the EU will be effected.'

'You're an alarmist Sergei,' he laughed.

'I don't think so, when the dominos fall a lot of people will be caught with their trousers around their ankles, mark my word Steve,' said the Russian mixing his metaphors. 'It's just a question of time, a very short time.'

'Maybe I'll take your advice Sergei.'

The dominoes were lined up and the least rumour could set the chain reaction in motion. Tarasov had seen how his compatriots had been taken in by crude oil's price spike, a short lived flash in the pan. The unexpected crash had transformed overblown ambitions into a farce, kings and dictators became gesticulating clowns as their hopes of glory were cut short. Leaders, from Putin to Chavez, had been fooled into believing they were richer and more powerful than they really were. Their arrogance transformed into fright as the spectre of bloody riots on the streets of Moscow or Caracas appeared.

Just two years earlier Angela Merkel had warned: What we have is a completely new balance of power in the world today, in reference to the world's foreign exchange reserves held outside of Western economies. That vision suddenly looked premature as oil producing countries faced an unbelievably unexpected setback as investors fled from emerging markets to take shelter in the only real safe haven, the crisis stricken USA.

Speculation was threatening Russia's banks and stock market with annihilation. The Kremlin's adventure in Georgia and its meddling in business was bleeding the Russian market dry forcing the central bank to inject billions of dollars from its reserves to support the rouble.

Emerging markets were caught up in the banking world's convulsions; even the stock exchanges of Middle Eastern petro-kingdoms were plummeting. As for China it was expected to ride out the crisis, but as its exports plunged a dramatic twenty percent and its dependence on the dollar with the accumulation of US treasury bonds revealed its Achilles' heel.

Never in living memory had the world seen a financial crisis of such rapidly growing magnitude. Experienced politicians and economists looked on appalled. It was like a Hollywood television drama series, each day producing startling new events, each episode challenging the ability of politicians and financial experts with scenarios they could have never imagined, even in their wildest dreams. Central bankers spoke of trillions and financial institutions reeled groggy under the massive blows delivered by banks, crooks and incompetents.

Accusing fingers pointed in turn at regulatory bodies, offshore banking, hedge funds and toxic bonds. It was as though those responsible for managing the world's banks and financial institutions had been infected by a collective madness, like in Stephen King's novel Cell.

Wall Street and the City of London had been infected by contagious greed. Not only infecting the rich and powerful, its fingers grasped had grasped at the very heart of the nations, ordinary citizens who were blinded into thinking money had become endlessly abundant. They were led into thinking there was no limit to how much they could borrow or spend, for whatever they envied; a second home, a new kitchen, car, home cinema system or why not a luxurious vacation.

Then came the news that the Wall Street bank Lehman Brothers posts had posted a second quarter loss of shocking proportions — four billion dollars. The stability of the firm, which bore a name going back almost one hundred and sixty years, was in jeopardy. In reality Lehman Brothers was a mere decade and a half old, it had been spun off as an unexciting entity by American Express. Under a new and dynamic leadership its fortunes changed for the better, and soon it was surfing what seemed like an endless wave of profits.

Being comparatively small in size and with a low capital base, Lehman Brothers financed its unparalleled expansion with huge sums of borrowed money. In the summer of 2008, its debts had reached a staggering thirty five times its capital; these mixed with its massive investments in real estate had created an explosive cocktail.

The days of uninhibited hedge funds, private equity firms and new fangled financial instruments seemed numbered. Governments looked on unable to put the genie they had unwittingly released back into the lamp, as bankers, traders, oligarchs and speculators fled for shelter clutching the remains of their ill gotten gains.

Dublin

High Streets up and down the UK and Ireland were beginning to resemble ghost towns, boarded-up shop fronts were replacing not only small independent shops but stores with household names such as Barratts and Woolworths, and of course local estate agents. As many as ten percent of high street businesses had already closed down.

Those problems were far from Liam Clancy's thought as he fumbled to switch off his alarm; it was seven in the morning. It was not as if it was that early, but with his late night pubbing and clubbing it was not unusual for his neighbours to see him stumble from a Dublin taxi before his luxury home in the wee hours of the morning. Depending on whether or not he had left his car in the city the evening before, he drove into town in his Porsche or took a taxi; the idea of taking a bus was not at all good for the image of a successful young trader.

That morning was different, he was stone cold sober and with reason, it was to be his last day at the brokerage firm, part of the Irish Netherlands Bank group. As he drove into town he wondered what lay before him. What would happen to his contractual bonus? Would he have some kind of payoff or would it simply be a blunt mail on the firm's intranet telling him to leave the premises.

For the last five years he had lived the life of a legendary golden boy, a master of the universe — on a Dublin scale that is — building up what he now knew were risky trades, without the least thought given to the possibility of future losses. His bosses had not been interested in talking about the risks, not whilst there was fantastic money to be made.

In any case it was not Clancy's job to sort out management problems, trading was complex, and it was for others to figure out how they should protect the bank. He like the others in the team was there to make money for the bank and money for himself.

If a trade was particularly complex it was the job of his bosses to explain the risks to the board, who in any case understood little about the arcane workings of derivatives and the like. The few who did, did so in simple terms: bets on commodity futures such as copper, or intangibles like exchange rates and bonds.

Often Clancy himself failed to grasp the real nature of the trades he contracted, but they were pushed through because those directly above him knew they would influence year end bonuses. It was equally difficult for top management to refuse their approval for certain deals when the pressure from the board and shareholders for increased profits was paramount.

Even when the controllers knew the long term risks were great they were unable to blow the whistle for fear of being called wimps. Finally it was the euphoric state of the market that decided and in any case, whatever else happened, prices rose and bonuses were paid and that was all that mattered.

Money poured in, there was no end to it and why should there be, countries like Russia were bulging with money made from oil. Wall Street and the City of London were making more money than ever. Property prices were proof that people were getting richer and richer, as for the voices of the contrarians they were systematically rubbished or pushed onto the back pages of the press as doomsters.

The bank's top management had little real idea as to whether its trading activities were really making money or not. Of course extraordinary growth figures were reported and paper profits were huge, but the speed of events and the complexity of financial instruments surpassed them. What mattered was profits were reported, whether they were mere paper or not did not matter, the bonuses were real, and in the euphoria of the boom no one asked the question as to what would happen if and when the music stopped.

Clancy asked few questions; at least those that would have made people wonder whether he was in his right mind. He knew which side of his bread was buttered. It was the job of risk managers and analysts and their valuation systems to ask questions, but their reports were so complex that managers relying on their own intuition filed them away as completed due diligence.

Clancy was not alone in worrying about his job, across the Western world the growing unemployment situation was beginning to worsen putting an effective brake on growth and revenue forecasts. After a year into the crisis the effects had not yet been felt, it took time for people to eat into their savings and feel the bite of hardship. To make matters worse many were now threatened by repossession and many more were slipping into negative equity as forecasters calculated that unemployment would jump to nine or ten percent within a year.

The French President Nicolas Sarkozy said: We cannot have a system of rentiers and social dumping under globalisation. Either we have justice or we will have violence. It is a chimera to think that this crisis is just a footnote and that we can carry on as before.

Signs that the financial crisis was transforming itself into a sovereign debt crisis were beginning to appear as with each passing week more and more troubles piled up. Governments were forced into nationalizing banks in one form or another and were creating mass of virtual money to shore up distressed economies.

In the deepening crisis warnings went unheeded and fat cat leftist urban elites, such as the lucky sinecurists at the state owned BBC, continued to pay themselves bonuses or have their contributions to their huge pension funds boosted from public or quasi public funds. Even judges had had their pension fund contributions doubled in just five years. Ordinary workers and taxpayers had become mere serfs in the exclusive baronies of politicians and bankers.

Two decades of economic prosperity had seen the most nauseating form of social evolution take place, during which Britain became dominated by a privileged elite; fawned upon by the media with its self-appointed gurus and sycophants, a new race of princes, cheered on by the great British public fobbed off with a modern form of bread and games: unlimited credit, reality television and football, as autocratic few went about stuffing their pockets with the profits of banks, businesses, and the funds of state owned and political structures. In fact anybody holding power of almost any kind came to believe it was his privilege to help himself from the till, private or public.

The Celtic Tiger

That same Friday, September 12, just before three in the afternoon, Liam Clancy found himself staring blankly at a half empty glass of Guinness at a table in a quiet corner of Gogarty's, a popular pub on the corner of Anglesea Street in Dublin. Quiet it was, there was no joy in the air, a feeling of disaster hung over the Stocmhalartán na hÉirean, the Irishness of the name seemed futile and irrelevant in the chaos that had almost without warning engulfed the small Irish Stock Exchange, which in any case depended on the Deutsche Börse. Worse the disaster was now about to hit Clancy's, up until very recently, blithe life.

The Irish Times, no doubt looking through shamrock coloured glasses, announced Irish shares had outperformed Europe's the previous day, omitting that those same Irish shares were probably the worst performers in the world over the course of the previous eighteen months, the ISEQ Share Index falling almost vertically from just over 10000 point to a little less than 3000, a staggering loss of seventy percent. The newspaper at the same time announced retail sales were the lowest in twenty four years. Decidedly things were not looking up for Ireland.

On the international front the Dow Jones was hovering at around 9000 points, more than 5000 points less than its all time high only twelve months earlier, whilst European stock exchanges were plumbing unimagined depths. The VIX had gone wild; a series of jagged highs and lows, a sure indication that fear had infected the market. Clancy's own portfolio was worth almost nothing and to make matters worse the price of his fashionable house had fallen twenty percent in twelve months.

The Celtic Tiger had been caught in the whirlwind of the sub-prime crisis and was beginning to seem more like a bedraggled gutter cat than a tiger. Clancy's father had warned him of Irish dreams, advising him to put his money into something more down to earth — like some good farming land in Wexford. His favourite quotation was Ghandi's 'Account for everything that comes in and goes out of pocket'. Clancy did of course not listen to his father; who does? Ireland was living in a new age, farming and all that crap was what had always held Ireland back: industry, business, finance and real estate was where the real money was.

As he looked into his Guinness he knew his father had been right, his wealth had disappeared as if by magic, not only had his investment portfolio evaporated, the repayments on his pad in Dublin had rocketed as new interest rates came into effect, his year end bonus would be zero, and he would be lucky if he had a job when Christmas came around.

There would be no more cool mid-morning breaks at Starbucks, spending ten pounds for a latte and croissant. It would be goodbye to luxurious Champagne holidays in Spain and Croatia. Goodbye to his Porsche. Goodbye to those leggy Icelandic girlfriends — now forced to holiday at home in the freezing mists of their barren land — casualties of their country's banks great foray into casino capitalism. And goodbye to his own dreams of becoming another Tom Cruise style market player.

He searched his mind for a solution, a way out, but to no avail, there was little alternative to selling the house, that is unless he rented it, the problem was wealthy tenants were disappearing fast as the Irish nouveaux riches were seeing their fortunes evaporate as fast as Tullamore dew in the summer sun. Liam was not left totally high and dry, the house was paid for, his handsome bonuses had seen to that.

In spite of a twenty percent fall in Dublin property prices the house could still fetch almost two million euros, if he moved quick. The property, next to Phoenix Park, had been bought at less than half that price: five bedrooms, two bathrooms, on the banks of the Liffey and a private jetty.

The house, design by an architect friend, included a car turn-table, a cinema room, under-floor heating, a security system, a fully equipped contemporary kitchen, and luxury bathrooms. It represented all that was expected of a young dynamic trader. A place where he could invite his peers for drinks to admire the view of the garden, the river bank and the jetty, and just fifteen minutes from the city centre by car; a Porsche Carrera, or more leisurely along the Liffey, but boats weren't his thing.

Only twelve or fifteen months ago he had been surfing the wave of new wealth, flying down to Marbella in an executive jet with the London mortgage broker, Tom Barton, who offered potential buyers of the luxurious apartments being built at the Guadalmina Golf and Country Club development unlimited financing from West Mercian Finance. Luckily for him the deal was not completed, some complications with the legal papers. Before his old fashioned Irish solicitor had completed his laborious communications with the Spanish lawyer West Mercian Finance had crashed. The mortgage market went into deep freeze and neither West Mercian nor the Irish Netherlands Bank was willing to look at a heavy loan on a second home in Spain.

Clancy was a mite too young to remember the strange story of the Irish Netherlands's previous president, David Castlemain, who had disappeared with his yacht in a Caribbean hurricane. Miraculously, the unfortunate Castlemain was found two years later by turtle hunters, living like a latter day Robinson Crusoe on an uninhabited island off the Cuban coast. Castlemain had lost his head and was now interned in a psychiatric centre near the small town of Enniscorthy, in County Wexford, his nephew Michael Fitzwilliams, whom Clancy had shaken hands with on more than one occasion, was now the bank's head.

Since that memorable weekend in Marbella, events had accelerated, West Mercian no longer existed and Barton seemed to have vanished. Clancy's only consolation was the loan on the Porsche and his credit card debt might disappear if the Irish Netherlands went down the tube. That was however improbable and his more immediate problem was to find a quick way to offload his house, then if the worse came to the worse he would perhaps head down to Spain where he could spend a few months in the sun.

The idea cheered him up a little and glancing up at the TV screen, which under any other circumstances would have been tuned to a sports channel, he watched Bloomberg's afternoon anchorman present the good news of the day: the Fed had not expanded its panoply of extraordinary measures to support the US banking system; no major central bank had announced an emergency cut in interest rates; the US Treasury had not announced it was propping up yet another too big to fail financial institution; there was no nationalization of a European bank; Congress had not come up with another massive rescue plan and the Securities and Exchange Commission had not extended its ban on short selling.

Transformation

As they sailed down the coast Robert Moreau related the history of Hendaye to Barton, telling him how in the past it had been an insignificant fishing village of less than five hundred souls, staring across the Bidassoa River at its heavily fortified Spanish neighbour, Fuentarrabia. The most important events in its history being the signing of the Treaty of the Pyrenees between France and Spain in 1659 and the contract of marriage between Louis XIV and the Infanta Maria Theresa in 1660. Hendaye then slumbered for another couple of centuries until in the early 19th century it became the scene of a number of battles in the Napoleonic Wars.

In 1864, the industrial revolution belatedly arrived in the form of the first railway line and in the space of a few decades the sleepy town was transformed. The population increased more than six fold as the railway company, customs and frontier controls created many new jobs.

From the end of the 19th century the Basque Coast gradually became a tourist destination bringing a new prosperity to the region with Biarritz becoming a favourite resort for the rich and aristocratic families of Europe until a series of disasters brought its hopes to a grinding halt: WWI, the Spanish Civil War and WWII.

It was not until the 1960s that prosperity really returned to the region, thanks mainly to the generous vacations the French workers enjoyed and the democratisation of the automobile, not forgetting an efficient railway system and subsidised travel, which together gave birth to modern tourism in France.

Hendaye had become a popular seaside resort with its fine sandy beaches, the nearby mountains of the Pyrenees and the almost pristine freshness of the Basque Country. In the sixties and early seventies Spain was still ruled by Franco and very few tourists were tempted to cross the border, travel in the country still posed certain problems: the relative lack of development and the generally repressive regime of the then aging dictator. When Franco finally died at the end of 1975, independentist problems erupted and the very presence of a French car in the sensitive cross the border Basque region was a provocation; few tourists wanted to see their precious vehicle damaged or even worse in flames.

Real estate development did not commence until the late eighties with the construction of the marina complex in the Bay of Txingudi, which was progressively extended to a total of 850 berths with a boat repair yard. The point at the western end of the beach was transformed with the construction of hotels, hundreds of apartments, shops and restaurants in the attractive traditional architectural style of the Basque Country, landscaped with palm trees and gardens.

Spain joined the EU in 1986, but initially very few Spanish visitors ventured across the border into France, preferring their own beach in the picturesque old town of Fuentarrabia just across the Bidassoa River from Hendaye. Customs post and passport control points were not removed until after 1990, when the Schengen Agreement on free movement of EU citizens came into force.

By then Spain’s economic miracle was underway and money from the EU poured in for the modernisation of its infrastructure causing a boom in the construction industry. In the mid-nineties interest rates started to fall precipitating a rush into housing construction. By 2004, interest rates had fallen to a historic low and the Spanish the boom was in full swing with almost 600,000 units built that year.

In the meantime house prices had risen from a national average of around six hundred euros per square metre in 1995 to over two thousand and even higher in the prosperous region of the Basque Country, stimulated by variable by low interest bank loans of around three percent.

Speculation soon became rife as the world in general, and Spain in particular, as the price of property rocketed. Everyone wanted to get in on the act, everyone felt rich as the price of their home rose and money became easy. It was at that point certain Spanish construction firms set their eyes on Hendaye.

The Pyrenées Atlantique, a French department, or county, had a population density of eighty persons per square kilometre compared to that of Guipuzcoa's three hundred and fifty, had remained untouched by the rapid industrial development of its neighbour. Thus the border area on the French side was an attractive place of residence for those within commuting distance of their work places in and around the conglomeration of San Sebastian and its neighbouring towns.

Promoters rushed to Hendaye buying up land and demolishing large traditional villas to make way for apartment buildings. In 2004 almost three thousand new apartments were planned in Hendaye where the total number of existing residences did not exceed six thousand.

For Spaniards living in nearby provinces, it was a green and refreshing place to have a vacation home compared to the expensive, noisy and densely populated coastal region of the Basque Province, with most of Guipuzcoa's seven hundred thousand inhabitants living on the coastal strip and in the valleys of the mountainous province, where the population density was the highest in Spain.

Never before in the history of Hendaye had there been such a frenzy of construction, never before in the history of the town had the population grown so fast. Soon the lack of constructible land was posing a serious problem, forcing the local authorities to consider all kinds of extravagant projects in their search for a solution to meet the burgeoning demand.

New York

Though the world awaited the outcome of the negotiations with baited breath, none believed the US government would allow Lehman Brothers, the one hundred and fifty eight year old Wall Street bank, to fail. The belief was the government would step in at the last minute with a plan to save the bank, just as it had done for AIG and after arranging shotgun marriages for Bear Stearns and Merrill Lynch.

Monday morning, 15 September 2008, the world awoke to a shock of historic scale; Lehman Brothers had filed for Chapter 11 bankruptcy protection. It debts exceed six hundred billion dollars of debts and its twenty five thousand employees found themselves on the street. Seconds after the news fell traders stampeded for safety and creditors panicked at the thought of losing hundreds of billions of dollars in what was the biggest financial collapse since banks were invented.

As the shock wave reverberated across the world banking shares went into free fall and governments rushed to save what they could by propping up their own stricken financial systems. Banks froze lending threatening to shutdown entire economies. At the end of that racking week the US Treasury Secretary proposed a plan to rescue the country's financial system with seven hundred billion dollars of taxpayers' money. Goldman Sachs and Morgan Stanley, the last remaining independent investment banks, became holding companies, to take advantage of the central bank's emergency funds.

On the other side of the Atlantic, within the week that followed, Bradford & Bingley was nationalised and a series of Icelandic banks collapsed. A month later the British government was forced to bail out Lloyds, HBOS and the Royal Bank of Scotland.

As the dominos fell, AIG insurance, the eighteenth largest company in the world, which had insured the enormous bets wagered on the sub-prime market and other equally doubtful derivatives, was hit by a flood of claims. Hundreds of billions of dollars had been thrown away in a vast binge, gambling on every kind of derivative transaction conceivable.

Whilst the US administration fiddled, its attention turned to the Bush family's sponsored wars, AIG had been at liberty to do whatever it liked following a coup carried out by the it's top management. Control had been effectively wrested from its shareholders hands, leaving them stranded as helpless onlookers. Profits piled-up as AIG covered the risks of investment banks that in turn made fortunes from selling triple A rated CDOs, fobbed-off as being as safe as houses. The banks' mathematical wizards calculated the risk of CDO default as once in a thousand years, when in reality they were as worthless as common junk bonds.

Following the Great Depression banks were prevented from becoming involved in the insurance business by law, but this changed in 1999 when new laws were introduced that allowed banks, securities houses, investment banks and insurers to enter each other businesses. This led to the creation of Wall Street giants such as the Citigroup. These laws allowed banks to compete with investment firms.

This transformation allowed top management to expand its powers filling their pockets with ladles full of cash from the immense profits produced by the Street's giants, offering themselves private jets, yachts, vast Fifth Avenue penthouses, luxurious villas in the sun, art collections, jewellery, in short the life of Renaissance princes.

In 2007, the president of AIG's financial products division said: It is hard for us, without being flippant, to even see a scenario within any kind of realm of reason that would see us losing a single dollar. Less than a year after his cheerful prognostic the company was on the verge of collapse and asked to be bailout.

Local Cuisine

Few and far between were those in Hendaye who had heard of Lehman Brothers. It was a small town with quite naturally its share of small town attitudes. Outside of the summer season it was the kind of place where a stranger who walked into the local pharmacy was looked at as like a suspected flasher, and if when he spoke he had a pronounced accent, besides that of the neighbouring Spanish, the assistant would have checked the proximity of the telephone to ensure it was near at hand, to alert the local Gendarmerie if need arose.

As a coastal resort with a fine beach Hendaye quite naturally swarmed with tourists during the summer season. Many from the north were Parigos — a disdainful term used provincials to describe Parisians and those in general from Ile de France, the capital's region. The Parigos were accepted as a necessary nuisance by those who could profit from their annual presence. To many others, not having a vested interest in their money, they were a blight, little better than the day-trippers from the other side of the border. They did however respect the byelaws, not like the cross-border day-trippers who squatted a large part of the available parking space, both authorized and unauthorized, abandoning their picnic litter wherever it suited them.

During the summer months Jack Reagan liked to invite his overseas friends to dine at a cidrerie called Labetxo Etxea to experience the regional cuisine. It was owned by a local friend, Beñat Basurko and his brother Matia who were amongst the town's old families. Their Basque restaurant owed its style to the region's ancient tradition of brewing a somewhat bitter cider and a simple, but delicious, cuisine consisting mostly of thick charcoal grilled beef ribs sprinkled with gros sel, grilled merluza served with a scattering of crispy fried garlic slices and flavoured with a spicy clear sauce, a recipe handed down over generations, a delicate balance of olive oil, cider vinegar, onions, pimentos, garlic and other ingredients.

Labetxo Etxea, in reality not a ciderie, was inspired by the tradition imported from the nearby northern Spanish Basque region. Most traditional cidreries were in effect reserves where cider matured in enormous fifteen thousand litre wooden casks, transformed into rough and ready eateries some of them seating hundreds of diners at long rustic banquet style tables. It was an extremely profitable business with the most popular fully booked every night during the summer months.

The Basurkos had once been a family of respected Hendaye landowners, but scandals and divisions in the family had slowly dilapidated the wealth accumulated over generations. On the death of his father Beñat discovered the debts were greater than the value of the property left to him and his brother and with that the promise of a modestly comfortable future vanished forcing the brothers to take out a mortgage to keep their business afloat.

The restaurant stood on the corner of a triangular block bordered by three streets; it was all that remained of a large farm their great grandparents had owned, since swallowed by the gradual expansion of the town. When Beñat was a child his father had inherited part of what had then remained which he divided into plots and sold keeping one to build a new family home and a general hardware store.

As the region's prosperity grew, stimulated by the disappearance of a physical frontier, it became more attractive for both locals and visitors to cross into Spain to shop and eat out. The result was the Basurko's hardware business went into a slow and irreversible decline as competition from Spain, and French DIY nation wide chains expanded, sounding the death knell for many small local businesses.

Inevitably the cost of eating out in Spain rose with the economic boom and many people, though they enjoyed the food and the folklore of the cidreries, were not willing to pay the price for the often rough and ready service. It at that moment the brothers decided to open a restaurant in Hendaye based on the successful Spanish model. Beñat's idea was to offer the same menu with better service and without the drive to often isolated addresses in Spain through unfamiliar Basque strongholds or the problem of language.

It was a good decision. However, Labetxo Etxea lacked a certain authenticity. It was not a real cidrerie and it was situated in a quiet, not especially interesting, residential area of Hendaye; then it lacked the kind of rustic style people had come to expect of such eating places. On the other hand, moving to a better location was unaffordable, beyond the brother's means, given the investment need and the kind of repayments to the bank.

In mid-2004 that suddenly changed. The property market was moving into top gear as Spanish promoters appeared, seeking residential construction sites near the Hendaye's town centre and close to the border.

When Beñat was approached by a promoter interested in his restaurant he was at first surprised. It was summer and business was good and he had little time to give it serious thought. That autumn he was recontacted and offered almost twice the going price for the block of land with the homes, restaurant, adjoining outhouses and garages owned by the brothers. It was an offer that could not be refused, a once in a lifetime deal.

The Basurkos accepted the offer. Not only could they pay off their existing debts but they could also afford new and better homes. As for the restaurant it did not take them long to discover a rundown semi-abandoned farm house at a bargain price, a kilometre from the frontier crossing point at Behobia.

The N10 had once been the main road connecting Hendaye to Saint Jean de Luz, ten kilometres to the north, and Biarritz a further ten kilometres. It was still a busy road though mostly used by local and passing tourist traffic between France and Spain. Heavy goods traffic had been diverted to the nearby autoroute.

The building work was accomplished during the winter months. The stone farm house was transformed into a restaurant with little modifications to its traditional architecture. The façade and newly built car park were floodlight at night and the entrance clearly visible from the main road. Large illuminated panels on both sides of the road announced Labetxo Etxea – Sargadotegia – Jatexea – Cidrerie Traditionnelle. The Reagans were invited to the opening party as were the town's notables. Labetxo Etxea was an immediate success; it was fully booked throughout the summer months with good weekend business during the low season.

The Basurko brothers never regretted their decision and their wives enjoyed a newfound respect when they moved into their new homes situated on the heights above Hendaye. The same could not be said for their former neighbours once the wrecking crews moved in to prepare the construction site for a five storey apartment building with underground parking.

Ireland

On Tuesday, September 16, it was the turn of the American insurance giant AIG, bailed out with an eighty five billion dollar rescue package from the Federal Reserve. On Wednesday, in the UK, pushed by its prime minister, Gordon Brown, Lloyds TSB announced its takeover plan for HBOS.

On a more modestly human scale, as the world was struggling to come to terms with first ever planetary financial crisis, Pat O'Connelly was enjoying the glow of success; his book had made it into the top ten in New York and London and was being translated for European markets. His bank account, already comfortably lined, was looking even better. The fall in property prices meant little to him, he had no debts and his homes in Paris, San Francisco remained unchanged; that is in terms of bricks and mortar, in spite of the fall in market values. They were not less better, a fact which bore O'Connelly a message.

Over the last months, attending promotional literary events, book signings and media interviews, he had ignored the crisis creeping up on the world at large. What woke him up to events was the appearance on the streets of Paris of strange message bearers preaching Lyndon LaRouche's word on how to save the world from a conspiracy led by George Soros, Nancy Pelosi and their man Barack Obama. Then when Ireland guaranteed all bank deposits that O'Connelly concluded something must be wrong.

For most of his adult life he had glossed over his Irish roots, though without denying them. He had had difficulty in swallowing the insistent hype about the Celtic Tiger, suspecting that there would be an unhappy ending, as often happened in Irish stories.

Deep down O'Connelly had a conservative soul and knew fortunes could not be built on make-believe.

Abruptly the age of credulity came to an end after a decade of pretence, belief in a never-never world akin to the cargo cult of New Guinea. Instead of gifts being parachuted from the sky by a benevolent god, unbelievably easy credit, based on the fictitious value of ordinary family homes, was strewn willy-nilly to naïve consumers. In Ireland like in the UK, the Blairite brave new world turned out to be a sham; millions of ordinary people had been led to believe they could mimic the lifestyles of Hollywood soap stars, urged by politicians into the belief that positive thinking and equity withdrawal were the sure paths to material and individual happiness. The values of their, often very modest, homes now looked like a pipe dream.

O'Connelly had on occasions worried about his excess cash reserves; he had resisted advice to invest in stocks and bonds, the values of which always seemed intangible. To him bricks and mortar were real assets, tangible assets especially if they were debt free, providing the kind of personal comfort and lifestyle he appreciated.

It was time to rediscover his roots, perhaps there was a story to tell about Ireland's moment of glory, but first he should spend some time in Dublin, perhaps even find a nice home; he had read it was the right moment to pick a place up at a knockdown price.

On a whim he looked up the Irish Times Homes Internet edition clicking the 'Homes' page property adds. Most presented rather cold, conventional and dreary bourgeois homes. It seemed as though his good idea had fallen flat. He was about to sign off when he was attracted by the photo of a modern architect designed house, its garden sloping down to the banks of a river, it was the Liffey, a name that brought back memories of the Dublin he had known as a young boy going with his grandfather to the All-Ireland hurling final in Croke Park Stadium. He checked on Google Maps and saw the house was in West Dublin, near to Phoenix Park, about three miles from O'Connell Street, the heart of the city.

He clicked on the photos and the more he looked at them the more the house appealed to him. As to the price it was not difficult to imagine the owner's quandary, it was a fine looking house and secondly it was really the worst possible time to sell.

The site was that of a property agent: Owen Reilly Property Consultants. O'Connelly did not beat about the bush with mails; he checked their phone number and called Dublin immediately. Then reminding himself it was not good to be in a hurry, he beat around the bush, talking of vague plans and showing no more than a mild interest in that particular property, finally letting himself be coaxed into a visit for the following week.

It was years since he had visited Dublin and decided a few days break would do him good especially as his obligations with book sellers and the reading public were beginning to ease off. He called Laura and she agreed at once, though it was not as if she was getting away from Irish things, she was in charge of events at the Irish Cultural Centre in Paris.

They arrived in Dublin late Thursday evening and took a taxi to the Conrad on Earlsfort Terrace at the south corner of St Stephen's Green.

'We have a saying,' their garrulous taxi driver told them, 'When America sneezes, England catches a cold — and by the time it gets to Ireland it's pneumonia.'

They laughed and encouraged he continued, 'It's the euro that's caused house prices to rise — inflation and all that — we'll soon be like Iceland if it continues.'

'You really think so?'

'To be sure, the country's going to the dogs, prices are still over the hill, but that's the government's doing,' the driver said. 'They've reduced taxes on company and personal income and slapped them on VAT.'

It was too late to visit the city and after a light diner and a drink in the bar they called it a day.

Their appointment was at Owen Reilly's real estate offices situated in a bright new office building in the Dublin Docklands area overlooking the Liffey, about a mile from their hotel. They were in luck the weather was announced as dry and fine, though there was a little wind. After a good Irish breakfast they decided to take in the Dublin air and walk over to Forbes Quay, where they were met by Dermot O'Toole a modern, positive, young Irishman.

It was eleven when the headed out of the city centre towards Phoenix Park. The traffic was fairly light and the drive took just fifteen minutes, a positive point Laura remarked softly to O'Connelly. The house was exactly as the photos had portrayed it and in an almost perfect autumn setting.

O'Toole left them little breathing space as he vaunted the quality of the recently built house, the neighbourhood and the proximity to the city centre. When it came to a question of price he told them that the owner might consider an offer in view of the fact the market had slowed down a little. As far as O'Connelly was concerned that wasn't the word — if the newspapers were right the market was as dead as the Dodo. No ordinarily intelligent person would burden himself with such a house and a mortgage, if he could get one, in the present economic conditions.

Freeing themselves for a brief moment from the salesman's spiel they walked down to the small jetty. The house was just what O'Connelly had in mind, in addition the furniture came with it and no work was required. Laura agreed. Deciding to play down their interest they told O'Toole they would think it over.

They were driven back to the city and dropped off nearby Forbes Quay after declining O'Toole's insistent offers to visits to other available properties. A typical Dublin chill had crept into the air as they strolled along the quay and they decided on their afternoon programme: first lunch at the Pen Club, then a visit to the Francis Bacon studio.

That evening they set out on a tour of Dublin's famous pubs and after one too many glasses of Guinness and Irish Whisky they decided the house was a buy and staggered back to the hotel laughing with Laura singing Hodnett's song made famous by the Dubliners, the words she knew by heart:

Well, if you've got a wing-o,

Take her up to Ring-o
Where the waxies sing-o all the day;
If you've had your fill of porter, And you can't go any further
Give your man the order: "Back to the Quay!"

And take her up to Monto, Monto, Monto
Take her up to Monto, lan-ge- roo,
To you!

Have you heard of Buckshot Forster,
The dirty old impostor
Took a mot and lost her, up the Furry Glen.
He first put on his bowler
And buttoned up his trousers,
Then whistled for a growler and he said, "My man!"

Take me up to Monto, Monto, Monto
Take me up to Monto, lan-ge- roo,
To you!

You've seen the Dublin Fusiliers,
The dirty old bamboozeleers,
De Wet'll kill them chiselers, one, two, three.
Marching from the Linen Hall
There's one for every cannonball,
And Vicky's going to send them all, o'er the sea.

But first go up to Monto, Monto, Monto
March them up to Monto, lan-ge- roo,
To you!

When Carey told on Skin-the-goat,
O'Donnell caught him on the boat
He wished he'd never been afloat, the dirty skite.
It wasn't very sensible
To tell on the Invincibles
They stand up for their principles, day and night.

And you'll find them all in Monto, Monto, Monto
Standing up in Monto, lan-ge- roo,
To you!

Now when the Tsar of Russia

And the King of Prussia
Landed in the Phoenix in a big balloon,
They asked the police band
To play "The Wearin' of the Green"
But the buggers from the depot didn't know the tune.

So they both went up to Monto, Monto, Monto
Scarpered up to Monto, lan-ge- roo,
To you!

The Queen she came to call on us,
She wanted to see all of us
I'm glad she didn't fall on us, she's eighteen stone.
"Mister Me Lord Mayor," says she,
"Is this all you've got to show me?"
"Why, no ma'am there's some more to see, Póg mo thóin!"

And he took her up Monto, Monto, Monto
He set her up in Monto, lan-ge- roo,
For you!

It was O'Toole who moved first. The next morning he called O'Connelly on his cell. As a good salesman he had sensed his customers' interest and had spoken with the owner, a certain Liam Clancy who was more than open to an offer. They agreed to meet again and Sunday lunch time they shook hands on a cash deal: €1,425,000 including the furniture and agents fees.

Hendaye

As the four and five storey apartment buildings started to come out of the ground the owners of the adjoining homes saw their worst nightmares come true. The reality of the windowless walls that grew daily before their eyes, over-shadowing their gardens, was considerable worse than the vision the promoters plans had conveyed to them months earlier.

It was patent that the long term plan was to force the owners of the individual homes on the block to sell so that the town hall's plan for the urbanisation plan for Hendaye's centre, according to the PLU, could start.

The question people began to ask themselves was: who had decided that Hendaye be transformed into a transnational urban centre, a satellite of the Spanish town of Irun, and why? That the town should have good roads and lighting, schools and crèches was one thing, but to convert the sleepy town into a dormitory extension for northern Guipizcoa was another. It was not unlike the incinerator, or the extension of the San Sebastian airport. All that seemed to matter was politicians' desires for self aggrandisement, steamrollering through costly plans, with little considerations to the long term, giving little consideration to the wishes of their electors, who they persistently duped, leading them into a labyrinth of left-right-ecologist political ideology, which obscured their confused goals, in any case were far removed from local citizens needs.

Vinxento Bolloqui was a typical of a certain style of Frenchman, a bantam cock, proud, strutting, well groomed and ambitious. He had just been elected mayor of Hendaye, promising a clean sweep after years of political squabbling and stagnation in the small town.

The PLU had been drawn up with a view to transforming the town in the same way as the railway had metamorphosed it the middle of the nineteenth century. In 1840 there were just five hundred kilometres of railway in France, five times less than in Great Britain. That soon changed and by 1860 the number of kilometres built had jumped twenty fold, doubling again by 1880. By the end of the century France had overtaken Great Britain.

Railways came late to Spain. During the nineteenth century it was one of the poorest and least economically developed countries in Europe. As France developed its colonial empire, Spain suffered a disastrous economic decline with the loss of its colonies, which ended in the Spanish-American war of 1898.

However, in penisula's north-west, Bilbao and its region was transformed into an industrialised powerhouse thanks to its iron and coal deposits. Further to the north, San Sebastian, because of its mild climate, was chosen by Alphonse XII as the monarchy's summer residence, following the example set by Napoleon III in nearby Biarritz. As a result the Spanish ruling class and the diplomatic corps established residences in the summer capital bringing prosperity to San Sebastian.

Less than one hundred metres from Hendaye's town hall the construction of the largest and perhaps most technically complex project ever seen in the small municipality had commenced. The site quickly became the principal subject of local gossip, a favourite spot for the old men of the town to stop and complain of their local politicians' foolhardiness by embarking on such a vast undertaking. Once the heavy construction machinery moved in and excavations began the sound of pile drivers and mechanical shovels drowned out the noise of the high speed trains arriving from, or departing to Paris, more than eight hundred kilometres to the north.

For Hendaye, the construction site was on an almost pharaonic scale: four hundred metres in length and sixty metres wide, and a depth of twenty metres. The last time the town had seen construction of a comparable scale had been in the nineteen-eighties with the marina and its beachfront development; a couple of kilometres distance from the old town. This time however the engineering was something else, not only was it situated in the heart of the old town, but the development was to span the railway. In effect, Grupo Martínez Construcciones planned to cover the tracks with a massive superstructure capable of carrying three hundred and fifty apartments, parking areas, a shopping centre, and a new road to replace the bridge that linked both parts of the town.

Their civil engineers had designed a structure consisting of massive supporting walls in reinforced concrete situated on each side of the railway tracks to bear the one hundred and eighty pre-stressed concrete cross-beams that spanned the tracks, each forty metres long by one metre wide and one and a half metres high, designed to carry the weight of the planned apartment building.

The construction crews commenced by excavating a broad area on each side of the tracks, then hundreds of ten metre long piles in the form of steel tubes were driven into the ground and filled with concrete in order to reinforce the foundations. The cross-beams were delivered on long low-loaders, two or three at a time, and were swung into place by huge mobile cranes with hydraulically retractable booms, requiring a full day for each operation.

The old bridge, the highest of the town centre's two bridges, offered a grandstand view of the site and daily progress was observed by old men in their black Basque berets with nothing better to do other than give a running commentary to any curious passer-by who cared to listen, dispensing their newly acquired technical expertise on the different aspects of the construction work, before returning home for lunch to bore their uncomplaining wives with the latest details.

The man in the street was unaware of the economic priorities fixed by the ambitious occupants of the town hall. Certain spoke of the mayor's ambition to counterbalance their more populous neighbours and partners, thus gleaning a more influential role in the cross border Consortio's decisions. His plan included a construction programme to build sufficient new homes with a view to increasing his municipalities population and therefore its political importance, not only within the Consortio, but vis-à-vis St Jean de Luz and Biarritz, a few kilometres to the north. Hendaye's smarter northern neighbours had always looked down on the town as nothing more than a border freight and railway terminal, with its workers and functionaries overseeing the — now obsolete — customs and border posts.

Until the opening of the frontier Hendaye had been the destination of a regular flow of vacationers, many were Parisian's; owners of second homes, campers, and in more recent years those who owned leisure boats anchored in the marina. In addition there were the day-trippers to the beach, then a quick visit to the Spanish side of the frontier, where wines, spirits, cigarettes were considerably cheaper, and where before returning they could fill their tanks with low priced gas.

Bloomberg

The aircon hummed in the background as Barton sat hunched over his sleek Bloomberg terminal trying to make sense of the shocks that had rippled through the markets after Lehman's collapse. His Bloomberg was several generations removed from its ancestor, the Market Master, first installed at Merrill Lynch in the late eighties. The Bloomberg terminal had become a real-time tool for trading, market research and investment banking, offering investors and traders an extensive range of financial tools and software for risk assessment.

Barton realized, as he typed on the colour coded keys, he ran the risk of becoming irretrievably addicted to his recely acquired toy, hypnotized by the flow of data and market information that endlessly flashed across the terminal's screens. He like many of the two hundred and fifty thousand users across the planet paid for the privilege of using the machine; anything from one thousand five hundred dollars a month upwards.

Even when not seated before the twin screens he could access Bloomberg on his BlackBerry. It was a service that provided him with real-time financial data, trading tools and news, plus the analytical software needed to understand and use the massive and uninterrupted flow of data.

The terminals, invented by Mike Bloomberg, were installed in trading and financial institutions around the globe forming the foundations of the inventor's business empire. These platforms, as they were known, served as conduits for real time financial transactions of every kind. The inventor's New York based company had grown to more than ten thousand people based in more than one hundred offices scattered around the world, operating twenty four hours a day and three hundred and sixty five days a year.

Market volatility was the driving force for the kind of trader Barton had become, buying and selling exchange-traded funds, contracts for difference and equities, using spread betting to play the markets where investors were able to react quickly to changes as they happened.

He was not into the kind of commonly traded so-called vanilla equities, which many small traders concentrated on. Speculative investments were his predilection; oil, gold and sterling. His Bloomberg helped him keep a finger on the pulse using a variety of options, something that required not only discipline but a good dose of foresight. Sifting through world news twenty four hours a day he looked for the signs that were the forerunners of revolution, manmade calamities and other upheavals such as natural disasters that would influence prices and exchange rates.

Barton had also started to experiment with frequent trades and micro profits, slowly building up the part of his capital he had allocated to investing in second to second, minute to minute, and hour to hour trades. The technique was known as algo trading, some called it scalping. He employed software tools similar to that used by investment banks and hedge funds taking real-time share prices and calculating their movements from second to second with an algorithmic programme adapted to his own specific trading strategy to generate profits.

The key was latency, or the time that elapsed between a stimulus and the response, more precisely the delay between a trading signal being given and the trade being made. Low latency was what banks and hedge funds were interested in, the milliseconds it took light to travel along an optical cable.

The days of buying shares for their long term values were so far away that the notion was forgotten, in the same way as research on a company's performance and value. Whether a company made a profit or not was totally irrelevant what counted for traders like Barton was speed, whether it was instantaneous upward or downward movements of share prices or being ahead of the crowd when geopolitical crises broke out.

It was midnight when a news flash appeared at the bottom of his screen: Grupo Martínez Construcciones had been suspended from the Madrid bolsa. A few clicks informed him the Spanish group was expected to file for bankruptcy protection after being declared insolvent, unable to roll over its debts of over seven billion euros, the biggest corporate failures in the history of Spain was in the making.

Barton knew the group from the time when he had put mortgages together for Martínez's British buyers in Spain. Grupo Martínez Construcciones had been principally involved in residential construction and development. About twenty per cent of its activities were in commercial property, including hotels, resorts, shopping centres, medical complexes, and land for industrial development. The group had more almost two hundred thousand homes in its portfolio and almost three thousand hectares of land. Its foreign operations covered Morocco, Poland, Mexico and Portugal.

Martínez had obstinately concentrated his group's activities on the needs of Spain's tourist industry; vacation homes in the Canary Islands, golf courses in Andalusia, marinas on the Costa del Sol. One of its latest developments was an entirely new tourist resort on the Mediterranean coast of Morocco, a diversification after prices in Spain had climbed to an average annual rate of fifteen percent; the seventh year in a row of rising prices.

The Spanish group had failed to secure new loans from its banks to refinance debts of billions of euros, even though the market value of its assets were said to exceed its debts. Unfortunately for Martínez asset values had plunged with the sudden collapse in property values, a fact that had not escaped his bankers. What was worse more than forty per cent of the group's land was without building permits, at a moment when the Spanish authorities were clamping down on illegal construction, meaning an endless tangle of legal difficulties which would discourage potential buyers, if they existed, for the land the group owned.

This news was of little immediate value to Barton; he had decided to bale out of property related business almost a year earlier, but it was a clear sign of things to come. In spite of Spain's government spokesman reassuring comments, it was an unequivocal warning that Spanish property was now in deep trouble. Barton had made the right decision in getting out when he did. The worst was evidently yet to come.

Offshore Paradise

Barton had the advantage of his time zone; the same as that of New York's, even though closing prices were out of sync with those in European markets. By being at his Bloomberg at three in the morning he caught the opening session in Europe taking advantage of the frequent sharp price movements as traders reacted to previous day's events on the New York exchanges.

In regular trading he employed automatic stops to avoid losses due to sudden and unforeseen violent movements, closing positions if the price moved in an unfavourable direction by more than a predetermined sum. Markets were of course unpredictable and betting that stocks could go down was just as profitable as betting that stocks would go up.

Barton's prime motivation for betting on the stock market was to create a regular source of income as he could not expect to live on his capital for the rest of his life. Soon he found himself putting in more than twelve hours a day at his terminal and realized betting on the market was becoming an obsession. Whenever he took a break from the blinking screens he spent his time studying his sources: newspapers, magazines, news letters, collecting tips from investors in the wealthy circle of expats that had befriended him, studying the world news and monitoring the daily crisis that affected markets and last but not least relying on his own instinct.

It required nerve and tenacity, but at any instant he could return to a wholly cash position if he felt he needed to take a breath. Tom Barton was no economist, but his experience as a City mortgage broker had given him a certain insight into not only the workings of the average man's finances, but also an insight into the financial psychology of men and markets. Now, after more than nine months of self-imposed exile, a salutary experience, he had a clearer perception of how the wider world functioned.

At the beginning of his odyssey he had discovered the heady atmosphere of Dubai real-estate, then the somewhat naive and illusory pride of India and its new economy. He then succesively experienced the exhilarating atmosphere of maturing South East Asian countries, yachts and oligarchs in the Aegean, and finally the USA; in particular Florida, where the full impact of consumer deleveraging was building up to the fiercest economic crisis since the Great Depression. It was one of those historic moments when a daring investor could become rich, the question was how? It was certain that there would be no easy pickings in the City of London for some time to come, though for the astute investor there were always opportunities, especially with banking shares were at an all time low.

Perhaps he should head for China, but things were not looking so bright as their exports had suddenly shrunk by almost one quarter compared to the same period of the previous year — like those of practically every other East Asian country. But when he remembered the Chinese were holding one and a half trillion dollars in foreign reserves, money earned in the manufacture of goods using cheap Chinese labour and cheap plant, it would not be a good place to be if the dollar got into serious trouble. China had transformed its economy thanks to the US, and now US workers were paying the price as their jobs disappeared.

More than two months had passed since he had arrived in the small island republic of Dominica and was settling into his new life and the daily routine he had set for himself. After India and Thailand he become used to, if not entirely adapted to, the tropical climate. What pleased him was Dominicans spoke English; that is when they did not lapse into their local creole. In addition he had made a number of friends, mostly neighbours and Brits like himself.

Another advantage was the possibility of being able to move money in and out without questions being asked, much different to the raised eyebrows he had been met with in a Biarritz bank, or the incomprehensible bureaucracy of Indian banks not to speak of the language difficulties in Thailand.

To Barton, Dominica was an unspoilt paradise, a haven of tranquillity, ideally situated between the more developed French islands of Guadeloupe and Martinique. There was no real international airport to speak of in Dominica. To fly to London, Paris or Miami there were daily feeder flights to the French islands or Antigua, and an express ferry from Roseau to Pointe-à-Pitre in Guadeloupe.

Dominica was not only the most ecologically well-preserved island of the Caribbean, with its rainforests covered mountains, it was also a haven of peace, where the cost of living was reasonable, where a man like Barton could savour the easy going vestiges of Britain's colonial past and from where he could observe the world. There was even an economic citizenship program that provided him with a second passport. It was a far cry from the misery of India's 'Rooster Coop' described by Aravid Adiga in his novel The White Tiger, and equally far from the second class tourists of Kovalam. There were not the crowds and noise of Bangkok or Phuket with its tourist masses, and compared to the artificial world that Dubai had built for itself it was another planet.

There was also the anonymity. He had no wish to be back in London and the prospect of a wet winter in Biarritz was depressing, especially as Sophie would be busy with her almost weekly trips to London. Dominica had not yet been invaded by the usual tourist hordes and the kinds of ills so many tropical paradises attract. There were no big hotels, tourist resorts, not even golf courses.

There were however all modern conveniences such as broadband Internet access, cable television and cell phone services that functioned efficiently across the island, and of course that vitally important service — international banking. The capital, Roseau, was a pleasant peaceful backwater, without traffic lights, without shopping malls; it was in short the kind of place where Barton could watch the rest of the world drift by.

The only negative point was the seasonal threat of hurricanes, though to that point in time all he had seen was a couple of fairly heavy tropical storms. The villa, as the entire Emerald Pool development, was built in hurricane resistant concrete and the site designed to safely drain the torrents of rain that lashed the island whenever Mother Nature turned vicious.

Black Monday

Barton watched CNN News, broadcast live from Washington. The votes in House of Representatives on the Bush administration's seven hundred billion dollar billion plan to save the financial system flashed on the screen. It was unbelievable, 226 nays and 206 yeas. The plan had been rejected and reaction from Wall Street was instantaneous; an hour later the market closed with a 777 point fall, the largest points fall in the Street's history. In one year, since the onset of the banking crisis, markets had been through bad days, worse days, and now it was heading into a full scale rout.

He remembered the words of Gordon Brown in 1997: I will not allow Britain to be subjected to another Boom or Bust! But it was exactly what had happened during his ten years as chancellor and PM. Whilst he had presided over the economy he had allowed house prices to triple and the national debt to explode, bringing the country to its knees, and with it the collapse of the banking system.

Barton's bitter consolation came after the August mortgage lending figures were announced, a vertiginous drop of ninety five percent. For the first time Brits were paying back more than they borrowed, an astonishingly sudden reversal of the limitless credit spree of recent years. News which only went to confirm his decision to have gotten out when he did.

With the kind of grim pleasure that only schadenfreud can bring he had watched the Irish Stock Exchange fall from 4500 to just 500 points, winning it the unenviable title of the world's worst performing stock market. He could not help thinking there was a lot of truth in what his Irish grandfather's told him when he was a boy, everything's fine until the cow gets into the garden, and now the proverbial Irish cow was shitting on the carrots.

Barton realized that the world was going to be a poorer place; he was in a position to know having the last couple of weeks juggling his investments to avoid damage. He had gotten off lightly and was on schedule to more than make up for his losses if oil continued to plunge as it was doing. He had gotten out of banking stocks and his move into gold and Euros was beginning to look shrewd. Millions of others were not so lucky. The pendulum had swung from easy money to the opposite extreme as credit became as scarce as hoar frost in the Emerald Pool palms.

He remembered his consternation when in September 2007 the BBC announced in its Ten O'clock News the rumours concerning the Northern Rock's difficulties in finding cash were true. Barton had rushed to his PC and Googled Northern Rock. The site was down. The following morning had he grabbed a copy of the Financial Times at his local newsagent's; the news was splashed across its headlines. On the way to Romford Station to catch his commuter train he passed the queues already forming outside of Northern Rock's High Street branch as anxious savers stoically waited in line to withdraw their savings.

It was the first major run on a British bank in more than a century. The bank's CEO call for calm was to no avail. The following day the queues were even longer with tellers dishing out cash hand over fist to desperate depositors. Massive withdrawals were threatening to bleed the bank to death.

It was a moment that Barton would never forget. His own clients recounted their hair raising versions of how they pulled their life savings from the deeply troubled bank just in time. The rush started after a profits warning announcing the year's results could fall short of expectations.

How could a run on the bank happen in Cool Britannia, with its booming economy, riding high on a decade of low inflation and ever growing prosperity? Hadn't Gordon Brown assured the country that the days of boom and bust were over? And on top of that it had happened in the much hailed City of London, the self-declared financial centre of the world!

Northern Rock had been a model of how old fashioned building societies had transformed themselves into modern banks following demutualization. It had been aggressively reorganized into a dynamic mortgage lender, grabbing twenty percent of the UK mortgage market with its new attractive products, including those that allowed young borrowers to obtain 125% mortgages, lending up to six times annual income.

Trouble started for Northern Rock when the US sub-prime crisis broke and the mortgage lender suddenly found itself forced to borrow money on the open market in the summer of 2007. The writing was on the wall for those who cared to look. It was a disaster for the Northern Rock. Falling liquidities and rising interest rates were the catalysts that provoked the mortgage lenders downfall, preventing it from raising the funds it needed to function, funds that formed the life blood of its very existence.

It was that same Thursday evening, after the BBC anchorman announced that the Northern Rock was to be bailed out by the Bank of England, Barton made his decision to do something else with the rest of his life.

He had barely quit the UK when another of its major mortgage banks, the West Mercian, collapsed. In the course of his business had on occasions formally met West Mercian's head, Stephen Parkly, a man who avoided publicity. Who was surrounded by a close circle of sycophants who insulated him from markets truths. West Mercian had employed Wall Street techniques securitizing its loans, packaging them and selling them to its investors. It meant cash up front, giving them a much cheaper source of funds than cash deposits plus the added advantage of not having to not have to wait for borrowers monthly mortgage repayments.

It was fine as long as the fiddler fiddled, but when the music stopped, as it did for West Mercian in December 2007, the end was inevitable. The British government, unlike for the Northern Rock, failed to step in and West Mercian came down like a house of cards, at precisely the same moment the City and Wall Street were announcing the worst was over trying to assure frightened investors the fundamentals were sound.

As 2007 near its end, disaster seemed imminent. In spite of the threadbare hype a housing crash was inescapable, businesses were threatened and the risk of unemployment soared. In a worse case scenario sterling would collapse, inflation rocket and stock markets plunge. Barton was not a dyed in the wool contrarian, far from it, he had profited from the boom like so many others, but he recognized a very serious crisis was in the making and things would get much worse before they got better. The mortgage market had flatlined, all kinds of rumours were rampant, the list of troubled banks was growing, it was just a question of time before contagion spiralled out of control.

Iceland

Cod fishing had always been the centre of Iceland's traditional economy and in recent times it functioned around a sophisticated system of tradable catch-quotas. What is strange is why during the months prior to Iceland's banking collapse a kilo of cod could be traded in this system for 4,000 krona, even though any Icelander who went to a local fishmonger could buy it for 1,200 krona a kilo? It appeared that codfish swimming in the North Atlantic were worth more than those that stared with their dead eyes from Reykjavik's fish market slabs at housewives going about their daily shopping.

Like in many other countries the shareholders of Iceland's leading businesses had lost control of the companies they theoretically owned. In the case of its banks the shareholding had become so dispersed that the control was left entirely in the hands of top management, leaving shareholders powerless when faced with the decisions of their boards.

The dilution of shareholders power resulted in a small clique of local oligarchs usurping the control of Iceland's major banks and businesses. A handful of men and women took the small isolated, conservative island nation out of the hands of its rightful leaders, and transformed the island's economy into a caricature of capitalism.

Managers had confounded their own personal interests with those of their shareholders and customers which inevitably led to decisions that compromised the viability of their businesses.

The contrast with traditionally run businesses, like for the American retailer Wal-Mart, was stark. In the Walton family business policy was remained firmly in the hands of the family holding. The owners determined policy; its managers were paid salaries for running its day to day business. This guiding principle transforming Wal-Mart into one of the world's most successful supermarket chains, with the Waltons becoming the world's richest family with a fortune estimated at over one hundred billion dollars.

With the methods employed by the usurpers, it was not surprising that the Icelandic economic collapsed, in the process provoking the country's worst riots in generations with more than thirty thousand people — more than ten percent of the small nation's population — descending onto the streets of Reykjavik.

The collapse of the Landsbanki, Glitnir and Kaupthing banks had in effect bankrupted the small country. In addition to that thousands of individual Icelanders had their savings wiped out by the folly of financial speculation. The country's political leaders in their desperation even turned to Russia for help. Fortunately Iceland was saved from chaos at the very last minute by a ten billion dollar bailout loan from the International Monetary Fund. Part of that money was destined to repay imprudent British savers who had deposited their money with Icelandic banks, lured by the appeal of unreal interest rates.

From London, Michael Fitzwilliams had eyed the events with a mixture of fear and derision. Were the tribulations of that very small country's a harbinger of things to come?

For more than half a century growth, growth and more growth had been governments' only solution to solve the world's ever more complex problems. It should have seemed evident to all but the most obtuse that the planet could not indefinitely support an ever increasing population, its insatiable demand for more resources, the reserves of which, more especially those of oil and gas, could no longer assure future needs. The economic crisis would perhaps be a short lived event, but there was little doubt it was also an ominous warning of worse things to come.

‘Your friends in Iceland got it all wrong Pat. They even asked the Russians for help,’ Fitzwilliams spitefully told Kennedy. ‘and Putin was too stupid to realize his own economy was about to meltdown.’

‘They weren’t my friends Fitz,’ Kennedy replied with a hurt tone to his voice

‘It’s a bit late to say that now Judas, you were the one always pushing to do business with them.’

Kennedy looked abashed.

‘They say that Putin grinned with pleasure at the idea of helping them, luckily the tables were turned so quickly he didn’t have time to realize what was happening.’

‘Well KGB men are not known for being economists,’ Kennedy sniffed. ‘If you look for the kind of reasons why Iceland got into trouble, you don’t have to look far.’

‘What do you mean?’

‘Us.’

‘No comparison,’ snorted Fitzwilliams. ‘They’re technically bankrupt now and their krona is worth pig shit. We just have to thank our lucky star we ditched our investments there when we did.’

‘Yesh Michael,’ nodded Kennedy, knowing only too well how lucky they were.

‘Everyone knew there was a bubble but did nothing about it. Now they’re complaining they’re the victims of international politics after a huge binge party to celebrate their pretended wealth.

‘I suppose they didn’t ask too many questions about where all that money was really coming from.’

‘Of course not.’

‘Iceland is to Ireland what Ireland is to the UK, a huge balls up, but on different scales.’

‘You’re dead right there Pat, casinos! At the top end the hedge funds and at the bottom first time house buyers, all leverage way beyond their incomes.’

‘Yachts, flying around in private jets...’

Fitzwilliams threw Kennedy an evil look.

‘I didn’t mean us Fitz,’ said Kennedy spitefully.

Politicians everywhere had argued things were not as bad as they looked, had they been they lying to save the skins to get re-elected? In any case the Icelanders were taking things into their own hands, a clear indication that politicians were no longer capable of managing society. Politicians who had thrown their lot in with covetous bankers and businessmen, whose sole interest was to fill their own pockets, rather than confront the realities of a complex and changing world. Politicians whose ambitions were uniquely focused on the next election, lacking the willpower to make bold decisions or come to bipartisan compromises.

There had been much talk about Ponzi schemes, where the early birds were paid by the suckers who came later. The burning question was whether the West’s economic system was a vast Ponzi scheme or not, benefiting the USA, Europe and a few oil rich sheiks, at the expense of the planets dwindling mineral wealth and the sweated labour of billions of Africans, Indians and Chinese.

Politicians were not the kind of leaders nations deserved, they were always a beat behind, full of promises they knew they had little hope of fulfilling. The banks held them in a stranglehold in the knowledge the world could not function without their services. Politicians were helpless, the banks were accountable to no one, not even their shareholders, they had no electorate and as for taxes they paid them wherever and whenever it suited them.

Sure things had improved for a good part of the first world’s population over the previous half century. But, a large part of the wealth created in the latter decade of that period had been a chimera, built on consumer credit with little consideration given to the well being of the planet, wealth that had ensured an infinitesimal part of the world’s population could live in comfort for the rest of their lives.

An Optimist

It was not the news of the blind panic sweeping through the City of London that worried him, being subjective his own fate was even worse, he was out of a job. Down and out in fekking Dublin, he thought paraphrasing George Orwell's words. In just a few days things had accelerated at a frightening speed. Perhaps he should have become a teacher as his dad had once tried to convince him: 'you'll never be rich, but you'll never be out of a job.' But that was not for Clancy; he was ambitious and wasn't going to hang around waiting for Enniscorthy to change.

There had been nothing but bad news. But Clancy was an optimist and after the initial shock he had started to pick to up the pieces consoling himself with the vague idea he would in some way weather the storm out. Then just as his mood began to improve, his peace of mind was shattered; a call from a former colleague informed him of the rumour going around that the bastards would be asking traders to pay back their bonuses. There was no fekking way he was going to do that — he couldn't. He'd spent a good part of what he had been paid pissing it up in nightclubs from Reykjavik to Marbella.

The bank's brokerage firm had made too many bad bets and there had been barely enough left to pay the salaries due. The roof had fallen in; the Irish Netherlands had cut them loose, and so quickly Clancy still hadn't quite realized what had happened.

After a call from his friend Dermot O'Toole he perked up. Almost miraculously a buyer for the house had been found — provided Clancy was prepared to accept an offer. O'Toole, just as desperate, would accept a much lower commission if a deal could be struck. Clancy, given his state of mind, was desperate. He jumped at the offer.

Normally a house sale took weeks to go through, but the buyer, a writer he had vaguely heard of, had ready cash. It was no less than divine intervention. O'Toole had little difficulty in convincing him to accept the offer. The alternative was the bailiffs seizing the property to pay for the Porsche and all the other debts Clancy had piled up.

After a weekend during which the combined European governments promised an eye-watering sum of taxpayers' money to save the banks, the deal between Clancy and O'Connelly was brokered. Two weeks later contracts were exchanged and Clancy's bank account credited with the cash netted from the sale. After solicitor's fees and his outstanding debts settled Clancy distributed what was left to several different bank accounts, selecting those he judged, from his relatively short professional experience, to be solid.

Liam was now without a home or a job. At the wheel of his Porsche, momentarily saved, he waved goodbye to Dublin and motored south to his parents in Enniscorthy where his father ran a farm supplies business a couple of miles outside of town. There, not too convincingly, he tried to explain to his sceptical parents things were looking up. He would cross the water. London he told them would be filled with opportunities for an enterprising young businessman — he omitted adding when things got back to normal.

Once the initial euphoria of having the profit from the sale of his house more or less safely deposited in the bank, Liam wondered whether he had acted too quickly or not, though given the catastrophic situation he had to admit there was no other alternative but to accept the best of a bad deal. He was now better off by almost a million euros, which after all was said and done was not bad for a young lad from Enniscorthy.

After a few days of cruising the town in his Porsche and explaining to the local lads the ins and outs of the financial crisis — and of course his role — he realized the was no returning to small town life. It was time to think about reinvesting his capital, a difficult task given the unstable condition of the economy in the first phase of a what looked like a deep and possibly prolonged recession.

For the young ex-trader the task was more complicated than it could have appeared to an outsider. In reality he knew little of banking and investment. His job at the Irish Netherlands Bank brokerage firm was little more than a computer game. He could recite from memory all the listed firms of not only the small Dublin stock exchange, but also its parent the Deutsche Bourse, and even the Footsie 100. In addition he could manipulate an impressive range of computer trading tools; unfortunately now of little use, in view of the number of similarly qualified people looking for jobs in London, New York and no doubt just about every other financial centre in the world.

Job vacancies had slumped by over forty per cent in the Square Mile and its Canary Wharf extension, on top of that the average salary was down and bonus prospects nil. And that was just the beginning Liam thought as he mulled over what seemed like an endless flow of catastrophic news.

Lying in his room after an evening at the pub on Slaney Street, still feeling a little euphoric after the beer he had downed and the boost he got from the admiring attention of the local girls, he started to ponder his next move. A visit to Enniscorthy fresh from the fray was one thing, but if he were to hang around it would surely tarnish his image as a young up and coming financier.

He felt little consolation that others were in the same boat, like the head of a now defunct Icelandic bank Liam had traded with. The ex-banker had the misfortune to have bought a home in west London for over ten million pounds, financed by his own bank just months before it collapsed; he also was out of a job and was being pursued for unethical use of bank funds.

Analysing the situation he came to the blurry conclusion the laws of gravity had once again been demonstrated. The market’s vertical rise had met with an equal and opposite force — or something like that; Liam had not been good at physics — and had collapsed. The same thing had happened to the property market, oil, commodities and the dream of a brave new world according to Tony Blair and George Bush.

Having hit the floor things were bound to pick up again, once the shakeout was over, as they always had. Liam figured he couldn’t do much about the price of oil or commodities, buying shares was dicey he had learned, but what had saved him; the house of course!

He decided, however, that Ireland was not the best place to invest in. He had also learnt it was difficult to be a prophet in his own country, to the people of Enniscorthy he was still Liam Clancy, Jim Clancy's son, who had only just escaped the fiasco in Dublin.

That morning he had watched a report on CNN concerning Marbella where the situation was even worse than Ireland, a property development firm was offering two homes for the price of one; a buyer of one of their villas would get a studio thrown in for free. Times had changed, only the previous summer he had rented a hugely expensive villa with his friends at the same Guadalmina Golf and Country Club Park he had visited with Tom Barton.

The lesson he had learnt over the past month was sellers did not call the shots in a bear market. If he played his cards right perhaps he could pick up a good deal. The next morning he called Ryan Air and booked a flight for Marbella the following Saturday morning.

Biarritz

Bankruptcy threatened Malaga Palms after Martínez's off-plan property deals on Costa del Sol crumbled following the group's collapse with buyer's deposits held in escrow accounts disappearing into a legal black hole. British and Spanish investigators backed by a team of forensic accountants were trying to unravel the thousands of cross-border transactions related to complaints from those who had lost their money in Spain.

Transactions linked to Malaga Palms were a complex pattern of movements between Gibraltar, the UK, Spain, and the Caymans. It was difficulty to say how much had been lost, where and by who, but the combined losses were expected to run into hundreds of millions.

Malaga Palms Development Ltd., was one of many joint-venture companies sponsored by Grupo Martínez Construcciones to promote its new urbanizaciónes. The joint-venture company had been established in Gibraltar in 2003, at the same time as Palm Villas Ltd., a £100 off-the-shelf Gibraltar limited company owned by promoters David Jameson and Patrick Halfon. Through slick marketing and a network of sales agents, financial advisers and lawyers, Malaga Palms had been successful in selling up-market apartments and villas on the Costa del Sol to a mixture foreigners — for the most part Brits.

Business had thrived until the crisis reared its ugly head. Malaga Palms' ambitious urbanizaciónes were hit when financing dried-up almost overnight then Martínez collapsed and their sites abandoned half built.

There was little hope the thousands of prospective owners, who had made deposits for unbuilt or half built properties, would ever get their money back. It would take years, if ever, of legal wrangling to track down the funds, to untangle the mountain of cross border legislation, and to overcome an almost insurmountable barrier of language and cultural differences.

Jameson's home was in Biarritz, where with his associate he had established a real-estate company in 1998, specialized in selling up-market homes and property investments to expatriate Brits living in France and Spain.

Suave, elegant and charming, Jameson owned an impressive 17th century manor twenty kilometres from Biarritz and a collection of fine cars. He also owned a luxury motor yacht moored in the Hendaye marina and was seen as a successful businessman, rumoured to have made his money in the City, by those who knew him both in the local and expatriate communities in the south-west of France.

Jameson had arrived in France from London in 1998. However, he had not been a financier as he let on. He had in fact been born in Dagenham and dropped out of school at the age fifteen, then after working for a short time at the Ford motor plant had drifted from one job to another looking for something that measured up to his ambitions. His good looks and easy manner got him a job as a junior sales assistant at Burtons Tailors on Romford High Street.

Cultivating his accent and with his experience in made to measure tailoring he landed a job as a sales assistant at Crombie & Sons, an old and reputed City purveyor of gentlemen's bespoke apparel and accessories. Little by little Jameson acquired a veneer of culture and worldly knowledge by rubbing shoulders with the firm's customers, mainly wealthy investors, bankers and brokers.

Mimicking his customers' style he made new friends whom he told he was a men's fashion stylist and took to living beyond his means. When the firm's management began to note costly stocks of fine textiles were missing the police was called in and Jameson, feeling the heat, was hurriedly forced to quit the City.

It was late spring when he arrived in Biarritz at the wheel of a Jaguar, third hand, and to all appearances a well spoken and elegantly dressed young English gentleman. There, when looking for a place to live, he met Simon Halfon. Faced with much the same difficulties they quickly realized that their respective talents, if put together, could be used to make a living from the relatively large and financially affluent British expatriate community present in the south west of France.

Halfon, a Parisian, whose pieds-noirs parents had arrived in France from Algeria after independence, spoke poor English; however he was clever with money — other people's money. He was not blessed with good looks, he was what many would have described as somewhat untidy, a slightly greasy air and rather overweight, not exactly the kind of man suspicious English retirees would trust with their savings in a foreign land.

Jameson, in appearance, was the opposite to Halfon. Together they made a perfect team and were soon in the business of deftly separating wealthy but naïve expatriates from their money. Jameson was cool, more concentrated. Halfon, though he had a sharp business sense, suffered from what some people called a compulsive mobile disorder, he seemed to believe he could control the world via his mobile phone. What was going on elsewhere often seemed more important than the business at hand. At times he lost all sense of proportion taking an inconsequential call from Paris or Nice, whilst those present who were put on ice as he camped his master of the universe role.

It was the beginning of the property boom, business in the UK was looking up, Tony Blair had just been elected. There was a new spirit in the air and people felt it was either time to own a second home in France or Spain, or retire to a place in the sun.

Jameson bought the manor with a hefty bank loan cleverly negotiated by Halfon with a fraudulent declaration. It was the perfect place to invite perspective clients, thirty kilometres from Biarritz International Airport, with daily Ryanair flights from Dublin and London. The manor, full of history and character, was set in five acres of lush parkland, renovated and furnished in grand style. It was complete with all modern facilities, three magnificent reception rooms, seven bedrooms, five with ensuite bathrooms, a wine cellar, a swimming pool, a coach house and dependencies, and a golf driving course complete with an impeccably trimmed green.

Halfon let it be known very discreetly that Jameson boasted a title, explaining he declined to use out of modesty. It went of course with his image; a wealthy well connected Englishman of private means, connected to the property business, living the good life nearby chic Biarritz.

Initially Jameson's investors were wealthy British residents in the Dordogne region of France, to the east of Bordeaux, a popular tourist destination for discerning visitors and where there was a long established British community. It was when the property boom really got underway the two partners spread their wings setting up companies in Andorra and Gibraltar to cash in on the boom of dream homes across the border in Spain.

The crisis abruptly changed everything. Jameson was in the sights of the Brigade Financiere following complaints from buyers who had put cash deposits on homes in the different developments promoted by Malaga Palms. However, no incriminating evidence was found, initial investigations showed the company was a legitimate business established in Gibraltar, and all transactions had been carried out either in Spain or indirectly through front companies on the Rock.

Surrey England

A small fleet of removal vans stood in the driveway of Tony Garnier’s luxurious country home near Oxshott in Surrey. Packing boxes and bubble wrapped bundles were ferried from the house over the gravel by a small army of transpiring removal men wearing green aprons.

It was goodbye to their swimming pool, stables, wine cellar and home cinema room. Goodbye to their neighbours, an international tennis star and an Egyptian magnate. No more would Tony be able to admire the magnificent view over the one hundred acres of parkland that surrounded the old red brick country mansion. In just three days the new owner, Sergei Tarasov, would move into his new weekend country home picked-up for a snip, a mere sixteen million pounds.

Garnier’s phenomenal rise to rich had been a little less spectacular that his fall, however he was lucky compared to many of those like him, he would still have the comfort of a few million when the dust settled. In 2000 he sold the home he had inherited from his father for a million, then raised ten times that from the Irish Netherlands Bank he bought a block of newly renovated flats in Swiss Cottage from a developer who had gone bust after the dot-com crash.

His story was typical of many like him who had built empires based on residential property development, buying when the prices were down and later selling at huge profits. His business had been a success, though it could have never been so without the banks that had done their best to encourage him.

It was at a time when nightly TV programmes and daily newspaper articles encouraged buyers, speaking of endless demand and ever increasing prices, when the leaders of New Labour cited entrepreneurs like Garnier as models to be emulated by one and all.

With the collapse of Northern Rock and West Mercian times changed, the credit squeeze was on and Tony Garnier could not recycle his properties. As each day passed the pressure increased and the value of his assets fell, his empire evaporating like the morning mist. The once friendly Irish Netherlands Bank, which had plied him with loans, now put on the screw, offering a loss making deal to repay the loan on his country home. Like magicians they produced the Russian oligarch, a rabbit from a hat, an instant cash deal. Garnier had little choice if he wanted to avoid the bank pulling the plug.

His wife, Pamela, had been the model of a successful City banker's or property developer's wife. She, as had been expected of her, had become so used to extravagant living that she had come to believing it was her sacred right. The sky had been the limit as far as money was concerned, shopping had become a pastime, why buy one when they could buy two, or more. Weekly visits to the Knightsbridge beauty salon for pedicures and manicures were a must. Their service personel including drivers and gardeners were paid unheard of wages. For weekend entertaining at their country home the best caterers were hired, Champagne and fine wines flowed as they showed off their latest acquisitions: antiques, paintings, luxury cars and jewellery to envious friends and acquaintances. Flying down to Poole for the weekend or to his friend David Jameson in Biarritz had become part of their routine.

Garnier, in spite of everything, had got his timing right. He had signed his agreement with the bank and the sale contract for his country home in early September. A little more than a week later, one of the most extraordinary events in financial history occurred at the end of a fateful weekend that had begun in the hope of a deal being struck to save America's fourth largest investment bank: Lehman Brothers, which ended in disaster early Monday, September 15.

Unlike many of his counterparts, Garnier had escaped the worse of the debacle, a miracle, thanks largely to his determined wife who had stubbornly refused to sign over their personal properties as guarantees and who had convinced him to cut their losses and sell-up when he did. They would not end up poor, they would survive, forced to live in their more than comfortable eight roomed Clapham Common home, waiting for times to improve when they could put their experience to use and start again.

Sergei Tarasov

The bad news was coming in fast and furious, the newspapers called it financial Armageddon, as investment banks, mortgage banks and insurance companies bit the dust in quick succession. The nightmare of 1929 was no longer a threat, it was real, poised, about to engulf banks and businesses. The prospect of new consumer credit melted as quickly as an ice cube on a Marbella beachfront bar.

Panicked investors like Babkin abandoned their luxury villas in their rush home to save what they could. The Moscow MICEX stock index was plumbing new depths following its summer fall of fifty percent when Russia embarked on its perilous Georgia adventure. The Kremlin now looked on helplessly as events escaped their control. Revenues fell vertically as crude oil plummeted past the one hundred dollar mark on its long downward spiral. Putin to his diamy discovered the disadvantages of capitalism; markets could not be ordered upward.

The rumour was making the rounds that Sergei Tarasov was in difficulties and was seeking a bridging loan of millions to prop up his UK business, said to be suffering from the liquidities drought. Just six months before Barton had been a guest on Tarasov's yacht in Aegean watching lavish hospitality ladled out to lords and British political string pullers.

Tarasov, founder of the InterBank Corporation, had commenced in banking after the Russian financial crisis of 1998; hired by a faltering Moscow bank specialized in the oil and gas business. The then called G&N bank had operated out of a run down building owned by the Russian Academy of Science in an unfashionable district of Moscow near the Leningradsky Railway station, beyond the Sadovoye Ring. Things had since changed. The now respectable bank, rebaptized InterBank, boasted a magnificent headquarters housed in a vast classical 19th century building on Tverskaya Ulitsa, just a short walk from the Kremlin, and a spectacular landmark tower was planned in Moscow's new business district.

Tarasov was forty two years old. He had been a student during the time of Gorbachev, but with the dissolution of the Soviet Union he left Russia to pursue his studies in the USA. At MIT he obtained an MBA in economics and joined Morgan Stanley as an analyst before returning home when business started to boom in the oil and gas sector.

It was at that time he met Demirshian, a Russian- Armenian mafiyosa, who had made a fortune in trafficking everything from drugs to forged one hundred dollar bills, investing his gains in Russia's vast legal gambling industry, and now needed a respectable, and competent, front man to head his newly acquired bank. Demirshian and his cohorts, overwhelmed by the complexities of running a modern bank legally, hired the promising MIT graduate.

Tarasov, speaking perfect English and understanding the workings of Western banks, recognised the possibilities of making money financing Russian oil and gas exports. He was a man capable of metamorphosing a criminal organisation into a respectable business. Russia was in the difficult process of transforming itself into a modern economy. It needed to shake off its Wild West image to take advantage of the money that could be made from its vast reserves of natural resources as its economy entered a period of rapid growth after emerging from the financial crisis of 1998.

Tarasov quickly rose to become one of Russia's new business elite, one of the young financiers capable of bringing order to the country's chaotic banking system that had sprung up after Gorbachev legalized commercial banks in 1988. The then newly created banks had to bide their time until the Soviet Union was disbanded at the end of 1991 before they could grow into the kind of tentacular organisations that now controlled the production of precious metals, copper, nickel, aluminium, oil and gas. Their business was structured around ex-combinats and natural-resources based companies, run by latter-day robber barons who had seized control of huge swaths of the Russian economy, spreading their networks into almost every other profitable sector of the Russian economy.

In exchange for its exports of raw materials Russia was importing billions of dollars of foodstuffs and manufactured goods, creating a nouveau riche class such as Tarasov, whose skills as a banker made him rich beyond his dreams. The bank loaned money at exorbitant rates, guaranteed, whenever necessary, by Demirshian's methods of extralegal enforcement, an essential element in the absence of a functioning system of commercial law.

InterBank's influence grew as Russian property and construction experienced an unprecedented boom, lobbying in the corridors of power, where corruption was rife. Favours were exchanged to acquire prime government owned properties for new developments in Moscow and St Petersburg, issuing bonds to finance and consolidate the bank's growing power and influence.

Demirshian reluctantly withdrew to enjoy his wealth on the French Riviera, his sulphurous reputation and his connections to the underworld had no place in Nova Russia, leaving Tarasov as his heir. Demirshian was safely away from Moscow where the press thrived on reports of corpses linked to frequent criminal and business related vendettas.

Tarasov had become part of the post-Soviet nomenklatura, after reforms made it easier to do business more or less legally and industry was privatized. He had transformed a small murky bank, shunned by mainstream business, into a reputed financial and banking institution listed on the London Stock Exchange handling Russian securities and raising the billions needed to finance and transform the country's rundown and indebted industries into modern world class industrial conglomerates.

Change came suddenly and it was not just the small world of Russian oligarchs that found itself in deep trouble as the G7 gathered in Rome to ponder the crisis. London staggered under the mounting losses of British banks. In Vienna the Austrian finance minister made a desperate effort to put together a rescue plan for the countries of Eastern Europe. Austria had lent three hundred billion dollars to the region, and the debacle threatened to explode

Europe's banking system. It was like a financial Götterdämmerung, some even likened it to monetary Stalingrad.

The countries of ex-Communist Eastern Europe, which had borrowed some two trillion dollars almost exclusively from Western banks, were in crisis. At the same the Russian rouble went into free fall in one of the greatest currency runs in history that threatened to bleed Russia dry.

Balts, Poles, Czechs and Hungarians had borrowed in Euros and Swiss francs and were now facing insurmountable debt repayments as their own currencies, caught in the tumult of the financial whirlwind, shrivelled. European governments trembled as debts spiralled with the threat of sovereign default in Austria, Sweden, Italy and Greece, as Spanish bankers feared the default of their heavily indebted Latin American clients.

Contagion was everywhere, spreading its tentacles into Asia, as the IMF struggled to cope with the deluge of appeals for help. Japan confirmed it would supply the fund with an extra two hundred billion, the largest loan made in the history of humanity, to stem off disaster.

Guarantees

Kennedy rubbed his hands together with glee, the television announced the Irish government's decision to guarantee all deposits and debts of the country's major banks. The news came one day after the Irish stock market plummeted thirteen percent. It was good news for the Irish Netherlands Bank, but for Ireland it was the first step on the long road to economic disaster.

'We have to create confidence,' said the finance minister said on RTE Radio. 'We can't bail out a particular bank. That wouldn't be right. What we have decided to do is give a general guarantee that the banks can lend in security and safety.'

Fitzwilliams' lobbying had begun to bear fruit. It was clear the government would inevitably be forced to recapitalize the country's banks. It was a step in the right direction. Kennedy was overjoyed, it was a lifebuoy that would guarantee the continuity of the Irish Netherlands' independent Irish operations, in serious difficulties, slowly being asphyxiated by other banks reluctance to lend.

There were rumours they would use the National Pension Reserve Fund for recapitalisation. Whether that was a good thing or not for those looking forward to a decent pension was irrelevant, what counted for Fitzwilliams was getting the Irish Netherlands out of trouble.

The eejit, he thought when the minister told the Irish house: Some financial institutions are so embedded in our economy in terms of their borrowing and in terms of their deposits that they are of systemic importance to our economy. He was right of course, but it didn't need a Nobel Prize to understand how important banks were to the economy.

Fitzwilliams, immensely relieved at the news decided it was time for a celebration. There had been nothing but bad news and now things were looking a little more positive. He asked his secretary to reserve a table at his favourite restaurant and call his driver, George Pike.

Pike, an improved street-wise cockney, was brought up in a large family that had struggled after his father, an ex-docker turned bricklayer, had lost his job following an accident. George had been decorated for his services in the Gulf War where he had served as driver and guard to the Senior British Commander. On his return to the UK he had been hired by a security firm as a professional chauffeur and bodyguard before becoming Fitzwilliams' chauffeur, and responsible for his security — since the onset of the crisis a real charge.

However, Pike was not only Fitzwilliams driver; he also looked after a multitude of other small task for his boss. His military service had taught him to efficiently execute orders without question, to respect his commanding officers wishes. He admired Fitzwilliams as a commander and though the banker had never worn the least kind of uniform his background and education had given him the kind of qualities that men like Pike respected, a member of the upper classes, speaking with the kind of accent and authority that manifestly identified him as a member of the governing elite.

Pike's philosophy was elementary, it was summed up in the way he explained the credit crunch to Kennedy, 'When you've maxed out your credit card, the rentman's knocking at the door, the gas bills are unpaid, and your car is running on old cooking oil, what do you do? Well you don't splash out on new gear and go on holiday to Benidorm, do yuh!'

As for Kennedy he was another kettle of fish, it was his intrinsic disrespect for laws of any kind, written or unwritten, that explained Pike's grudging respect for him. Kennedy was thick skinned, with little sensitivity and a certain naivety, something that had gotten him into deep trouble in his earlier business experiments. He had learnt from the knocks he had taken, mostly through his own fault, and was now much wiser and cleverer.

There was complicity between Fitzwilliams, Kennedy and Pike that went beyond a normal work relationship. The two bankers and their helper made a strange team. Not given to simple pleasures such as men's creature comforts — drinking or womanising — nor to socializing for mere pleasure, their ambition was power, money meant little to them, they had whatever they wanted, each at his own level of expectation. Only power and manipulation drove them on in their unending quest to extend their influence.

As Kennedy gloated over the Irish prime minister's promises Liam Clancy boarded the Ryan Air flight in Dublin; destination Marbella. The low cost jet was not full — a sure sign of the times. Unemployment had shot up and property prices were spiralling downwards as the Irish economy entered into recession for the first time in twenty five years.

Recalling the spartan service the Irish carrier offered, Liam had remembered to buy a few newspapers and magazines to read on the flight. He could not complain given the price of the one-way ticket. He paid for a cup of coffee and opened The Irish Independent. It was a litany of bad news: the minister of finance announced austerity measures and increased taxation; house sales were at the lowest level for thirty years with estate agents selling less than one property per week. It was not as though he needed reminding things were bad.

The news only reinforced Clancy's idea that the moment to invest in property would soon be at hand, but first, considering the enlightening experience of the last weeks he would carefully explore the market. The key to success would be to seek out distressed sellers, very distressed sellers.

He checked into the Marbella Hilton where he was given a special ten day rate. Not only was it the end of the season, but a Lehman Brothers' autumn seminar had been cancelled, logical in view of the bank's sudden demise. Well heeled holiday makers were few and the hotel's top end of the market clients from the Middle East had suddenly jetted out after oil had fallen to under eighty eight dollars a barrel.

Clancy headed for the pool, his first objective was a little rest and sunshine in preparation for a Saturday night tour of the resort's best discos, after all there was little he could do over the weekend and he needed to let off steam after the depressing events of the previous weeks.

It was near to midnight when Clancy took a taxi to Olivia Valere's, where he found himself amongst a horde of golden euro-youth, refugees who had fled Reykjavik, the Artic Ibiza, after its ubiquitous bars, discos and cafés suddenly emptied.

A Fateful Weekend

Alexis Sosnovski, Sacha to his friends, was wondering how long he was going to survive. Jobs were disappearing faster than he could keep count with friends disappearing in the carnage of collapsing banks and brokerage firms.

He felt too depressed to eat at his favourite lunch time bar on the ground floor of the Gherkin. The shakeout was having a huge effect on the restaurants, bars and shops across the City, many of them were empty at lunchtime, not to mind evenings when the few financial workers left were too discouraged to work late.

It seemed inevitable the entire London economy would be dragged down by the City. More than a hundred thousand jobs were expected to disappear by the year end, not only highly paid jobs in finance, but also in accounting, law, consulting, advertising and other services. It would be years before the City would recover its form, possibly in time for the 2012 Olympics.

The London economy had experienced an unprecedented boom that had lasted a decade and a half, punctuated by two relatively short setbacks; the dotcom crash and 911 attack, neither of which had any lasting consequence for the real economy. Bankers and financiers now walked in fear of a deep recession or perhaps even worse.

Russians like Roman Abramovich, Alisher Usmanov or Sergei Tarasov had suffered considerable losses after the MICEX plummeted over sixty percent from its peak. In total the leading Russian oligarchs lost over two hundred billion dollars in the calamity. Their country had been hit by a series of disasters, starting with its bellicose invasion of Georgia, the sudden crash of financial markets and the catastrophic fall in oil prices, forcing Vladimir Putin to restrain his bluster.

The Russians were not alone in their misery, high flyers such the Icelandic millionaire, Bjorgolfur Gudmundsson, had lost hundreds of millions in the storm. Newly rich entrepreneurs were facing a cruel reversal of fate, many of whom were seeing their, spectacularly short, reign of power and glory slip out of their grasp forever.

The effects of uninhibited deregulation, leveraging and credit were having a devastating effect on the City's golden boys. Alexis Sosnovski, a recently blissful trader, was seated at the almost empty bar, desperately looking around for a friendly face. On the point of giving up he spotted a young and recently arrived Russian trainee walk in. Natasha Babkinova's attention was concentrated on the just cleaned tiled floor, with her ungainly stiletto heels she did not want to slip and break a leg, just when she was beginning to enjoy herself in London, getting the hang of how things worked.

Sosnovski made a sign and she joined him.

'Hi Sasha, you're not looking very happy.'

Natasha was direct and her English was excellent.

He had good reason not to be feeling happy, at thirty seven Alexis Sosnovski had enjoyed five years of glowing success since his arrival from Paris to join the Nassau Investment Fund as a trader. After graduating he had spent three years at Société Generale's office at La Defense in Paris, where he had worked in its trading room. In London his flair was soon earning him a mind boggling salary and at the end of his first full year he was rewarded with a six figure bonus, which rose in leaps and bounds as the markets boomed.

Thanks to his success he owned a fashionable townhouse in Nottinghill Gate, where with his wife Vanessa they hosted regular dinner parties for his City and expatriate friends and their wives. Vanessa was the mistress of the house, caring, with the help of an Estonian nanny, for her two young children. The couple had even bought a magnificent nineteenth century home in the Loire.

Alexis was shrewd, he knew the stakes were high, the key as always was to get the timing right, that went not only for his deals but equally in his personal life. He had no intention of become the victim of a market crash which he knew, as a graduate in economics from a prestigious French school, was the inevitable end of any boom. His goal had been to make as much money as he could before things went sour as they inevitably would.

When Lehman Brothers collapsed he knew the writing was on the wall. He figured Fitzwilliams and his bank, like many others, were just as vulnerable. He had seen what had happened to certain of his friends, suddenly thrown onto the street, losing their homes, then their wives, pulling their kids out of their expensive schools.

The non-doms were pulling out, restaurants and bars were already half empty as the ripple effects were felt across the City. Invitations to dinner parties were few and far between as friends disappeared, returning home humiliated by their failure and reduced situation. For those like Alexis who were still hanging on to their jobs by their finger nails bonus prospects were nil. It was time to make budget cuts starting with his year end ski holiday in an expensive Swiss chalet, besides who could tell what could happen in one's absence.

The more Alexis thought about it the more he thought the unthinkable could happen as banks all around him collapsed or were taking over by the state. So many of his friends were left reeling by the cold brutality of the collapse, ordered to clear their desks in less than half an hour without notice or explanation.

Often bonuses had come in the form of shares, which came with a time clause meaning they could not be sold before a certain date, not that it mattered anymore as many of those shares were now next to worthless. Traders', once the envy of millions, were not only facing a loss of earnings, they were staring unemployment in the face as banks sent cart loads of finance related specialists to their doom almost daily.

Nicolas Daguerre, one of Sasha's friends at the recently defunct Lehman Brothers likened the New York firm's downfall to the Titanic as it went down with the orchestra playing on the bridge. Daguerre was still receiving bizarre congratulatory emails from the beyond on his BlackBerry, praising the success of such and such a department or achievement. He had been awoken in the early hours of that fateful Monday morning by a New York colleague calling to inform him of the firm's bankruptcy and with the news the hope for his two hundred thousand pound annual bonus went out the window.

Daguerre had seen it coming, but like his colleagues had lived in denial, refusing to accept the idea of impending doom, fooled by their solid office tower of steel and concrete sheathed in gleaming glass and polished marble. Seated before an endless arrays of blinking computer screens, he like the other single-minded traders, had focused on his daily task, confident in the firms invulnerability, Lehman's was simply too big to fail; if the worse came to the worse they would be saved by some kind of shotgun marriage with one of the bank's peers.

The knife was turned when billions of dollars from Lehman's

London account disappeared into the black hole during that fateful weekend. Each Friday after trading had closed billions were transferred from London to New York to fund US assets over the weekend and every Monday the funds returned; that Monday morning all movements came to a brutal stop, leaving place to a ghostly silence reigned as communications went dead, leaving the dazed London management to its own impecunious means.

As Lehman's four and a half thousand London ex-employees, clutching their pitiful boxes of personal belongings, said their last goodbyes they could have been excused for thinking Britain's special relationship with the USA was a one way street, which it was as far as Lehman's management in New York was concerned.

Alexis remembered reading reports of Lehman's massive losses in the second quarter. It was at that point banks had started to show the first signs of reticence in their dealings with them. Lehman's head office in New York had simply ignored the warnings from London with the sibylline reply that staff should wear ties at all times on the trading floor.

After an interminable weekend, their eyes glued to their BlackBerrys in the expectancy of a last minute deal, the shock for the staff of Lehman Brothers at the firm's London headquarters on Canary Warf was mind numbing. They had expected a saviour to appear with a rescue package like for Bear Stearns. But it was not to be, just before midnight on the Sunday, the CEO of Lehman Brothers Holdings Inc., in New York, Richard Severin Fuld, Jr., filed for bankruptcy, shaking the financial world to its very foundations.

Alexis consoled his stunned friends who had quit Canary Wharf with nothing more than the small cardboard box filled with a few meagre souvenirs of a recent and happy past. At the same time the City and government ministers struggled to come to terms with the calamity that had struck the country's entire financial system, deals were hurriedly thrown together in London to save what could be saved of the surviving banks; as for New York Merrill Lynch was swallowed by the Bank of America, and investors unloaded shares with billions of dollars were wiped off stock market prices.

That same Monday in London, HBOS saw its share price drop by almost twenty percent. The next day it was announced in New York that AIG was facing massive losses as a result of the Lehman's collapse and would need bailing out.

Alexis looked as though the sky was about to fall on his head. The Irish Netherlands Bank stood on the brink and investors rushed to pull money out of the Nassau Investment Fund.

'A lot of Russians have lost their shirts Alexis, at least you've still got your job,' said Natasha trying to encourage him.

'For how long?'

'Don't be so pessimistic, look at us. Some of our richest businessmen have been forced into asset fire sales.

'I suppose so. You want something to eat?'

'Yes, that's what I'm here for.'

Natasha told him how many of her father's business friends had borrowed heavily to build their empires using shares in their companies as collateral. Now their collateral no longer covered their debt and they had been forced into assets fire sales.

Russia had been hit hard by the credit crisis with billions leaving the country as rattled investors ran for cover forcing authorities in Moscow to suspend trading on the MICEX after the worst plunge in share prices since the country's financial crisis ten years earlier.

The only person still smiling was Alosha Demirshian; his capital remained intact in the murky Mafiyosa controlled world of Russian's underground economy. There were commodities: oil, gas, timber, fertilizers and metals that functioned without the constraints of market rules and controls; arms to fight wars; gold and diamonds to corrupt leaders; drugs to stultify the pain of poverty and despair. His syndicate's vast war chest was there bail out InterBank if the going got really bad for Sergei Tarasov.

Collapse

With the collapse of the stock market the shares of Grupo Martínez Construcciones dropped sixty five percent in a week. It was not alone, there were losses across the board as construction companies reeled from the successive blows delivered by financial markets.

The same companies had enjoyed a spectacular expansion of business and profits during the construction boom during the previous decade when Spain built more homes each year than the UK, France and Germany combined.

It was in the summer of 2007 the press first started to ask the question: ‘Is This a Bubble?’ In London, The Financial Times reported all the signs the bubble was about to burst were present, it was simply a question of when, and for most observers the moment was imminent. Spanish property had risen over seven percent in the first quarter of the year, compared to the same period in 2006. However, the prices of some homes on the Costas had begun to wane with rises much more moderate in comparison to those of recent years. In spite of that there was still that feel good mood, as owners, blissfully ignorant of the impending doom, still congratulating themselves on their astuteness in getting into the market when they did.

Property developers like Martínez had confidently forged ahead with overseas projects to compensate for a slow down in the home market as the Spanish government calmed concern by declaring the fall in price increases was nothing more than the end of a phenomenal period of real estate expansion that could not reasonably be expected to continue for ever. The government spokesman assured investors of a soft landing.

When the sudden and dramatic collapse of Martínez came it left thousands of British families fearing that their new homes, from the Canaries to the Costa Brava, would not be completed. The Spanish economy minister insisted the plight of the property group was an isolated occurrence, not a sign of systematic failure, which did not nothing to prevent a wave of panic rippling through the already nervous property and construction sector.

Panic broke out with British buyers desperately seeking information, especially those who had bought in new and incomplete developments such as the luxury golf resorts under construction on the Spanish coast, like the Guadalmina Golf and Country Club golf course outside of Marbella. In the UK the press screamed of Spanish corruption and the flaunting of planning laws, all of which had allowed vast stretches of the peninsula's coastline to be methodically exploited during the property boom. Development programmes had been launched illegally, buyers duped by unprincipled estate agents, lawyers and promoters into purchasing properties without adequate planning permission.

Only six months earlier Fernando Martínez announced the group was in a stronger position than its Spanish competitors, pointing out its backers had shown notable faith in the future of the group by refinancing its debt with loans put together by a pool of Spanish and international banks to resolve the group's liquidity problems.

Martínez Construcciones had promised a Garden of Eden to those willing to take out a mortgage and close their eyes to the risks. Their gated communities were set in landscaped grounds surrounded by hills or overlooking the coast, complete with championship standard golf courses designed by leading international firms and sponsored by champions. The developments included luxury shopping malls filled with the most fashionable boutiques, restaurants, bars, bowling alleys, supermarkets, sporting facilities and first class hotels. Some of the developments came with marinas designed for up to one thousand berths. Martínez conceived a whole series of Florida like resorts in Spain, Morocco and Portugal where happy seniors could buy dream retirement homes. Places where they could play golf under the warmth of the southern sun peacefully spending their well deserved retirement on a diet of booze and easy living.

The unlucky late comers saw their dreams transformed in nightmares; half built resorts, a tangle of legal and regulatory procedures, and even demolition orders for those unfortunate enough to have bought illegally built homes. The dream homes in which retirees had expected to spend the autumn of their lives peacefully enjoying the warm friendly Mediterranean sun were never to be; instead they were left facing an endless series of long and undoubtedly hopeless legal battles conducted in a language and a system they had not even begun to understand.

October
Liquidity shortfall

Beneath the dome of 30 Saint Mary Axe, in what suddenly seemed like an extravagantly large board room, a reduced and chastened Fitzwilliams sat looking at Pat Kennedy who was deeply focused on his fingernails, biting each in turn in an uncontrollable attack of nerves. The Irish Netherlands Bank was under siege, if help did not come within hours they would be unable to face the onrush of withdrawals, which seemed unavoidable and imminent.

Just a couple of hundred metres away on Threadneedle Street at the Bank of England, its governor, Mervyn King, was facing the dramatic task of putting together a rescue plan to save the British banking system from meltdown. It was a just question of hours from a liquidity shortfall.

Monday, October 6, the FTSE 100 had dropped nearly eight per cent as the City struggled to cope with the flow of bad news. For a week HBOS and Lloyds TSB Group had been experiencing growing difficulties in find funds and their situation was worsening by the hour. The implications were alarming. The prime minister and the chancellor desperately tried to piece together a plan to inject billions into the banking system in the aftermath of Lehman Brothers' collapse.

With little doubt it would go down as one of Britain's worst peace time crises. If the banks failed the chain reaction would bring the whole banking system to its knees and the entire British economy would go into a stall. Bank accounts would be frozen, salaries would be unpaid, businesses could no longer pay their invoices, money transfers would stop, and sterling would go into free fall dragging the international finance system into its downward spiral.

Tuesday, October 7, the business minister called an emergency meeting of senior bankers to give their recommendations to the government on a bailout plan. As the hours and minutes passed frantic ideas were proposed by the bankers to save what could be saved.

Only a few days before British depositors had rushed to move their money to Ireland following the Irish government's measures to avoid a systemic collapse of its financial institutions by guarantying all deposits and borrowings at its six biggest banks.

The fear of an uncontrollable panic and a generalized run on British banks seized the City in the desperate hours of that Tuesday as a blackout concerning plans for RBS and HBOS was imposed. If RBS, HBOS and Lloyds were allowed to fail the effect on financial markets throughout the rest of the world would be catastrophic and would plunge the financial system into an unprecedented chaos.

'Imagine what it would be like if banks were closed and ATMs stopped function. Without cash people could not buy food and the whole economy would collapse,' said Kennedy almost nonchalantly.

'Why don't you shut up Pat, it's bad enough without you adding to it,' snapped Fitzwilliams.

Kennedy was right, violent protests had erupted in Iceland after the collapse of their banking system, a country of just three hundred thousand people. The same scene, repeated across the UK on a scale many hundreds of times greater, considering the differences and inequality in British society compared to Iceland's, would led to a breakdown of law and order.

Fitzwilliams had spent the afternoon transferring what funds he could muster to safe havens. It was now seven thirty in the evening, two hours afters after the London stock exchange had closed. He had his eyes riveted on the TV screen that flashed news from Wall Street while Kennedy desperately telephoned left and right in search of the least sign of news from the frantic behind the scenes negotiations at 10, Downing Street and the Bank of England.

The country was just hours away from economic doom following a covert run on the banks that same afternoon as major depositors, despite huge penalties, attempted a massive withdrawal of money.

If the government plan did not succeed it would be forced into nationalising the entire financial system and guaranteeing all deposits. During this time creditors of British banks watching from New York to Tokyo were getting nervous and were preparing to pull their money out of the UK. There would be little the banks could do to prevent them except selling off shares to meet demands thereby accelerating the stock market fall.

It was five in the afternoon on that fateful Tuesday when the Chancellor finally met with the Governor of the Bank of England and the Financial Services Authority Chairman at the Treasury to hammer out the final details of their plan. Late that same evening they ordered take-away chicken tandoori, balti, boiled rice and poppadoms to tide them through the long night that lay before them.

November
Marbella

The season slowly drew to a close, the in-crowd was reluctantly heading home to face the music, and Liam Clancy woke up to the realization the fun was over. The bars and restaurants, apart from their loyal expat hardies, were almost empty and the previously bustling streets and shopping centres had lost their hum.

It did not require much imagination to come to the conclusion he could not spend the rest of his life as a not so rich playboy, drinking and fucking as though there were no tomorrows. If he was to survive he needed to save money, it was difficult to know what could come next. It was time to put his experience to work, get some form of income.

His first priority was to quit the cash hungry hotel, however good the deal was. The exodus of holiday makers coupled with the collapse of the property market meant he had little difficulty in finding a spacious apartment; an apartment overlooking the sea on the resort’s main avenue, rented from a desperate cash strapped English estate agent. To complete his image he picked up a second-hand BMW sports model from another unhappy expat. Liam then bought a decent printer and put his laptop to work to produce a business card:

Liam Clancy
Financial Consultant
Piso 3° 330 ave del Duque de Ahumada
Marbella 29600

He felt pleased with himself; it looked convincing — at least to the budding consultant. He then remembered to add his mobile telephone number and email address and printed a few of dozen cards. He then set out to spread them around the expat circuit to get the ball rolling.

Within a month Clancy had found a Spanish girlfriend — less costly to maintain than the blonds. With Dolores, an out of work post graduate law student, he was soon making fast progress with his Spanish. A little more application and he would be reasonable fluent. On the other hand fee paying clients, amongst the distressed or confused members of the English speaking expat community, were more difficult to find. Although a great many worried Brits found themselves in difficulties, or out of their depth, as their homes, mortgages and investments were threatened by the growing financial crisis, they were still hesitatant to pay a consultant.

Encouraging the story he had been a successful trader, retiring to live on his fabulous bonuses, he was soon meeting people he would have never normally met in Dublin. He readjusted his technique, discovering the disadvantages of being tight lipped, whilst hinting his partner, Dolores, was a lawyer. He then joined forces with another young Irishman in difficulties with his holiday home leasing business and together they convinced homeowners, those who would listen, to accept a more realistic view of the property market. Get out if you can, the advised, and if you can't then lease. They advertised in the UK and forced their clients into slashing rents. Weather the storm and don't panic was their trademark.

Liam had taken time to catch up on his financial history and recognized that sooner or later things would surely improve; for those with sufficient cash reserves there was no point in panicking as people had done in the crash of the twenties, even if the recession they were now experiencing was the worst for sixty years.

Much was spoken of the great crash of 1929, which, like the economic crisis of 2008, had hit the world after almost a decade of optimism and prosperity. The event that triggered the Great Depression, known as Black Thursday, took place on October 24, 1929, when Wall Street was submerged by a wave of panic selling.

When markets opened the following Monday morning, selling recommenced and in a couple of days the market had crashed by twenty five percent. The roaring Twenties together with the speculative boom in which Americans had borrowed heavily to play the stock market came to a sudden end. Millions caught up in the panic rushed to sell their stocks, but there were few if any buyers.

Banks that had invested their customers' savings in the stock market collapsed causing a chain reaction of bankruptcies. By 1933, eleven thousand of the twenty five thousand American banks had failed. The contagion spread to businesses, which were either wiped out or forced to lay off their workers in swaths, slashing the wages of those who remained. Sales collapsed, first luxury goods, then essentials, as unemployment spread to all sectors of the economy.

To compound the disaster decades overgrazing and the combined effects of a drought grass hit the Great Plains. Parched grasslands were transformed into dustbowls; exposed topsoil was swept in violent dust storms that destroyed everything in their paths. In the past farmers had been safe in economic crises as they could at least feed themselves, but with the ecological disaster farmers were without crops. Those who suffered most were the small farmers already heavily in debt when banks seized their farms leaving them homeless and jobless.

Millions of jobless took to the road, wandering across America in the hope of finding work, the luckier of them in cars, others on freight trains and many on foot. Many of the newly impoverished farmers came from Oklahoma and Arkansas and headed west to California where they were known as Okies and Arkies, their hardships immortalized in Steinbeck's novel The Grapes of Wrath.

The effects of the depression were felt in almost every country, by both rich and poor. Personal incomes, tax revenues, profits and prices fell with international trade reduced to a trickle. Unemployment in the US rose to twenty five percent in many countries by more than thirty percent.

The Great Depression was to last almost a decade. In 1932, Herbert Hoover, blamed for the dire straights in which the country found itself, was beaten in a landslide election that brought Franklin D. Roosevelt to power. Roosevelt introduced the New Deal, a programme designed to combat the effects of the depression, but which did not prevent it lasting all through the thirties.

The UK fared somewhat better, where by 1937 unemployment had fallen to one and a half million, but it was only when war broke out in 1939 did unemployment finally come to an end with mobilization and the war effort. In the US however, the economy did not recover until the bombing of Pearl Harbour when the US finally entered into World War II. Men and women were put to work for the production of armaments, ships and planes, whilst farmers returned to their land to produce food for the home front and overseas.

Were they facing a repeat of the Great Depression? That was the burning question. The incertainty weighed heavy, a crash of the same magnitude would have catastrophic consequences in a world more so much more complexe and unpredictable.

Investment Banking

In the not so distant past commercial banks had made money from current accounts and services, which was to say safe money. Then they broadened their activities by providing a whole range of loans including for example mortgages and consumer credit. As their ambitions grew they turned to investment banking extending their activities into more risky markets, speculating in credit default swaps and complex financial instruments.

Their objective was growth and greater profits however they had very little idea of the complexity of speculative financial instruments and did not fully realize what they were getting themselves into. Finally, when their experiment in financial alchemy exploded in their faces the damage to their shareholders and customers was devastating.

Crashes were seen as things of the past, not only by banks, but also by the country's leader, Gordon Brown, an economist, who during the whole time during which the bubble grew had presided over the British economy as Chancellor of the Exchequer defining the policies that were to exacerbate the crisis when it came.

When the bubble finally burst Britain's four largest banking institutions: Barclays, HBOS, HSBC, Lloyds TSB and Royal Bank of Scotland were suddenly staring insolvency in the face. The only solution found by the nation's politicians was to plunder taxpayers money in the one of greatest confiscations in the history of Britain, a consequence of the most reckless wave of financial speculation the nation had ever seen.

New Labour under Blair and Brown had built one of Britain's most extraordinary periods of growth on the foundations of financial and property speculation. Lulling those who had surfed the boom into believing it would go on forever. Encouraged by politicians and the prospect of huge profits, bankers, duped by their own foolishness, came to believe in their own indestructibility raking off huge bonuses that in turn fed the wave of speculation.

In the good old days a friendly bank manager advised his customers on loans and family investments, today such tasks had become centralized by the big banks that had introduced complex risk assessment systems. Managers have long been transformed into salesmen whose job is to sell financial products such savings, insurance and investment plans.

Exactly the same thing happened in the stock market when large investment banks developed general brokerage services taking over from small brokers, replacing them with faceless traders. In many of the larger banks trading became more important than their everyday business, and the most lucrative part of their business, effectively transforming them into hedge funds.

After another weekend of crisis talks that were concluded at dawn on Monday October 13, the government announced Lloyds TSB was to take over HBOS with the help of seventeen billion pounds of taxpayers' money, and RBS was to receive an injection of twenty billion. The resignation of RBS's infamous chief executive, Sir Fred 'the shred' Goodwin, was immediately effective. The news of the bailout prompted a weak rally on the London Stock Exchange, giving some momentary relief to Fitzwilliams and Kennedy.

Antigua

The breathtaking Stanford Week in St John's, Antigua, could have only been described as a crowning triumph for its sponsor with the richest team prize ever offered for a team event. The climax came at a packed Stanford Cricket Ground when the Stanford Superstars hammered England before the ecstatic crowd to collect a fabulous twenty million dollars in prize money.

The Friday evening final was transmitted to an estimated seven hundred million fans in cricketing nations across the globe: the UK, the Indian subcontinent, South Africa, Australia and New Zealand. It was an event that would be remembered for many years to come, not only for England's stunning defeat, but because it marked the Stanford banking empire's most glorious moment.

A magnificent firework display concluded the event celebrating the Stanford Superstars' immense victory. Even the English cricket fans, in spite of their team's defeat, would long remember the party. There was music, dancing and celebration with the presence of many Caribbean showbiz stars.

Smeaton was of course present in the VIP tribune. His was one of the many regional banks that had high interest deposits in Stanford's bank, moving money in and out taking advantage of the always generous terms. He always looked forward to a Stanford event, a first-class show was assured, not something to be missed in Smeaton's normally sedate life in Dominica.

Malcolm Smeaton came from an old banking family, whose bank, though it was small, had always been profitable and had avoided financial scandals. Surprisingly, in contrast with the family's cautious banking tradition, Smeaton had been offering five-year certificates of deposit with a yield of two to three percent higher than the average in the region, thanks to his bank's speciality: loans in South and Central America that naturally implied higher risk.

Like many such small offshore banks in the Caribbean Smeaton's methods were to say the least opaque. In was not unusual that cagey account holders had on occasions difficulties in knowing exactly what they possessed and where. It was normal, after all the goal was to prevent others, especially fiscal authorities and regulators, from knowing where funds were hidden.

Concerning Standford, Smeaton, being highly astute, understood the Texan's organization for what it was, which did not prevent him from taking advantage of certain of Stanford's short term deals. He had his man inside the Antigua Bank to watch over his interests, thus moving his deposits frequently, especially when he felt the temperature had gotten a little too high.

Dominica, which lay to the south of Antigua and Barbuda, separated by the French island of Guadeloupe, could have been described as virgin territory as far as mainstream offshore banking was concerned. It offered a refuge for a certain kind of depositor when Antigua came under the scrutiny of the US Treasury Department, which had become interested by Antigua's lax banking regulations and its links to money laundering.

Smeaton's friends and clients included many wealthy individuals resident on the island; one of these was Elliot Stone, a young sexagenarian, who had made a considerable amount of money as a fashionable architect. He spent a good part of his life shuttling backwards and forwards between the Caribbean French islands and Europe, designing and building homes for the very rich. His atelier was long established in Dominica, where he was said to be inspired by the island's unspoilt landscape.

Stone was enjoying the party, as usual drawn to the pretty girls that always seemed to flock to Stanford's shows. Dominica being small with many of its European residents no longer very young limited Stone's scope of action. He was a gambler, not the kind that frequented island casinos, which he found unsophisticated and full of low grade tourists betting on mere numbers. He preferred stock markets, where he knew he could win money from every imaginable kind of deal, deals that challenged his mental skills, especially short-selling, betting on the fall of a companies shares and delighting in their collapse, and as some believed even rigging the market.

When the Financial Services Authority took the unprecedented step of banning the short-selling of stock in publicly quoted finance companies it was not good news for Stone, he would have to find another way of making the kind of money he had made short selling Lehman Brothers. For him there was nothing wrong in short-selling, he told those who cared to listen that the Phoenicians probably did it, though many of his investor friends assumed they, the Phoenicians in question, were investors of some kind, a hedge fund or an offshore bank.

He spent a good part of his time tracking stock markets and his instinct had told him that there was a golden opportunity when the crisis started to look serious at the beginning of 2008. He had put his finger of the root cause, investment bankers — Wall Street investment bankers. He knew from the spectacular development of hedge funds that something was about to give and he got his timing right. It was not an idle bet; his research had uncovered weaknesses that were so blatant it was difficult to know why others had not spotted them earlier.

‘Personally I prefer short selling,’ he told the attractive blond in her mid-twenties he had cornered at the buffet. She, knowing little or nothing about the game, thought he was a cricketer, talking about the finer points of the match. ‘Let me explain, if for example a rumour builds up about a group in difficulties and short selling builds up, is this dishonest or are you doing investors a favour? Especially if the rumour turns out to be founded.’

‘Who do you play for then?’

‘What?’

‘What club.’

‘Oh, I see, my own.’

She looked nonplussed.

‘I’m a businessman.’

‘Oh,’ she said a little disappointed.

‘I sailed over in my cruiser to see the match.’

‘Cruiser,’ she said. It was not a question. It was just that cruiser sounded perhaps more interesting than he being a cricketer.

‘Where do you live?’

‘A couple of islands away.’

‘And you?’

‘I’m in real estate.’

‘Selling?’

‘I’m with Malcolm Smeaton promoting the Emerald Island Development on Dominica.’

‘That’s funny, how come we’ve never met before.’

‘I’ve only been there for a few months,’ she said a little embarrassed.

‘I’m Elliot Stone,’ he said holding out his hand. ‘I live in Dominica, I’m a friend of Malcolm’s.’

‘Sarah Kavanagh.’

‘From?’

‘London.’

‘I thought so from the accent.’

‘So you’re a trader,’ she said brightly.

‘If you like. I bet on the market. Let me explain, I play with what we call put and call options.’

‘Oh.’

‘They’re contracts that let traders like me buy or sell shares, at specified prices by a given date. Calls work on the rise in the price of shares. With puts you can make a profit from a fall in share prices.’

‘I see.’

‘For example, an investor holding a put for a stock that declines in price is able to sell the stock at the higher price quoted in the put, profiting by the difference the stock declines from the put price.’

‘Complicated,’ she said wondering how she could change the subject.

‘Yes it is. Let me give you an example. Before 911 a lot of puts were made on United Airlines and American Airline. The puts were based on a price quoted just before the date of the attack, which allowed the holder to sell the shares at that specific price within a certain period of time. When markets opened again after the attack the shares in these two companies had fallen more than fifty percent, so the buyers were obliged to pay the pre-attack price and those who held the put options pocketed the different. In other words they bet on the decline of the airline’s shares.’

‘They must have been in the know.’

‘Sure, though my point is the system of puts and calls is a way of betting on the rise and fall of share prices.’

‘That’s what they call insider trading?’

‘Clever.’

Sarah smiled pleased with herself.

‘But the problem is insider trader is illegal,’ he replied a little uneasily, ‘you’re not supposed to use insider knowledge. In other words a gamble can only be made based on knowledge that is public in the market.’

‘Then those who bought the airline shares must have known what was going to happen?’

‘So it seems.’

‘Then it was insider trading.’

‘I suppose you could call it that,’ he said ignoring the implications, which were of little interest to him.

It was the early Clinton presidency that had led to the victory of free marketers. It was the beginning of hedge funds and unregulated investment houses. In this freewheeling environment short-selling allowed investors to hedge bets by selling shares, commodities or some other intangible financial instrument, which the seller did not own in the expectation they could be bought back later at a lower price.

‘Do you know Elliot Stone?’ Sarah asked Barton.

‘Yes, I’ve met him, one of Smeaton’s friends.’

‘Stone said he specialises in short-selling.’

‘He a bucket shop specialist,’ he said disparagingly.

‘A bucket shop?’ asked Sarah puzzled.

‘Yes,’ Barton said laughing, ‘after the American Civil War ordinary punters bet on shares without actually owning them through what we would now know as betting shops.’

‘Like in London?’

‘Yes, but in the kind of shops I’m talking about people bet on shares that were in fact owned by the shops. So if a lot of punters were betting that a share would go up, the shops would sell it and the price would go down, on the other hand if punters were bearish, the shops would buy. So the punters were swindled whatever way the went. This came to a head in the Panic of 1907, which resulted in bucket shops being banned.’

‘Interesting, pity we can’t do that now.’

‘We do, it’s called short selling!’

Globalization

Following emerging markets, like the Shanghai and Moscow, the Bombay stock exchange headed south. Since Barton’s dramatic sojourn in India just eight months previously its market had slumped a massive sixty percent. In the panic foreign investors rushed to plough their money into the last remaining safe haven — US Treasury bills. It seemed strange considering America was threatened with the worse depression in almost a century. At the same time yields fell to almost zero which in effect meant investors were paying Uncle Sam to look after their money.

Some accused globalisation as governments struggled to come to terms with the realities of the economic crisis and rein in their huge deficits. Workers were feeling the heat even in China where riots had broken out in some regions, whole swaths of factories were forced to close down unable to survive as demand dropped and margins grew razor thin. Others pointed to the hastily expanded European Union, with Hungary and the Baltic countries looking as fragile as Iceland, forced to turn to the IMF for assistance.

Part of the problem went back to 2004, when a decision was taken to change the rules fixed by central banks relating to obligatory banking reserves, designed to help them weather cash crises, and debt limitations. When debt ceilings and capital reserve restrictions were lifted, banks were allowed to fix their own risk limitations based on their own calculations. This freed huge sums of money which were used to invest in complex mortgage-backed securities and derivatives. These included CDOs, financial instruments invented by Michael Milken's Drexel Burnham Lambert in the late eighties, a system of bundling asset backed securities into tranches.

As time passed these securities evolved, becoming more and more complex and were attributed a triple A rating by rating agencies such as Moody's or Standard and Poor's. They were bought by institutional and other investors, including Icelandic banks, Lehman Brothers, Bear Stearns, Freddie Mac, Fannie Mae, AIG, General Motors, high street banks and mortgage companies in the UK, not forgetting municipalities and of course pension funds.

Financial specialists placed the blame on the models developed by 'quants'; highly qualified mathematicians employed by investment banks. These seriously flawed models, invented on Wall Street, were based on abstract notions of market concepts transformed into complex mathematical algorithms, led millions of small investors, savers and homebuyers, who knew nothing of banking's complex but worthless calculations, to disaster.

Never had Albert Einstein words, technological progress is like an axe in the hands of a pathological criminal, been so true.

The staggering extent of the threat finally became public when Barclays Bank announced it assets and liabilities had each reached the mind numbing sum of two trillion pounds, an unimaginable quantity of money. By what miracle could one single British bank have accumulated such an astounding wealth of assets? It was impossible to believe that the assets of Barclays Bank were worth more than the total value of all the goods and services produced by entire British economy in one year.

Barclays was not alone however, there were other questionable giants, amongst them the French BNP Paribas and the Spanish Banco Santander. All of a sudden everybody was counting in trillions. But behind the glowing talk of incredible wealth, economists were beginning to question the real worth of certain securities.

The world’s financial institutions were electronically locked together in a globalized system of trade and exchange. What happened in Tokyo instantly affected New York and what happened in Sydney was instantly felt in London. So it was when the news Swiss banks, USB and Credit Swiss, announced losses of eleven billion dollars and five billion dollars respectively hit the markets. Never in the history of international banking had so much money been lost on such as scale by so many banks in so many different countries and so quickly.

Hedge Funds

Mayfair, the heart of London’s hedge-fund industry, was the home to Nassau Asset Management; a fund manager that functioned out of a luxuriously appointed suite of offices on Curzon Street. Hedge fund offices had sprung up across Mayfair like mushrooms. They attracted investments from banks, pension funds, endowments, foundations, insurance companies, money managers, wealthy individuals, municipalities and governments.

The list was long; the profits had been huge with managers and traders enjoying spectacular salaries and bonuses.

Those happy times were now gone and Nassau Asset Management, the keystone of Nassau Investment Holdings, specialised in selling credit default swaps, was in very deep trouble, the market had imploded and its largest insurer, AIG, was on the hook for tens of billions of dollars.

Nassau Investment Holdings had its registered office in George Town, the capital of the Cayman Islands. It was one of Caribbean's many tax havens where at the end of 2007 half of all the world's hedge funds were registered. A scattering of Caribbean islands, which included the Caymans, the British Virgin Islands and Bermuda, were the relics of the European empires that had fought for the control of the Americas in the centuries that followed Columbus' arrival in the new world. At the beginning of the third millennium hundreds of billion of dollars of lost taxes found their way to those happy islands' shores every year.

It is worth noting, especially for the less privileged subjects of Her Majesty Elizabeth II, that many of the most prosperous offshore tax havens were British or ex-British territories, playgrounds for the rich, often British and British non-doms, where they could conveniently bank their money in offshore accounts. The same tax havens had also a more sinister role, besides being specialized in tax avoidance they were also centres for the laundering of dirty money, the proceeds of criminal activity, drug trafficking, gambling, prostitution and corruption.

In a modern five storey building, not especially remarkable, overlooking the Caribbean, not far from the centre of George Town, an incredible thirteen thousand companies were officially registered. Amongst these were Nassau Investment Holdings and Nassau Asset Management. The building, Ugland House, situated on South Church Street, was a sanctuary used by most leading international banks to register numerous offshore companies. The offices were there for all to see, everything was above board and perfectly legal and all activities were carried out in accordance with the laws of the small territory, carried out daily by ordinary though aptly qualified office staff, all of which caused Barack Obama to remark: That's either the biggest building in the world or the biggest tax scam on record.

Under Cayman law these companies were barred from actually doing any business in the Caymans, which meant that shares, bonds and cash could technically be owned in the Caymans, but in reality were held in London, Greenwich in Connecticut, Frankfurt and Zurich. Many companies registered there, including Nassau Asset Management, were specialized in securitized trusts or derivatives. In total more than three thousand hedge funds had registered offices the Caymans. In addition major British banks held hundreds, perhaps thousands of accounts there, where it was estimated more than a quarter of all US foreign deposits, a total of almost two trillion dollars, were held in 2009.

As far as the man in the street was concerned the sub-prime crisis commenced in August 2007, although its roots evidently went much further back in time. Some six months later, after Bear Stearns had been absorbed by JPMorgan in a government brokered bailout, the world mistakenly believed the sub-prime crisis had bottomed out. In reality the bailout was a warning shot announcing the start of a crisis of much greater magnitude; the first episode of a tragedy to come that reached its first dramatic moment with the collapse of Lehman Brothers in September 2008, when fifty percent of share values were wiped out in the greatest stock market collapse since the days of the Great Depression.

In the past, US households had been the primary source of capital for the country's economy, through savings and investment. The period of unprecedented expansion, which commenced at the start of the new millennium, was however, funded almost entirely by foreign money. The US went from being a lender to a borrower as foreign money provided the bulk of new capital.

During the boom years Americans for the first time, taking advantage of easy credit, took more money from the financial system than they put into it to finance an unprecedented spending spree, fuelling imports and world economic growth.

As manufacturing and commodity exporters' earnings grew, countries such as China, Russia and Middle Eastern countries sought safe investments for their dollars and placed their money in US Treasury bonds, sub-prime mortgage-backed securities, shares and hedge funds. Wall Street and the City of London channelled foreign capital into hedge funds and bonds backed by credit default swaps that provided insurance in the event of default.

With the collapse of Lehman Brothers foreign bond holders were hit, but precisely who and to what extent their losses were was unclear because of the difficult in determining the value of derivatives and bonds they held, without taking into account the lack of transparency of many foreign banks. What was clear was all major investors held vast quantities of toxic assets.

The real problem arose when a hedge fund could not pay the claims and the derivative had to be written down. Investors who had hedged their bets could not collect or pay their losses, with the result other investors defaulted on their bets. This led to a chain reaction of defaults that contaminated the entire banking system, prompting the legendary investor Warren Buffett, head of the one hundred billion dollar Berkshire Hathaway mega fund, to call derivatives weapons of financial mass destruction.

Dubai

Not even a year had passed since Barton had made his first three day stop-over in booming Dubai. Since then things had changed at a startling speed as the emirate's government, in danger of bankruptcy, struggled to raise the billions needed to service its debts. Dubai, part of the United Arab Emirates federation, with little oil revenue, had boldly tried to transform itself into a financial and tourist centre investing enormous sums of money in a vast construction programme building offices, hotels and apartments. That dream was now in tatters and one hundred thousand British expatriates shuddered at the thought of returning home to a cold depressed UK, leaving their luxurious apartments and Porsches behind them to the sands of the desert.

Dubai was part of the United Arab Emirates, a federation of seven emirates or states, which included Abu Dhabi the biggest, Dubai, Sharjah, Ajman, Umm al-Quwain, Ras al-Khaimah and Fujairah. Abu Dhabi was the federation’s political, industrial and cultural centre, and Dubai its financial hub. Historically the UAE was known as the Trucial States, from a 19th century peace treaty concluded between the British Empire and a group of Arab Sheikhs.

The UAE held the sixth largest known oil and gas reserves of the planet, though Dubai’s share was very, very, small, making it dependant on the development of finance and tourism.

Dubai had sealed its future in a Faustian deal by trading it against a decade of wild construction financed by low interest rates and debt. The crash came when the magic carpet of rising property prices stalled exploding the dream that their distant scorched coastline could be transformed into another Costa del Sol for sun thirsty Europeans.

As the rot set in thousands of expatriates discretely packed their bags and quietly slipped out of the Emirate, never to return, leaving unpaid bills, credit card debt and unprovided cheques behind them covering rent, payment for cars and other big ticket purchases. Cheques, part of Dubai’s banking and payment culture, made the purchase of a car child’s play writing a series of cheques to cover the totality of the monthly payments in advance even though a buyers account may have been empty at that moment the cheques were written. Expats from around the world had lived the life of Reilly taking advantage of easy cheap credit during the Emirate’s extraordinary boom, buying anything from a penthouse house apartment to a motor cruiser and frequently without the least guarantee.

Oil and gas accounted for just six per cent of Dubai’s economy and its already low oil reserves would be exhausted within a couple of decades. On the other hand its foreign debt exceeded one hundred billion dollars; the equivalent of four hundred thousand dollars in debt for every Emiratee national: man, woman and child, who in fact represented only a fraction of the small state's population.

Tom Barton had seen Dubai for what it was, a vast property bubble, and moved on. In its place he discovered the Caribbean, a haven of peace with its offshore banking, tax shelters and holiday islands. The depressed business environment had its positive side; it contributed to calming the rhetoric of hotheads like Chavez, as for Castro's brother and successor, Raul, he focused his attention on trying to dig Cuba out of the deep hole it had made for itself.

Turning his attention to the region's investment prospects Barton arrived at the Caribbean Hotel & Tourism Investment Conference being held in Miami, where bankers, investors, developers, hoteliers and the industry's multiple suppliers were gathering at their annual event.

Drifting through the crowd at the inaugural reception he paused to listen to an attractive delegate telling her admirers how she had fled Dubai after the sudden disintegration of its economy leaving behind an apartment she had bought on a fifteen year mortgage.

'I was lucky, if you don't pay your debts in Dubai you could end up in prison,' she told them.

Barton remembered as he listened how on his arrival in the Emirate he had been astonished at the extraordinary property boom and the extravagant prices for apartments. Times were now different; the Emirate's economy was in mired in the sand, the international press regularly published pictures of the rows of dust covered cars at Dubai's airport, upmarket models, abandoned by foreigners who had quit the country to flee their debts.

Those without employment were legally obligated to leave the country within a month, but the problem was over eighty percent Dubai's population were foreigners on work visas. If they were all to leave the country would come to a standstill with a downward spiral in prices and empty properties. The Emirate was cancelling one thousand five hundred work visas every day and tens of thousands had already left. The collapse of real estate prices was causing havoc in the construction business as hundreds of projects stalled for lack of cash and others were definitively cancelled.

It was beginning to look like a Middle East version of Iceland. Dubai had been sucked into the property boom and was now paying the price for its exaggerated ambitions with almost six hundred billion dollars worth of deals suspended and many of its state financed companies being downgraded by the rating agencies.

It was a sign of things to come as oil ran out. The idea of building the first post-oil society began to waver like a mirage in the desert sands. There was a limit to how many Singapores the world needed. Dubai, unlike the other emirates, had little or no oil and had dreamed of becoming a great financial centre and tourist destination. That was now beginning to seem like a pipe dream as Barton had suspected on his first visit to the Emirate. To make matters worse rumour had it that Palm Jumeira, one of the artificial offshore islands, was sinking into the sea.

Barton remembered the locals sitting around in coffee shops in the deserted malls, their enthusiasm deflated, returning to the old Middle East tradition of smoking, drinking coffee, and worrying…when they were not at home sleeping to pass to the time of day.

He spotted Steve Howard talking to a banker type and made him a sign.

‘Hi Tom, how are you doing, nice to see you.’

Howard was exploring the region for his Spanish friends who were expanding their hotel investments in the region.

‘Let me introduce you to Ken, he’s with a London developer, worked quite a bit in Dubai.’

‘Was there for a couple of days myself a few months back. It’s looking pretty bad for them now,’ said Barton shaking Ken’s hand.

‘Ken worked a lot with Nakheel, he tried to convince me to get involved a couple of years back,’ Steve said winking. ‘I took a peek, but between the skyscrapers there’s nothing sand, not my cup of tea, it’ll take them a life time to put that right, if ever.’

‘Steve is right,’ Ken added with a sorry smile. ‘A lot of people made good money there including myself, but the good times have gone, the recession is a disaster for them. A lot of UK firms

invested money there, billions, money they won't get back.'
'Who is going to buy property there now with prices down fifty or more percent and still falling?'
'The Iranians,' he laughed.
'The number of projects that have ground to a standstill or cancelled outright is mind boggling, hundreds of billions of dollars worth. We've pulled the plugs on our projects there, though it's still a good place for a holiday now, if you can put up with the heat, there's rooms galore available at give away prices…that's why I'm here looking for new opportunities.'
'Not the case for Dubai, at least for the moment.'
'A pity. I don't know who's going to run the country now, they've depended almost entirely on westerners to manage everything; contractors, banks, hotels and airlines. All their manual labour comes from India or Pakistan. They reckon the population could fall by a third. On top of that their government has complicated it now by requiring expats to renew visas every six months.'
'So how's Dominica?' asked Steve.
'Quiet, I can't say it's booming, it's the complete opposite to Dubai, it's green, beautiful, natural and Christian…that may be politically incorrect, but it's a fact. The kind of foreigners it attracts are I suppose up market types looking for peace and calm.'
'Like you Tom.'
'I suppose so.'
'Can you imagine 38°C on Jumeirah Beach in Dubai? Listening to unemployed expats complaining!'
'Not really,' he said remembering how hot it had been there.
'The slowdown has really hit expats hard. They've little choice, if they're lucky they might find a job, but with less pay now, or you pack up and head home.'
'I lost my job as a business consultant after three years there. I had just six weeks to find a new job before being ordered to leave.'

Dubai World, and its subsidiary company Nakheel, had built three groups of artificial islands a couple or so kilometres offshore in the waters of the Persian Gulf. The construction of The World, composed of three hundred islands, had started in 2003. By late 2008, it was in deep trouble, England, one of the islands, was deserted, and Australia had merged with New Zealand.

An Irishman, John O'Dolan, who led a consortium that bought Ireland in 2007, for nearly forty million dollars, had killed himself.

Where were Brad Pitt and Angelina Jolie who were rumoured to have bought Ethiopia? Where was Richard Branson who was supposed to takeover England? The three hundred islands were nothing more than a desolate collection of offshore sand banks, an immense folly.

There was little left for Sheikh Mohammed Bin Rashid Al Maktoum, Dubai's ruler, to do than declare, like Gordon Brown, he would steer his country through troubled times.

Hot on the heels of bad news that poured in from the Gulf came the rumour that the Indian Tata Group was having difficulty in accessing credit. Tata Motors had failed to make a statement on the refinancing of a billion pound bridging loan to fund the acquisition of Jaguar Land Rover the previous year. Tata had spent almost twenty billion dollars, most of it borrowed, in an aggressive expansion drive of its international holdings.

Beyond India's jetset and Bollywood hype and a decade of extravagantly publicized economic growth, child malnutrition rates in India remained worse than in many African countries. The pathetic state of child health and education was a stark contrast to the loudly proclaimed expansion of its middle classes.

India, a paradigm of democracy, two superimposed incompatible nations — one rich and the other miserably poor, seemed to ignore the needs of its downtrodden classes, boasting instead of its ultra modern medical system, designed to cater mostly for the wealthy and foreigners — medical tourists. Its government budgeted proportionally less money than smaller non-democratic countries, such as Vietnam, for the health of its teeming underclasses.

India's lethargic and often corrupt bureaucracy had made little progress in addressing its sanitary problems. More than a hundred million Indians, in most cases women and young children, suffered from hunger and malnutrition. States like Madhya Pradesh lay somewhere between Chad and Ethiopia on the misery scale. Barton had witnessed the insalubrious lanes with overflowing drains, rampant diseases and thin wide-eyed children, victims of malnutrition.

In just a year the global economic system had totally changed and Barton silently congratulated himself on having got out whilst the going was good. His priority was to conserve his capital. It had not been easily earned, it was the fruit of years of work, though he had to admit his exit was not exactly according to the rules, when the sky falls in it’s every man for himself he bitterly rationalised.

Scams

At the Paris Gare du Nord, Barton made his way along the quai to the high speed Thalys to Brussels; there were no passport controls or formalities, he was in the EU Shengen Zone. He showed his ticket to the controller standing at the door of the first class carriage, collected a copies of The Daily Telegraph and The Times from the rack and took his seat. A good number of seats empty, no doubt due to the crisis.

Barton’s meeting with his non-dom account manager to review his cash reserves spread between dollars and euros was fixed at eleven. It was not a big deal. He not justify forgoing the visit given his presence in Europe just over an hour from Brussels and the importance he attached to keeping personal contacts with his banks. The Belgian banking system had a little known advantage; though not as secret as that of Switzerland, it was a world removed from prying French banks slavishly attached to the France’s fiscal administration.

He settled back in his seat and opened one of the newspapers as the train pulled out of the station. There was nothing earthshaking, confirmation of the television news he had watched that same morning: HBOS had lost another ten billion, an item of seemingly little importance to readers. The public was becoming saturated with the bad news that had been making the front page for months and it was a fiery plane crash in the US that grabbed the headlines.

The Telegraph pursued its anti-EU rantings, fawning to certain of its readers' ancestral hatred of anything not British, especially all things that were French — or Irish. He turned to the financial pages where as usual reports were what they are, superficial daily page filling articles, heavy in sensation, shallow in depth.

He was about to fold up the paper when a smaller report caught his attention; a fund manager had been arrested on suspicion of money laundering and illegal trading. Barton, about to head to the bar, stopped in his tracks; the fund manager was named as Kessler. Immediately recognising the name, he sat down and started to read the article, but he was disappointed; the details were scant. He then pulled out his mobile phone and punched in Malcolm Smeaton’s number.

The prospect of a quick profit had tempted many a small investor to take irrational risks in the euphoria of the boom, at the same time it was an extraordinary occasion for predatory swindlers to make a killing. Kessler, whom Barton had first known as an accountant, then a somewhat doubtful mortgage broker, was one of these. His knowledge of finance and accounts, coupled with an exaggerated self confidence, made him an ideal white collar crook.

Kessler was the director of EFM Capital Markets, a company registered in the Cayman Islands as an online financial service for FOREX trading, stocks, futures and options designed for individual investors. It operated from an office on Aldersgate Street in the City of London and with letterbox addresses in New York and Zurich.

Using OTC on-line transactions, as traded between banks, brokers and clients via Internet, EMF’s customers bought and sold products via a professional software trading system provided by EuroForexMarkt in Zurich. They also offered commodities trading with settlement based price differences without physical delivery of the concerned commodity. These CFD transactions were operated by a system of margin deposits system. For example, the minimum trading unit of gold was one hundred ounces lots, which via a credit line only required a client to pay ten percent up front for an option, which was called margin.

Online trade for individual traders did not require a broker. The software package, ForexMarkt, provided real time market information such as bid/ask prices, buy/sell orders, news, charts and various analytical tools. All that was required was an internet account via their website with the deposit of a minimum sum of money and trading could be carried out from the trader's home computer.

It was so simple that any aficionado could open an account from his home and make money, it was better than a betting shop. Forex trading was a twenty four hour business compared to normal markets. The twenty four hour trading day started in Sydney and allowed investors to bet on currency fluctuations resulting from events or political decisions around the clock.

EFM claimed its easy-to-use software and secure trading environment made them a leading Forex dealer. ForexMarkt took just a few seconds to download and install. They had a minimum account requirement of two thousand dollars and offered an attractive leverage ratio commencing at 200:1.

They operated through a legitimate Danish banking platform specialised in online trading in international financial markets, a facilitator in global capital markets, offering access to exchanges around the world and providing a powerful suite of software products and platforms to partners, private clients, institutions, banks and brokerages.

Its trading software system was available to brokers and financial institutions via a procedure known as 'white labelling', in other words it was customised and branded for other financial institutions and brokers, who legally rebrand it to make it appear as the broker made it. In the case of EFM the product was re-baptised ForexMarkt.

Barton was only partially surprised to learn that naïve small investors had put millions into Kessler's firm, some investing up to a quarter of a million pounds each, including a couple of

Smeaton's clients. Tom Barton himself, as a City based mortgage broker, had often been asked for advice by small investors; something he had always refused, limiting his business to mortgages and property. Any intelligent investor should have seen that Kessler could not make money week in, week out, which is what his fund appeared to do.

It seemed Kessler had been living in a large two million pound home on the outskirts of Upminster in Essex for the previous two years. A police spokesman said officers investigating suspected money laundering and offences under the Financial Services and Markets Act had searched his home and large quantities of documents been seized. EFM was suspected of running a Ponzi fund that had left his investors facing substantial losses.

Governance

Fitzwilliam's alarm was turning into cold fear, the bad news was coming in hard and fast. The whole financial world, urged on by insatiable politicians, had embarked on an orgy of collective folly in the pursuit of everlasting growth. The consequences of their irrational ambitions spread like a bushfire.

Suddenly the attention was focused on Sweden. The country's banks found themselves in deep trouble as its loans to the Baltic states were going bad. They had lent over seventy five billion dollars to the Baltic trio: Latvia, Lithuania and Estonia. Latvia was now in difficulty after it failed to sell one single treasury note at a debt auction, with the growing risk that Sweden would be drawn into their down spiral.

Latvians, attracted by lower interest rates, had contracted loans in euros and Swiss francs, and with the brutal fifty percent fall in property prices and a twenty percent decline in the country's economy, the deeply indebted nation was facing ruin. The extent of Sweden's exposure to the Baltic crisis was equivalent to twenty percent of its own GDP, bringing the threat an Icelandic style disaster to its door.

Whatever the cause of the Baltic countries' problems they spelled trouble for the Irish Netherlands Bank, which formed part of a Swedish banking pool that had raised loans for now stalled commercial property developments in Riga, the Latvian capital. That was Kennedy's doing, his love for the exotic and his pretended knowledge of the Baltic countries, which was in reality limited to a better forgotten, more than shady deal with a certain Russian gangster almost a decade before in the Estonian capital of Tallinn.

The failed Latvian bond auction increased fears that Latvia would be forced to devalue its currency that was linked to the euro, creating a domino effect and pulling down other two Baltic states. The consequences were write downs running into almost one hundred million euros by the bank, and if Latvia was forced to devalue its currency the bank would be forced to write down its loans with massive losses.

The bad news seemed almost endless, the Irish Netherlands Bank was reeling like a punch drunk fighter as it took another blow when the owners of Canary Warf, in which the Nassau Fund was a stake holder, were suddenly on the point of breaching their banking covenants on an eight hundred million pound loan as a consequence of plunging property values. It was a re-run of the bankruptcy of the former owners in 1992, which had also been due to a fall in the price of commercial property. However, the office towers were still occupied and ironically the owners were covered against rental defaults by the US insurer AIG, itself in difficulty.

Falling property values would push Fitzwilliams' fund close to its loan to value covenants. The only solution was fresh cash. Why had Fitzwilliams not seen the trouble coming? Strange considering he had been brought up in an aristocratic and conservative banking family, banking was in his blood. And even stranger given his education and training. He had studied at the LSE and Harvard and his thesis covered John Kenneth Galbraith's work on the Great Depression. Since one could not have said that Fitzwilliams was ignorant, or stupid, then he must have been either greedy or driven by an overwhelming ambition for power, or perhaps both.

Brendan Flaherty, the bank's risk and compliance officer, had tried to warn Fitzwilliams that the bank was expanding too fast and that there existed a serious risk to its financial stability, however his warning had been joshingly brushed aside with Fitzwilliams telling him he was too old fashioned.

Flaherty had asked himself why the bank loaned money to buy assets worth the same, or even less than the amount of the loan, on the sole assumption the asset would always to rise in value. It did not need a financial genius to realize this could not work beyond a very short period of time. So how was it that Fitzwilliams refused to accept the basic tenets of good banking? It was not in Flaherty's interest to insist, though being responsible for risk and compliance he knew he was wrong to let the bank do what it was doing. Closing his eyes to the dangers, he consoled his conscience with the idea that it was some kind of a new paradigm he had not yet understood.

A serious lack of good governance was a common state of affairs in the City, which should have been visible to any intelligent and responsible regulator in normal times. As the result of a coup d'état operated by the top management against the legitimate shareholders of many financial institutions, checks and controls that should have linked internal auditors, directors and the chief executive, as well as external auditors and the FSA were overridden.

Flaherty yielding to his fear of Fitzwilliams, and to a lesser degree Kennedy, overlooked the obvious; growth based almost exclusively on the unsustainable rise in property prices and easy credit was the path to inevitable disaster. Flaherty's duty was to oversee the sufficiency and effectiveness of the system, its controls, and the mandatory compliance with FSA requirements. Failure to sound the alarm could have been considered as neglect of duty and resulted in disciplinary action by the FSA, but Flaherty was not alone, he simply followed in step with his kind as the whole City advanced in its relentless march to disaster.

The Irish Netherlands Bank, like so many other banks, had developed a culture that was blindly dedicated to growth with inadequate attention to risk. The concept of a banker's duty to conduct his business with due care and diligence had been cast out the window. Borrow and spend, spend and get rich had been Cool Britannia's trade mark with smiling head boy Tony Blair at the helm, encouraging bankers to invent even more extravagantly strange products, shovelling out money by the bucketful to naïve British consumers who were slowly being drowned in an ocean of debt in the erroneous belief they were getting richer.

Millionaires had been created overnight, people like one of Fitzwilliams' good time friends, Richard Brent, who had gone from riches to rags in the blink of an eye and was reduced to living a small flat over a café in the centre of Poole struggling to come to terms with his changed circumstances. Brent was one of those who had been worth millions, but unreasonably property speculation had brought him back to earth with a crash.

Brent frequented Fitzwilliams' Poole clique, and was seen wining and dinning in their favourite restaurant, the fashionable Chaika, where conversation invariably turned to money, business, interest rates and profits. Like so many of their fellow citizens they could no longer hold a conversation without boasting of their latest acquisition, whether it was a home or a motor yacht.

A Last Fling

During the Cold War a friend asked me if I knew the difference between communist and capitalist consumers,' said Francis relating one of his oft told anecdotes, 'I humoured him by saying no, he explained that capitalists had goods but no money to buy them, and communists had money but no goods to buy!'

Barton had heard it before, though he personally had never set a foot in a Communist country and barely remembered the Cold War. His closest experience with Communism had been in the State of Kerala, in India, where he had met Francis a year earlier. Democratic Kerala had been ruled by a Communist government on and off for half a century, but their version of Communism could

not be compared to that of the Soviets.
'Today all that is changed because of China, a Communist country — at least its government is, with its immense manufacturing capacity it has flooded our markets with low priced goods changing the whole balance of supply and demand.'
'I can't argue with that,' said Barton encouragingly.
'The only problem is because of our bankers' sins, consumers have now become extremely prudent, even frugal. Demand has already fallen and prices are also falling, so we'll probably end up with deflation.'
'The question is how do you define deflation?'
'It depends whether you're looking for an economist's textbook definition or not?'
'The simple version,' he replied with a pleading smile.
'Alright. The conventional reply is deflation generally occurs with a drawn out fall in the price of goods and services, during which it impossible to earn a return on company stocks which results in the collapse of investment with little or no growth.'
'But what does it mean for the ordinary man?'
'Easy, they should hang on to their cash.'
'You mean if they have any!'
'Whatever, in any case as prices fall the purchasing power of those with cash increases — theoretically making everything more affordable for them, from the basic cost of living to asset prices.'
'Basic cost of living — I'm not so sure about that.'
'It's like interest in reverse. If prices fall ten percent a year, those with cash earn ten percent in purchasing power.'
'Very, very, few ordinary families are cash rich, the vast majority are cash strapped.'
'I suppose so.'
'So those without cash go hungry?'
'In a nutshell yes — and those in the UK for example will find it even tougher because in addition they have a high level of personal debt.'

Ominous data in the US continued to sweep in like a winter blizzard from the Western Plains, depressing investors and workers alike. The Empire State Manufacturing Index dropped to it lowest ever recorded level. Christmas was already beginning to look like a disaster as consumer spending was grinding to a halt with disastrous implications for businesses across the country, many of which were already girding themselves for meltdown.

Given the speed and brutality of the crisis, the future of the American economy and that of the world at large was beginning to look grim. The Fed was running for the printing presses in a desperate effort to head off a deflationary cycle, which many predicted would make the Great Depression look like a stroll in the park. Devaluation and even the monetizing of gold was being echoed through the corridors of power; the government's last card to combat the massive debt being accumulated by the US.

Whatever governments thought about gold Barton's bet seemed to be working and though his gains were still modest they were infinitely better than the huge losses investors had experience on world stock markets. China was hoarding gold in what could have been a shift to the gold standard, slowly edging the price towards one thousand dollar an ounce as its reserves increased to over one thousand tonnes. Barton told his banker to buy gold.

In the West the bailout showed no immediate signs of miracles, however, it was possible that the worst was over with an uncountable number of billions of dollars thrown arbitrarily at banks, insurance firms and mortgage companies. Perhaps, Barton thought, it would be a good time to put some money into banking shares.

In spite of the dire stories going around business continued, even the Palm Jumeirah in Dubai was completed with the efforts of almost seven thousand workers employed by UK contractors to build the huge billion dollar hotel complex. Extravagantly inaugurated with a galaxy of international stars including Oprah Winfrey, Robert De Niro and Kylie Minogue. The opening finale was a breath-taking fireworks display that recalled George Bush's bombardment of Baghdad and according to some wags had put the fear of God into the ayatollahs across the Gulf.

But even that success was marred when the festivities got off on a bad foot with a fire sweeping through the hotel's gigantic lobby just a few days before the opening. Two thousand workers had to be rushed in to carry out repair and decoration work before the opening ceremony that was to be relayed across the planet. As the promoters dream looked like it would be transformed into a nightmare, the Dubai stock market dived, property prices collapsed and exodus of expatriate architects, engineers, surveyors and construction workers commenced.

The Dubai government and its agencies had run up debts of almost one hundred billion dollars; equivalent to more than one hundred and fifty percent of the emirate's gross domestic product. Its leading property developers struggled to survive, forced into mergers to avoid the looming disaster, visible to all except those who believed in magic carpets and Aladdin.

December
Back in Town

Back in London for the first time since the end of 2007, Barton saw little change, the shops were bustling, the crowds seemed no different from the Christmas shoppers of previous years. The West End lights looked as cheerful as ever with the traffic gridlocked as shoppers shopped. It was far from the grim besieged image the media had been working-up over the last months, there were no dole queues or breadlines, at least for the moment, perhaps 2009 would see visible signs of change as banks and businesses went under.

In spite of the apparent bustle unemployment was rising fast, the news announced Woollies had gone and thirty thousand jobs would be lost before Christmas — as always it was the small people who suffered most. Barton realized that the ripples went far, the majority of the baubles that had filled Woollies shelves were certainly made in China.

Behind the festive lights and tinsel the Conservative Shadow Chancellor suggested that the country ran a serious risk of a default. Britain's debts had reached a never before heard of level, even the prime minister admitted national debt would reach more than one trillion pounds.

The news media's attention was distracted from the country's economic woes by the bloody battle for the Taj Mahal Palace in Bombay. The public was brought a blow by blow account of the siege in real-time with the death toll mounting by the hour. Police were still recovering dead bodies from the ruins of Bombay's century old iconic landmark. Barton could not help thinking that only nine months earlier he had stayed in that very same hotel with Emma Parkly following the death of her banker husband.

A friend of Tarasov's, whom Barton had met during his weekend in the Aegean, was one of the innocent victims of the attacks on the hotel, as was one of Simi's French friends on a visit to Bombay for her textile business. It was a small world and few could escape the economic and political consequences of events that took place in what were once far away places.

A lot of things had happened in those months which seemed to have confirmed Barton's impression of India, a giant with feet of clay, prey to a multitude of risks, as the economic crisis was showing, a country facing the difficulties that went with its creaking government structure. A country trying to cope with a nineteenth century political and social system in a head-on confrontation with the demands of the third millennium.

Many Westerners were mesmerized by India, aping its culture without the slightest understanding of its real complexities. In London stressed-out executives and neurotic women attended yoga classes and undertook Ayurvedic cures. Stars spouted pseudo-Hinduisms laced with mystical prattling. There was no denying India's spiritual lure was powerful. Businessmen were drawn by its new economy. But the reality was different. India's GDP did not exceed that of crisis stricken Spain. Naïve commentators raved about India's hi-tech economy, which in reality lay in an ocean of cruelty and poverty, as fragile as its shinning crystal towers.

Insensitivity flourished in India's upper and privileged middle classes who paid servants and workers a pittance. It was nothing for them to expect their drivers to wait up all night with servants at their beck and call twenty four hours a day. The rich explained from their sumptuous residences everything was relative: a poor man could live well on a few rupees a day, with a few onions, dhal and bread they could eat to their full.

Barton had witnessed the chasm that divided rich and poor on India's teeming streets and had seen the incompetence, self-interest and hypocrisy if its authorities. The fragility of the emerging economies was underscored when the Financial Times BRIC index had lost sixty percent of its value in eleven months.

Everything was easy with hindsight, but that did not prevent Barton from smiling when he remembered the forecast of a prominent online market analyst. His Boxing Day news letter, with the aid of impressive charts and extrapolations, announced the Footsie would reach 6947 points at the end of 2008. The forecast coincided almost precisely with Barton's flight from Blighty. It fell by 3000 points.

The Villain

Though Sid was far from being an intellectual he had picked up the habit of reading The New York Times at Starbucks on Ocean Drive. He discovered it a useful indicator of the market temperature as the sub-prime and banking crisis unfolded. That sunny December morning, even he, a happy go lucky though hard-boiled conman, was taken aback to learn that a certain Bernie Madoff, a well known Wall Street trader, had been arrested on charges of defrauding investors on a staggering scale.

At first glance Sid was confused by the huge losses announced by the banks, but re-reading the article in detail he realized he had not misread the figures, figures that made Nick Leeson and Jérôme Kerviel look like schoolboy amateurs.

Sid was bowled over by Madoff's stunning exploit. The former chairman of the NASDAQ stock exchange, much admired in the New York Jewish community, was accused of defrauding hedge funds of an unbelievable fifty billion dollar in a gigantic Ponzi scam, promising huge returns to investors in his asset management business. But why didn't Madoff get out before the system collapsed. The trouble was Sid had to sadly admit all such systems invariably failed. The first-in were paid with the money of the next-in, and so on, until the system finally collapsed under its own weight.

The Times reported, investors, rivals and regulators had for years speculated over Madoff's secret of success. The investment scam was housed in the same Manhattan building where his legitimate trading firm operated. The system collapsed when Madoff failed to find the funds to pay investors who tried to redeem seven billion dollars of their cash as the sub-prime crisis broke.

Sid's admiration then turned to fear when he suddenly remembered Henry Turner had spoken of Madoff. A large part of Sid's cash reserves was banked at Turner's Albany Savings and Deposit Bank in Savannah. If there was trouble he would be on the hook, just like Turner's Venezuelan friend Juan Ramón Jiménez had been in the Stanford scandal. Jiménez handled the funds of a number of his wealthy compatriots, who fearing for their wealth under the unpredictable Chavez regime had placed their money for safekeeping in the US.

Sid grabbed his cell phone and called Turner. There was no reply, just his voice message. Panic twisted Sid's guts; he did not like the idea of being on the receiving end of a scam. Like many Palm Beach investors Sid would face considerable losses if Turner was caught up in Madoff's scam, spelling bad news for his own personal plans. It seemed that the savings of families, charity funds and investment funds, had been totally wiped out, including a hedge fund advisory firm that said its clients had invested more than seven billion with Madoff.

It took three long days for Sid to discover that Turner had in effect invested his money in Madoff's funds and disappeared leaving the Albany Savings and Deposit Bank high and dry. Sid was wiped out at least as far as the US was concerned. He was polo'd, skint, boracic, Larry Flynt, lamb and mint, whatever expression came to his mind it all boiled down to the same dramatic bottom line. To make matters worse the people who had loaned Sid money as bridging loans for his flipping game would be wanting it back, all of it, with interest. It was too bad for your average pigeon, he thought, but it was not the same story when it came to the strong arm boys and their Russian friends. It was time to scarper and quick.

Sid Judge's ill-gotten gains, rumoured to be linked to dealings with drug cartels, had been spent on fast cars, fancy hotels and luxurious presents for his girlfriend, Holly. He had frequented the most fashionable spots on Palm Beach welcomed by the maîtres d'hotêl at the best restaurants with Holly on his arm dressed in the most exclusive fashions. Sid sported a diamond-encrusted watch and thought nothing of blowing a thousand dollars on a bottle of Cristal Champagne, clubbing it with his friends, or throwing extravagant parties at the two million dollar Coconut Grove home he had set himself up in.

When police raided Sid's home, on a tip off he was somehow mixed in Turner's Madoff dealings, he had already fled. A timely warning from one of his bent friends at the police headquarters had left him sufficient time to grab enough cash to see him through a good few years. In his hurry to get out he overlooked a safe box that still contained bundles of dollars, euros and Swiss francs. Around the abandoned house investigators found works of art worth a fortune and a trail of jewellery dropped in Sid's panic.

As Sid violently swerved around a small capsized motor cruiser, he had miraculously spotted at the very last second; he knew his luck was in. Heading out of the inland waterway, his luxurious motor cruiser loaded with the loot he had managed to salvage, he pointed the bow out to sea and pushed the throttle forward once again saying a hasty goodbye to Florida and another failed business venture. As he headed towards the horizon he felt a great relief, not only because he had dodged the long arm of the law, but because he had also succeeded in ridding himself of Holly who had become a pain in the arse. Over the horizon a new adventure awaited him.

Some days later a boat believed to have belonged to him was found grounded on a sandbank a couple of hundred yards offshore leading police to believe he was still in the country. But it was like so many others boats found high and dry along the American coast, their names sanded off to make their owners untraceable. They were beached, scuttled or simple abandoned at their moorings in rivers and creeks along the coast when things went sour. It was a sign of the times, owners who had lost their shirts in property and could no longer keep up payments or pay maintenance charges simply declared their boat stolen.

Once out of US waters he relaxed; in a couple of hours he would anchor off Grand Bahama where he would get a little sleep before checking out Port Lucaya. As he turned in Sid grinned cynically; the only thing lacking in the sad pantomime had been a villain. It was as if Madoff, at the wave of a magic wand, had suddenly appeared on the stage. He was the perfect villain, and not just anyone, a Shylock, the founder and chairman of the Nasdaq, who had lied, cheated and swindled for twenty years, a scheming alchemist who had transformed individual life savings, charity funds and investments, into nothingness at the touch of a computer keyboard, evaporated, gone forever, in contradiction with all the well thought out laws of physics relating to the creation or destruction of matter.

Turner, just as in Rabelais's story of Panurge who threw his ram into the sea and the whole flock followed, had rushed to put his depositors money into Madoff's fund, an abyss of cupidity and naivety, that swallowed tens of billions of dollars.

During the boom years many like Madoff had lived royally using other peoples money, they were not necessarily traditional swindlers crooks and, there were also scheming CEOs and directors of banks and investment houses, who together with their traders and employees rewarded themselves, skimming off what were in effect the earnings and savings of countless millions of ordinary citizens, legalised in the form of lavish compensation and bonuses. In their wake appeared white-collar conmen in every shape and form, aiding and abetting Wall Street and the City of London in a decade long frenzy of speculation.

Certain had survived the first shock, pulling the chestnuts from the fire just in time, men like Tom Barton, who by chance found themselves sitting on a small but comfortable pile of cash, or Pat O'Connelly, the lucky owner of prime quality, mortgage free, homes in Paris, San Francisco and Dublin, with a steady revenue assured by the royalties from the sales of his best selling books ensuring him a comfortable life.

In retrospective 2008 had been an anything but an ordinary year, the Federal Reserve had loaned fifty five billion to JPMorgan to save Bear Stearns, then the US government seized private mortgage giants Fannie Mae and Freddie Mac, following up with an eighty five billion loan to AIG, then as if to round it all off Madoff appeared like Fagin, relieving the wealthy of their riches.

That the dollar and pound sterling were now on the slippery slope to hell as governments fired their last shots was of little concern to Sid. If the cavalry did not arrive to save them they would turn to the penultimate resort of all besieged governments — the printing presses, and if that did not work — the last resort was default. He would have however been mistaken to think the cavalry would arrive on horseback as in the Hollywood Westerns he had seen as a boy in London, it would more likely be the airborne cavalry with helicopters dropping masses of freshly printed hundred dollar bills just as Milton Friedman and Ben Bernanke had once talked of tongue in cheek.

A Viking Feast

After a frenzied Viking feast of spending money they did not own, Icelanders flooded now into supermarkets to stock-up on food as prices in local krona sky rocketed. The sudden collapse of the country's banking system threatened to cut the island from its essential needs. Sales in supermarkets soared and warehouse stocks were depleted, disaster seemed imminent as shelves emptied and the island's government appealed to Europe for help.

Until the economic boom the small island, which lay isolated in the middle of the North Atlantic Ocean, with its meagre population of three or so hundred thousand, had been nothing more than a wind blown, treeless land, a barren waste of volcanic rock, geysers, moss, and lichen, with cod fishing as its only industry. Then suddenly out of the blue every Icelander suddenly became an investor, a banker, or jet-setting wheeler dealer.

Following the collapse of its three largest banks the country's foreign currency market had ground to a halt. The central bank ditched any attempt to peg the exchange rate of the krona as foreign suppliers demanded payment in euros and the government pleaded with banks to provide funds for the population's vital needs; food, medicines and fuel.

After the banks' wild spending spree gobbling up foreign businesses regardless of price, even British football clubs, the ordinary citizens of Iceland woke with a gigantic headache; a mountain of debt, billions of dollars, twelve times the size of their whole economy. It was as if a medium sized English town was stuck with a bill of one hundred billion.

It seemed inexplicable. Icelanders had proudly boasted, like their Irish neighbours, one of the highest per capita incomes in the world. Then as if to add insult to injury the British government imposed draconian sanctions on the tiny country, putting the democratic nation with the world's oldest parliament, that went back to 930AD, on a par with al-Qaeda.

Iceland was not alone in dabbling with banana republic banking, the terrible reality was British banks had done exactly the same thing; borrowing overseas to lend to their UK customers, putting the British government in an embarrassing situation at a moment when faith in the pound sterling was at its lowest with the cost of insuring the government against default rising vertiginously.

Overnight the British pound as a major reserve currency was a thing of the past. Even the euro, much maligned by the British press, had raced ahead of sterling. The Bank of England was forced to reduce interest rates to their lowest level for three hundred years, and the country's leading banks had effectively been nationalised.

The City of London had imploded in the wake of Wall Street after having created an incestuous relationship with its American cousin trading in a myriad of complex financial products, creating new hedge funds and inventing exotic derivatives, all to satisfy the voracious appetites of investors out for a quick profit.

London was licking its wounds, bedraggled and bewildered under the burden of staggering losses, struggling to find its way along what would without doubt be a long and uncertain road towards a more sober future. Those who imagined it could have cheerfully continued on its way by simply dusting itself off after the fall would have been mistaken. However, it was not the first crisis London had faced, and given time it would no doubt recover its confidence and hopefully develop a saner and healthier approach to banking and finance.

Iniquity

The Irish Netherlands Bank was small compared to the big five. It could not have been compared to the HSBC where the CEO barely knew what was happening from day to day, not to mind each week. The heads of extremely large enterprises could be likened to the captains of giant oil tankers, if they listened to those who said left, right, stop, faster, slower, it would have served no purpose because there would be no reaction before the vessel covered another two or three miles. They were figure heads, symbols, their daily task was to preside as totems, from time to time giving press conferences, TV interviews, posing for magazine covers and doing what lesser managers told them to do. It was not they who made decisions.

In the case of Fitzwilliams it was a very different story, even if his bank had expanded very quickly, he still had his hands very much

on the helm and had no intention of ending up on the rocks.
‘Look at this Fitz,’ said Kennedy. ‘I like it. It’s what Josiah Stamp said in 1927, he was one of the richest men in England and had been head of the Bank of England.’
‘Tell me Pat,’ said Fitzwilliams half listening.
‘I’ll read: ‘Banking was conceived in iniquity and was born in sin. The bankers own the earth. Take it away from them, but leave them the power to create money, and with the flick of the pen they will create enough deposits to buy it back again. However, take it away from them, and all the great fortunes like mine will disappear and they ought to disappear, for this would be a happier and better world to live in. But, if you wish to remain the slaves of bankers and pay the cost of your own slavery, let them continue to create money.’
‘I like the bit about iniquity and sin,’ said Kennedy after a moment’s silence.
‘Creating money is better!’ retorted Fitzwilliams.
‘Great, so let’s be creative,’ Kennedy said laughing. ‘Whilst the others are worrying about recession and the rest, it’s a great moment to make money. Borrow short and lend long.’
‘I think we should be a little prudent Pat, there’s a lot of talk about depression and deflation.’
‘Personally I don’t think there’s a good chance of a depression.’
‘I don’t know,’ Fitzwilliams replied with a shrug. ‘Perhaps it’s not as bad as all that. During the Great Depression, the GDP fell by ten percent then and we’re a long way from that now.’
‘In the USA it was thirty.’
‘The UK went through a long period of stagnation in the twenties when the US was booming. After the First World War, GDP actually fell twenty five percent here. So for us the Great Depression started in 1918.’
‘And didn’t end until 1937.’
‘Right. So the situation today after our ten year boom is more comparable to that of the US in the thirties.’
‘Is that good or bad?’ asked Kennedy.
Fitzwilliams looked at him blankly.

Banana Republic

The arrows on the TV screen were red and densely packed, viciously sweeping northwards over the British Isles as yet another winter storm took hold of the UK and Ireland. O'Connelly thought grimly that it was not only the weather forecast's storm that threatened those sceptred isles, the Icelandic syndrome seemed to be on the point of engulfing the two countries, for once united in their misfortunes, in the worse economic storm for almost a century.

O'Connelly had landed at Aerfort Bhaile Átha Cliath or simply Dublin airport for most people. The weather was a stark contrast compared to the bright and warm sun of Miami, however the economic climate was the same. Just two days after the festivities of Barack Obama's inauguration the world was back to reality…crises and more crises.

Ireland was beginning to look like a banana republic with the UK was close on its heels — its economy looking like that of Italy or Greece, countries that in bygone years had been the nub of sneering British jokes.

There was no more doubt as to whether the shit had hit the fan or not making O'Connelly wonder whether he had made a mistake in buying his Dublin pad. After reflection he rationalized he had paid cash for it, easy come easy go. After all it was a nice home and the bricks and mortar were still there, better still the cost of living in Ireland would surely fall and he could even stop over in London on his way back to Paris where he could enjoy his favourite quick lunch in the Harrods' food hall, now at a somewhat better price.

His San Francisco home had been little affected by the collapse in home prices. Home prices in towns like Bakersfield or LA Orange County had fallen fifty percent, whereas property in the greater San Francisco area, especially in the North East District, had fallen much less. If he had been forced to put his Telegraph Hill apartment up for sale he would have got a lot more than he had paid for it, though he may have had more difficulty in finding a buyer. Conrad Hilton's words were still true for property:

Location, location and location.

The background work for O'Connelly's new novel showed that the recession in the UK was the eighth since 1945. So what was all the fuss about? In the more distant past, industry had brought employment and prosperity to Britain. It was the miracle of North Sea oil that had saved the country from oblivion under the iron hand of Maggie Thatcher.

Then came financial services a godsend for Tony Blair. But what could save Gordon Brown? Would something turn up? Or would he end up like Dickens' father on whom Micawber was based? In any case Micawber had got his economics rights: My other piece of advice…. Annual income twenty pounds, annual expenditure nineteen pounds nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery.

More academic economists explained recessions come and recessions go! This one however looked like it would be more serious: Bank of England rates were the lowest since 1694, the Northern Rock was the first run on a British bank since the nineteenth century and the effective devaluation of the pound sterling was greater than any previous devaluation in the past century, even greater than when Ramsay MacDonald had been forced to abandon the gold standard in 1931, with the pound falling almost twenty five percent against the dollar. This time, and for the first time, the implications were global, on a planetary scale, the result of perhaps the greatest spending spree in all human history.

The middle years of the first decade of the third millennium had been wild, O'Connelly couldn't call them the Roaring Tens — it didn't sound right — perhaps Blair's Cool Britannia years. In any case the period was well summed up by a speaker at a Montreal conference in 2005 as being:

… a duarchy with two principals, Blair and Gordon Brown, which promised to be the most creative relationship in British politics since that between Neville Chamberlain and Stanley Baldwin in the inter-war years. It is akin to the relationship between Asquith and Lloyd George when the former was Prime Minister between 1908 and 1916. As in that earlier relationship, much the more creative force was not the Prime Minister. Many of this government's most enduring achievements, above all in the management of the economy and in welfare reform, are not Blair's but Brown's. Even the creation and consolidation of the New Labour vision owes more to Brown's thinking than to Blair's …

Brown's leadership had brought the UK to the brink of financial disaster, the same Brown who had mocked the Conservatives in 1992, by saying: A weak currency arises from a weak economy, which in turn is the result of a weak Government.

In the meantime, if O'Connelly wanted to look after Jack, it was back to work, books would always sell, maybe fewer, but enough to ensure his now comfortable life would continue. There were also the film rights to tie up for his last best selling book that had been set in Israel and Gaza, a topic that appealed to Hollywood. Whatever happened, when the crunch came, bread and games would be necessary for the mob he thought without the least cynicism.

The hard facts were there, only a year ago his savings and investments were earning six percent interest providing him with a comfortable one hundred and fifty thousand dollars a year. Up to that point he had not thought in euros or dollars, it was swings and roundabouts, and it would probably always be, what mattered was the quantity of either. His income on savings and investments was now down to two percent, a third of what it had been, that was bad news. He would have to rein in his spending like any salaried worker — a brutal tumble for a man who thought he had made it. O'Connelly like so many others suddenly found himself asset rich and low on liquidities.

At present the royalties from his publisher were still flowing in, but they followed the same sales curve as any best selling book; after reaching a peak they were bolstered by earnings from foreign translations. They then dipped, following a long downwards curve until they became a mere trickle.

He had lunched with his publisher David Hertzfeld at his luxurious South Beach home. Hertzfeld was keen to have a good novel on the financial crisis whilst it was still a burning subject; before it became too depressing for the reading public.

But writing took time, it was not glamorous like appearances on talk shows or filmed interviews, it was a solitary work, requiring sustained a daily effort, much research work, which O'Connelly carried out himself. Writing lines, finishing pages and of course the endless revisions and corrections. Swanning around the world certainly gave him ideas, but putting them on paper required serious application and a daily routine.

The news that the Anglo Irish was to be nationalized and forecasts that property could loose eighty percent of its value over the coming decade came as a shock. On reflection O'Connelly realized his Dublin house was paid up in full, and whatever happened to Irish banks and the country's economy, the house would be still standing there, exactly like it was the day he bought it, and it would be still be there in weeks, months and years unless there was an earthquake.

What he found grimly amusing were the resignations of the Anglo Irish Bank's top management after the revelation that one hundred and eighty million euros in loans had been made to its directors for investment in property funds and other get rich quick schemes. All good stuff for a story once the dust had settled.

Home

The taxi dropped him off at his new Dublin home where he was pleased to see the lights were on and through the large windows the decorations on a gaily decorated Christmas tree twinkled. Mrs Reagan, who had been recommended by Clancy, was perfect. Everything was in order, the heating was on and the fridge was filled with the essentials to cover his immediate needs. There was little to do but unpack his bags and settle in. The house had been left furnished and apart from adding a few personal objects there had been little else to do.

The next morning he would think about renting a car to get around, then do some shopping for wine and quality food in town. First, Laura would be arriving from Paris for the weekend, then he would use the time remaining to do some research before his own departure for San Francisco.

The ideas for his new book were taking form and Ireland was a good starting place. What better than to make use of Dublin as a starting point for his story, since Ireland had been harder hit than most places by the financial meltdown.

It was a year since his last successful novel had been published and he had congratulated himself on its timing, it had had hit the market for the Christmas and the sales had been good. He had achieved his goal: firstly, after a vacuum, he had reassured himself and his publisher his creative skills were still intact, and secondly he had reinforced his already comfortable financial situation.

It was evident from the news that Starbucks' sales had all but stalled, the kind of persons who bought his books would be cutting back on their spending, perhaps there would be a last hurrah with the coming Christmas sales, after all a book was not a big ticket item and the e-book download version was even more affordable.

Dublin's mayor, Eibhlin Byrne, had decided to switch on the festive lights earlier than ever, at the same time frantically exhorting the city's inhabitants to spend. Given the financial state of the average shopper it was a foregone conclusion his exhortations were futile. Suddenly Ireland was a basket case, perhaps not as bad as Iceland's, only the euro had saved them from the same fate as that of their north-Atlantic neighbour.

O'Connelly thought back to his childhood in Enniscorthy, a couple of hours drive to the south of Dublin. Money was still scarce in those days, but Christmas had been magic when his grandmother prepared the turkey in their small terraced house and presents were piled high on the large kitchen table with the smell of turf burning in the stove. There had been a meaning to Christmas when with his grandparents they made their way across the green for the children's mass and a visit to the crib at Saint

Aidan's. Today's Christmas was strictly business, nothing but business and spending he thought sadly.

Whilst he couldn't complain about his own personal situation, the news from the US had O'Connelly worried; he had a lot of money tied up in California. It was one of the states hardest by the crisis, and its governor, Arnold Schwarzenegger, had been forced into taking drastic action. A month in the States would enable O'Connelly to form his own opinion, judge the situation firsthand. San Francisco would be the first stopping point where he could settle the problem of his Telegraph Hill apartment; the Wells Fargo banker who had been renting it had been forced to let it go following the difficulties that had hit bank's headquarters in the city's financial district.

The prospects of another Great Depression were apparently real and an on the spot investigation would provide him with valuable material for his story. From California he planned to head east to New Orleans where he would join up with Laura before heading on to Florida and Key West for the year end holidays.

Florida like California had been severely hit by the sub-prime crisis and an easy swing through the state seemed like a good idea. Driving to Key West was perhaps not very logical, but it was certainly the best way to familiarise himself with a region he knew little of. It would take them three or four days to reach Key West, where Laura was sure to find the sun she yearned for before flying back to Paris.

The same day O'Connelly left Dublin, the Irish government announced it would recapitalise its banks. It was in effect a nationalization giving it a majority stake in Anglo Irish Bank and a twenty five percent stake in two others. The prime minister held the purpose of the recapitalisation was to ensure that the country's banking system met the everyday financial needs of individuals, businesses and the overall economy.

At first view San Francisco had not visibly changed since his last visit, but on closer examination he sensed the soul of the city had been wounded. To start with its financial district and Wells Fargo had been deeply affected by the sub-prime crisis. Wells Fargo was a legend, the bank had opened its first office in the city in 1852, boasting 'Ocean-to-Ocean' service by 1888, and until the crisis had broke it had been a solid symbol of the city's success.

Only three months earlier Wells Fargo had agreed to buy the mortgage lender Wachovia, after regulators had forced Wachovia into seeking a new backer following huge losses on its adjustable rate mortgages and commercial property loans estimated to be in excess of seventy billion dollars.

As the housing market continued to deteriorate, tens of thousands of families saw their home seized and found themselves homeless. The pain was visible on the streets of the city as the unemployed swelled the ranks of the homeless and the long queues waited patiently outside of care centres. O'Connelly asked himself how could San Francisco, one of the most sophisticated and cultured cities in the US, come to have so many people living in such manifest misery?

His found apartment was in good condition. Was it worth lowering the rent, he thought not. There was little to do but hope to ride out the crisis. It was not the time for rash decisions and after settling his outstanding affairs he flew east to New Orleans, where there was sure to be a veneer, if only a veneer of celebration.

Like most tourists they found themselves in the heart of the French Quarter. They had reserved a comfortable suite at The Royal Sonesta Hotel on world-famous Bourbon Street. From the balcony there were restaurants, bars and jazz clubs as far as they could see and the streets were filled with revellers. Laura was delighted by the atmosphere. The weather was fine and they even got to use the open air pool situated in the central courtyard of the hotel surround by flowers and greenery, a contrast with the chilly ocean wind in San Francisco and the grey damp Christmas weather of Paris.

Beyond the tinsel of the French Quarter and its tourist attractions O'Connelly realized that America had definitely changed. New Orleans still bore the scars of Hurricane Katrina, which had hit the city at the end of August 2005, and a new urgent hedonistic form of tourism thinly veiled the vice and criminality that stalked the city. Drink and forget, forget and drink, for tomorrow the lights go out and the fun ends.

A twenty-four hour casino drew the not only tourists but also a good number of the citizens of New Orleans, who by the appearance of many could certainly not afford to lose the little money they possessed. A moving moment was a Christmas service at a Baptist Church where people seemed to genuinely celebrate the real meaning of Christmas. As for the rest it was a rather brutal form of tourism: eat, pay and move on, where little warmth or sincerity existed.

After three days they hit the road in the direction of Mobile, Tallahassee and Jacksonville, where they saw the first monuments to the sub-prime crisis: uncompleted condominiums. The same sorry sight was repeated all along the Florida coastline, Atlantic and Gulf coasts alike. Depressed O'Connelly soon regretted his decision to travel by road. He had forgotten how great distances were in the US, but once in their rented car there was no going back.

Things had changed, almost everyone seemed to be driving an oversized SUVs, undoubtedly on credit, and driving well beyond the legal speed limit. The US economy was bound to the automobile as never before. America was inseparable from the automobile – by what other means could such a vast country function, even the waitress at Denny's or the chambermaid at Day's Inn needed a vehicle. Without wheels students, retired people, the poor and unemployed were marooned. The automobile was the country's life blood and gas the oxygen, running through a vast network of highways that served even the smallest of cities, cities such as Pensacola that was linked by four lane highways and overpasses to Interstate 10.

Few Europeans understood how the USA functioned, as for the citizens of the less developed world it was entirely beyond their comprehension. The US automobile industry with all its emanations accounted for over eight million jobs to which were added another three million employed in fillings stations, distribution networks, petroleum refining as well as road construction and maintenance, not forgetting insurance, credit, lawyers, police, hospitals and so on, the list was endless. In other words without the automobile the USA would grind to a halt. For the best part of a century the automobile had transformed the country's concept of urban planning, creating strip development, urban sprawl and the inexorable decline of its cities downtown areas.

In Miami they celebrated the New Year in Coconut Grove, where the festivities faded soon after midnight. A taxi driver explained business was bad and compared to pre-crisis years the district was almost deserted. In comparison Key West bustled, but on the Gulf coast in the environs of Naples they discovered endless lines of empty homes overlooking almost deserted golf courses, homes that forlornly awaited elusive buyers.

The TV spoke of bailouts for the automobile industry, the press spoke of Madoff. Shopping malls seemed dismally vacant whilst shops and restaurants laid off staff as business prospects dimmed. In spite of the deluge of bad news it seemed however that hope was there. Obama would save America providing sufficient money could be printed.

Florida was of course very different from California, the former being to O'Connelly's eyes more a state than a country, the opposite being true for the latter, but both were sorely affected by the economic crisis that questioned the American model. What had been presented as an enviable ideal to the rest of the world for the best part of a century was now looking threatened as a huge wave of debt threatened to engulf the country.

Over the years O'Connelly had lived in or travelled to many different states and a great number of towns and cities. In those years he had met a fairly broad cross-section of American people, from casual acquaintances to friends and of course fellow writers. Now his long and intimate experience of American life told him the country was undergoing a deep change.

In January 2009, he asked himself was this the end of American capitalism, the kind of capitalism that had been exported to the world for more than a century. Was it the end of the American Dream? The answer he concluded was probably no, but what he had seen did show the way to a future world where things would be very different. The kind of freewheeling capitalism that has dominated American and more broadly Western economic policies and society was almost certainly a thing of the past.

New Years Eve

Wednesday morning, the last day of 2008, Barton was set to pick up more than one million dollars, selling his maturing oil options at between \$100-\$140 a barrel, far above the previous Friday's closing price of \$57 a barrel, as Wall Street bankers, producers and other investors lost their bets on a rise in price. He felt a little uneasy about his gain, preferring to think of it as a delayed Christmas gift. He saw his second major foray into derivative betting as not much different from gambling on property prices, though the speed of the transaction was greater as was the gain.

For a bet of just twenty thousand dollars up-front he had made a huge gain. It had been his second positive experience with derivatives. He realized his gamble had not been won by pure luck; he had received shrewd information from experienced insiders and had avoided the mistakes made by those who were stampeded by the market. Equipped with a computer, suitable software and accounts, he could buy and sell commodities or just about any other tradable product, tangible or intangible, from his villa in Dominica, from a hotel room in Bangkok or on yacht in the Aegean.

If the bet had gone the other way he would not have felt the same way, but oil could not have hit two hundred dollars in a declining world economy, and of course it did not. At precisely the same moment he collected his winnings he made another bet, this time on rise of oil. He now understood the age old adage about selling when the market was up and buying when it was down.

Placing his bets in hedge funds was another way of betting on future markets. Hedge funds employed the best analysts and had access to privileged information. Most of these funds were managed from three global locations. The most important of these was based in two small areas in and near to New York City. The first lay between the Upper East Side, from Park Avenue to the park, and the midtown Plaza district, and the second fifty kilometres to the north of the city in Greenwich. The extreme southwest corner of Connecticut was a quiet pleasant area known as the gold coast where the average home price was two and a half million dollars, and many homes worth twenty million and more.

Of the world's three hundred and fifty or so hedge funds having more than one billion dollars in assets, more than one hundred and forty operated in those two areas. In terms of the money they handled they were comparable to small nations with over two hundred billion dollars in global assets.

London's Mayfair and Kensington districts were the homes to the remaining hedge funds, with a few exceptions. Wherever they were and whatever their size the structure was the same. Whether a fund managed five hundred million or five billion dollars they were the same, very different to banks with thousands of staff working in glass towers, on the contrary they were composed of small highly specialized teams housed in the most desirable properties, close to their homes, and they boasted an enviable life style both at work and at play. Their managers, traders, fund-raisers, accountants, bundlers, raters and quants were paid anything from half to one and a half million dollars a year.

Curiously these hedge funds were in fact registered in offshore tax havens such as the Cayman Islands though they operated in New York or London. The Caymans whilst being the world's leading offshore hedge fund jurisdiction, licensed the funds domiciled on their territory funds to operate on an international basis though with a limited activity in the Caymans itself.

With the crisis however things had changed and many hedge funds stumbled, suffering large losses, as numerous investors panicked and pulled their money out. The quiet town of Greenwich began to look even quieter and property prices as highly paid staff were caught up in the maelstrom.

In the last weeks of 2008 Wall Street had continued its stomach wrenching plunge as fear grasped the hearts of many fund managers, some of whom were so frantic they imagined apocalypse was just days away. Some even resorted to stockpiling food, buying generators, guns and high-speed inflatable boats.

The world's financial system hovered on the brink of disaster after the collapse of Lehman Brothers and the government bailout of the insurance giant AIG. No financial institution seemed safe as the economy seized up as fear took hold.

Alarmed investors envisioned a Mad Max scenario, with fighting on the streets and hungry mobs raging across the country. Imagining a Hollywoodian end of the world scenario was not exaggerated given the fact the world economic system had entered a slow motion meltdown as the Bush administration underwent its last convulsions. Anything could tip the scale and plunge the world into an irreversible catastrophe: an attack on Iran by America's surrogate Israel, a new Middle East war. Just one spark could set the tinder ablaze.

America's last remaining hope was focused in one man …the President Elect Barack Obama. Could he rescue America and the world from economic collapse and disaster? It was unrealistic to imagine that Obama could change fifty years of foolishness in few months. The situation looked bad, even Batman would have recoiled at the task at hand with the Joker in guise of Madoff taking the rich for a hellish ride, thumbing his nose at the world from his luxurious penthouse apartment on East 64th Street. At the same time petty criminals were dragged before American justice, hands and feet fettered, for selling crack in their squalid tenements or palming off dud twenty dollar bills to naive tourists on Times Square.

In 2008 both old rich and nouveaux riches had experienced bad times. In spite of the hype the pickings at the much publicised

Millionaire Fair in Moscow had been slim. The stock of second-hand business jets doubled in a month and the nouveaux riches were keeping a low profile. Perhaps the New Year in London would be the last fling for many throwing their money away on extravagantly priced caviar and Champagne.

Russian oligarchs were suddenly looking like an endangered species. How many could still afford to spend a million to throw a party on the Riviera or a wedding in Paris? Certainly a few, but hard times were coming and those who lived in those extravagant villas on the outskirts of Moscow would forced to scale back their spending if they did not want to end up outside a Moscow metro station like the desperate aging babushkas seen selling vodka to passers-by.

Soviet Russia's welfare state was a long forgotten memory. The rouble had shrivelled overnight and certain market experts predicted oil still had a long way to fall before it recovered. It was an astonishing turnaround following the arrogance displayed by certain Russians on Barton's Aegean jaunt that summer. In the space of a few short months many oligarchs had seen a dramatic reversal in their fortunes.

Barton was certainly not shedding any tears for them, if they had put their money to work, rather than throwing it away like the nouveau riche they were, they could have been credited with having simply made bad investments. However buying up London's West End, football teams and luxury yachts had contributed in no small way to the demise of many of the nouveaux riches.

It was not only the oligarchs who had colonised London and the Riviera, there were also many lesser rich Russians, the kind that Barton had met in his year long odyssey, anonymous modestly rich individuals who formed Russia's new entrepreneurial class. Tony Blair's New Labour and Cool Britannia had drawn many of them to London with the lure of luxury and low taxes, where they could enjoy their newly found prestige, bolstered by Putin bellicose chest beating and Russia's newly discovered role as the world's leading oil and gas exporter.

After euphoria of the years that had transformed John Major's tedious nation into Tony Blair's Cool Britannia, the dream had now turned into a nightmare. The Russians had overextended themselves borrowing huge sums of money from British banks, speculating in overpriced property with many of them confronted with the humiliation of repossession and bankruptcy.

Later that day, Michael Fitzwilliams, about to leave his office, shivered as he fixedly stared at the neo-classical Bank of England edifice that lay and one hundred and eighty metres below him and three more to the west along Threedneedle Street. On New Years Eve the future looked more uncertain than ever. How many more shocks were to come in the year ahead?

The stock market had fallen over thirty percent during the twelve months elapsed. The failure of Lehman Brothers had stunned the City and the Madoff scandal undermined any remaining credibility. Fitzwilliams struggled to come to terms with the unimaginable consequences the disasters waiting in the wings would have for the financial world and more especially his bank.

Like so many others, he was forced to confess he had lived in a make believe world heeding the words of economists like Ben Bernanke who had told the world: 'The increased depth and sophistication of financial markets, deregulation in many industries, the shift away from manufacturing toward services, and increased openness to trade and international capital flows are other examples of structural changes that may have increased macro-economic flexibility and stability.'

The accumulation of disasters that had brought the world's financial system to close to catastrophic collapse flashed through his mind. The crisis broke with New Century Financial filing for bankruptcy protection in April 2007. Three months later Bear Stearns informed investors — as its CEO played golf — they would get little, if any, of their money back from two of its leading hedge funds. In early August the French bank BNP Paribas told investors they would be unable to withdraw money from of two of its funds following the total disappearance of liquidity in the market. The crisis then pulled down the Northern Rock in what became the biggest run on a British bank in more than a century. In October it was the turn of the Swiss bank UBS with losses of over three billion dollars. Some days later, the Citigroup admitted to sub-prime related losses of three billion, which then ballooned a further six billion before finally reaching forty billion dollars. Others followed including the investment bank Merrill Lynch.

Finally in December the US Federal Reserve and other central banks were forced to intervene with billions of dollars in loans whilst Standard and Poor's downgraded a whole series of bond insurers.

Little relief came with 2008. The crisis reached apoplexy when Lehman Brothers was allowed to fail and insult was added to injury with the revelation of the Madoff scam and there was no end in sight.

Fitzwilliams felt the burden of his responsibility as he soberly thought of the battles ahead. His task was to rebuild the bank by whatever means he could muster. The idea of it failing under his direction was unacceptable.

On the other side of the Atlantic, Barack Obama, the president elect, voted in as saviour of the nation, was facing a gargantuan challenge. Whistle blowers had gone unheeded and America rushed headlong towards the precipice. The system that had given birth to modern capitalism had ceased to function and was seemed incapable of finding a solution to the problem.

Optimists insisted it was not the first time the nation had faced a crisis and had survived. But times had changed the answers of the past would not solve the problems posed by the almost sudden appearance more new competitors who had invented a new paradigm. A new form of totalitarian capitalism where decisions were imposed unhindered by the never ending wrangling of the West's declining democratic system.

It was the end of an era that had commenced towards the end of World War II. The soon to be victorious allies met at Bretton Woods in New Hampshire and created the International Monetary

Fund setting up a system of rules, institutions, and procedures to regulate the international monetary system. After three decades of extraordinary economic growth in the West, in retrospective almost a golden age, the economic world gravitated towards globalization. The collapse of Communism and the emergence of fledgling economic giants, destined to transform the balance of power that had favoured the West for well over a century, had changed the equation.

Not even ten years into the third millennium, the world, notably the West, found itself struggling to recover from an almost catastrophic failure of its economic system, a disaster that took the world by surprise, the effects of which continued to reverberate across Europe and the US in an unprecedented debt crisis compounded by a monumental imbalance of trade between China and the US.

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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, January 2019

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