THE FINANCE CURSE

How Global Finance Is Making Us All Poorer

NICHOLAS SHAXSON

Author of the international bestseller *Treasure Islands*

VINTAGE

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About the Book

Global finance is a system that works for the few and against the many.

We need finance – but when finance grows too big it becomes a curse. The City of London is the single biggest drain on our resources; it sucks talent out of every sphere, it siphons wealth and hoovers up government time. Yet to be ‘competitive’, we’re told we must turn a blind eye to money-laundering and appease big business with tax cuts. We are told global finance is about wealth creation; the reality is wealth extraction.

Tracing the curse back through economic history, Shaxson uncovers how we got to this point. He exposes offshore tax havens; the uncontrolled growth of monopolies; the myths around the Celtic Tiger and its low corporate tax rate; the bizarre industry of wealth management; the destructive horrors of private equity; and the sinister ‘Competitiveness Agenda’.

Nicholas Shaxson revealed the dark heart of tax havens long before the Panama and Paradise Papers. Now he tells the explosive story of how finance established a stranglehold on society and points us towards a way out.

This is a book that none of us can afford to ignore.

About the Author

Nicholas Shaxson is the author of Treasure Islands: Tax Havens and the Men who Stole the World and Poisoned Wells: the Dirty Politics of African Oil. He is a journalist, a campaigner and world expert on both tax havens and financial centres; and on the Resource Curse. His writing has appeared in Vanity Fair, Financial Times, The Economist, The Economist Intelligence Unit, and many others. He is part of the organisation the Tax Justice Network.

Also by Nicholas Shaxson

Poisoned Wells: The Dirty Politics of African Oil
Treasure Islands: Tax Havens and the Men who Stole the World

For Emma, Oscar and George.

The Finance Curse

How Global Finance Is Making Us All Poorer

Nicholas Shaxson

THE BODLEY HEAD
LONDON

Introduction

If you’ve recently bought a ticket through Trainline, the digital rail ticket seller, you may have paid a small booking fee, perhaps 75p. Your rail journey may have been straightforward, but the journey taken by that little booking fee after it left your bank account would have been more extraordinary.

Trainline.com Limited, the London-based company that runs the service, is owned by another company called Trainline Holdings Limited. That company is owned by another, which is owned by another, and so on. Five companies above Trainline.com, your little booking fee would skip out across the English Channel to the tax haven of Jersey, then back again to London, where it would pass through five more companies, then hop back out to Jersey once more, before migrating over to the European mainland where it would enter the accounts of two companies in Luxembourg, another tax haven.

Along the way, all sorts of other rivulets join in and leave the tinkling, rustling flows of money, as different companies in this hierarchy borrow money from banks, or from each other, or inject and lend cash back and forth, sometimes at eye-wateringly high interest rates. Once it has reached Luxembourg, our brave little 75p enters a financial tunnel where it becomes a little harder to track. But it soon pops up again, this time in the Caribbean, where it dances upwards through three or four more mysterious and impenetrable Cayman Islands companies. There, having already passed through twenty or so companies after leaving your bank account, it joins a multitude of other financial streams and rivers from around the world, which come together and flow into the United States and into the maw of KKR, a giant US investment firm.

The river of money doesn’t even stop there, though. It then flows onwards into the accounts of KKR’s shareholders: the world’s biggest banks, investment funds and wealthy individuals – including KKR's two surviving founders, the billionaires George Roberts and Henry Kravis. Since it did its first deal in 1977, KKR has bought full or partial stakes in nearly 300 real, solid companies including Safeway, Toys R Us, Alliance Boots, Del Monte foods, the makers of the Sonos wireless hi-fi system, Boots the chemist, and Trainline. KKR makes most of its money by re-engineering companies for profit, and if they haven't gone bankrupt, selling them off. At the last count, it still owned over 180 real companies. I say 'real' because KKR actually owns or controls well over 4,000 corporate entities, including over twenty in Jersey, over 200 in Luxembourg, and over 800 in the Cayman Islands, most of which are detached from the lives of real people and exist only in the accountants' virtual reality world. Each solid underlying company in the KKR empire, like Boots or Trainline, has one of these convoluted corporate structures perched on top of it, snaking chains of entities often with peculiar names drawn from finance's arcane lingo, like (in Trainline's case) 'Trainline Junior Mezz Limited' or 'Victoria Investments Intermediate Holdco Limited'.[1]

None of what I have described so far is remotely illegal: in fact, this is increasingly the way business is done. But the example of Trainline's corporate architecture does raise some big questions.

Question one is this: what is it all for?

To answer this, it is necessary to understand financialisation, a phenomenon that first properly emerged in the 1970s and has slowly, silently, crept up on us all. Financialisation has involved a massive growth in the size and power of the financial, insurance and real estate (FIRE) sectors, and it has also seen financial markets, techniques, motives and ways of thinking penetrate ever deeper into our economies, our societies and even our culture. Trainline's corporate structure is an example of this second aspect of financialisation, where the bosses of companies that create real wealth in the economy – by making widgets and sprockets, finding cures for malaria, selling toys or package holidays, or creating efficient platforms for selling rail tickets – are increasingly encouraged to turn their attentions away from the hard slog of trying to boost productivity and genuine entrepreneurship, and towards the more profitable sugar rush of financial engineering to tease out more profits for the owners.

Half a century ago it was widely accepted that the purpose of corporations was not just to make profits, but also to serve employees, communities and wider society. In the era of financialisation of the last few decades, our businesses have undergone a massive transformation. The purpose of business has been whittled down to little more than a single-minded focus on maximising the wealth of shareholders, the owners of those companies. Trainline's convoluted corporate structure is actually a *financial* structure sitting on top of the real, genuinely useful work going on underneath, and it siphons money upwards in whizzy and sophisticated new ways. It is just one example of the financialisation at work, all around us, almost everywhere we turn.

There is a second big question about this corporate complexity. The Trainline group of companies earned around £148 million in revenue from UK customers in 2017: that's a lot of 75p booking fees. Trainline has provided you with a useful service: a train ticket, with minimal hassle. But should it have levied £148 million or so on Britain's rail commuters in 2017 for providing this service?[2] Could it have provided just as good a service for half this cost? How much of this £148 million represents genuine added value, plus a reasonable reward for any risk-taking, and how much represents unwarranted wealth extraction by this company with a rather privileged position in rail ticket sales? It isn't easy to answer this question, not least because a lot of the financial pipework is hidden in Jersey, Luxembourg and the Cayman Islands, but also because it is partly a philosophical question: where do we as a society want to draw the line, and judge profits to be excessive? What we do know is that Britain's beleaguered rail travellers are paying a lot of money to Trainline – and that KKR and its investors are making a lot of money. Whatever we judge the size of the excess profits to be, that is a hidden tax on British rail travellers.

In the era of financialisation, the corporate bosses and their advisers, and the financial sector, have moved away from creating wealth *for* the economy, and towards extracting wealth *from* the economy, using financial techniques. Financialisation has unleashed gushers of profits for the owners and bosses of these firms, while the underlying economy – the place where most of us live and work – has stagnated. The profits, and the stagnation, are two sides of the same coin: wealth extraction.

This is a central part of what I call the finance curse. The concept of the finance curse is simple: it's the idea that once a financial sector grows above an optimal size and beyond its useful roles, it begins to harm the country that hosts it. Finance turns away from its traditional role serving society and creating wealth, and towards often more profitable activities to extract wealth from other parts of the economy. It also becomes politically powerful, shaping laws and rules and even society to suit it. The results include lower economic growth, steeper inequality, inefficient markets, damage to public services, worse corruption, the hollowing-out of alternative economic sectors, and widespread damage to democracy and to society.

To unpack the idea of the finance curse we'll go on a century-long journey that spans the globe; from the era of American robber barons in the early twentieth century, through the 1950s to explore the rebirth of the City of London as a global financial centre after the fall of the British empire, to the birth of modern British tax havens in the Caribbean in the 1960s, then to explore the early roots of Ireland's Celtic Tiger economy in the 1970s and 80s, and then on to uncover some surprising truths about London's outsized role in generating the global financial crisis. After the crisis, we enter the peculiar world of wealth managers, examine the billionaire-friendly subterfuges and immense powers of the accounting giants, and follow the twisting corporate trails leading from care workers in northern England up to the glittering offices of private equity moguls in Mayfair. And we will see how, all along the way, evidence has been beaten, twisted and abused to perpetrate a great hoax upon the public, persuading us that all this activity is normal, necessary and even a good thing. It is anything but.

The finance curse concept has a long history. It began in the early to mid-1990s when I was working as a correspondent for Reuters in oil-rich and diamond-rich Angola, which the United Nations at the time said was suffering the worst war in the world. Every Western visitor I met asked me a version of the same question: how could the people of a country with such vast mineral wealth be so shockingly, appallingly destitute? Corruption was one answer, of course: a venal leadership was getting extremely rich from the oil money, eating lobsters and drinking champagne on the beach in the capital Luanda while their ragged and malnourished compatriots slaughtered each other out in the dusty provinces. But something else was going on too.

I didn't know it then, but I was getting a front-line view of a grand new thesis that academics were just starting to put together, known as the resource curse.[3] Academics had worked out that for many mineral-rich countries like Angola, their natural resource abundance seemed to result in slower economic growth, more corruption, more conflict, more authoritarian politics and greater poverty than their resource-poor peers. If you remember just one thing about the resource curse, then remember this: it's not just that mineral-rich countries don't harness their mineral riches to benefit their people, or that powerful crooks snaffle the wealth and stash it offshore, though that is also true. The big point is that all this money flowing from their natural resource endowments can make their populations *even worse off* than if the riches had never been discovered. In short, more money can make a country poorer. That's why the resource curse is also sometimes known as the Paradox of Poverty from Plenty. It affects different countries in different ways – some countries, like Norway, even seem to have benefited from their minerals – but few people in Angola back then doubted that the minerals that were feeding the war had cursed their country in deep and long-lasting ways.

As I wrote about the resource curse in Angola, John Christensen was reading my articles, and noticing more and more parallels between what I was describing in Angola, and what he was seeing in the British tax haven of Jersey, where he was the official economic adviser. ‘I was fascinated by this counter-intuitive concept that too much oil and gas wealth could make you poorer,’ he recalled. ‘The more I read about it, the more I thought “But this is Jersey!” The parallels with Jersey were uncanny.’ And he understood a bigger point: it wasn’t just finance-dependent Jersey that was suffering something like Angola’s resource curse. It was Britain too. (Christensen, horrified by the venality he had seen in Jersey’s tax haven sector, left, and in 2003 and helped set up the Tax Justice Network, an organisation to fight against tax havens.)

The parallels between Britain and Angola start with the basic fact that each country is dominated by a large economic sector: oil, in Angola’s case, and finance, in Britain’s. As a measure of this, UK banking assets stood at the equivalent of around 50 per cent of annual national income (or GDP) for a century or so before 1970, then suddenly roared upwards as the era of financialisation got under way. By 2006, just ahead of the global financial crisis, UK banking assets had reached 500 per cent (or five times) GDP, a ratio that hasn’t since changed very much. This is twice the European average, and four to five times that of the United States. If you widen this beyond banking to include assets held by insurance companies and other financial institutions, it is well over ten times GDP.[4]

In Angola and in other countries up and down Africa’s oil-soaked western coastline, I’d watched the oil sector draining the life out of other parts of the economy. All the best-educated people were being sucked out of industry, agriculture, government, civil society and the media, and were instead flocking towards the high-salaried oil jobs.

Those clever people who *did* stay in Angola’s government soon lost interest in the difficult challenges of national development, whose prospects oil had savaged anyway, and politics became little more than a corrupting, conflict-ridden game of jostling to get access to the flows of oil money. The City of London has achieved something remarkably similar with Britain's best and brightest. 'Finance literally bids rocket scientists away from the satellite industry,' wrote the authors of a well-known academic study on the rise of finance and economic growth. 'The result is that people who might have become scientists, who in another age dreamt of curing cancer and of flying people to Mars, today dream of becoming hedge fund managers.' Among other important things, the financial brain drain out of politics and into highly paid finance is a big reason why Britain has had such poor prime ministers recently.[5] Many excellent possible candidates have been diverted into hedge funds, their talents washed away in a deluge of money. With this giant shift of political focus, balanced national development takes a second hit.

In Angola the cascading inflows of oil wealth raised the local price levels of goods and services, from housing to haircuts. This high-price environment caused a third wave of destruction to local industry and agriculture, which found it ever harder to compete with imported goods. Likewise, inflows of money into the City of London (and money created in the City of London) have had a similar effect on house prices and on local price levels, making it harder for British exporters to compete with foreign competitors.[6]

Oil booms and busts also had a disastrous effect in Angola. Cranes would festoon the Luanda skyline in good times, then would leave a residue of half-finished concrete hulks when the bust came. Massive borrowing in the good times and a build-up of debt arrears in the bad times magnified the problem. In Britain's case, the booms and busts of finance are differently timed and mostly caused by different things, but as with oil booms, it has a ratchet effect. In good times the dominant sector damages alternative economic sectors, but when the bust comes, the destroyed sectors aren't easily rebuilt. And bankers – who famously are the sort of people who will lend you an umbrella when it's dry but want it back once it rains – reinforce it all by turning on the credit taps during booms, amplifying their effects, then whipping away the goodies when things go bad, worsening the slump.

In a more 'normal' economy like France's, wealth is created at the bottom by many people working in diverse fields: in factories, construction, banking, fishing or catering. The government contributes by paying for the police, roads, schools, the rule of law, the sewers, and so on. Governments must then bargain with voting citizens and their businesses to raise the taxes from them, and this bargaining develops healthy lines of accountability. But when you have oil money sluicing in at the top of the political system, you don't need to bargain with your citizens any more. Oil money washes away checks and balances and institutions, leaving rulers with a crude political formula: they allocate wealth, or permissions to access wealth, in exchange for loyalty. If your citizens complain, the oil money pays for paramilitary police to keep them in their place. (For this reason, oil economies are often authoritarian.) I sometimes picture an oil-dominated economy like Angola's as a river, with flotillas of boats loaded with treasure – the oil wealth – gliding downstream. Along the way there are gatekeepers exacting tolls from the passing boats. The big diversions occur far upstream, and as it flows downwards and splits into ever more rivulets, there is steadily less to go around. Most people live far out at the end of the river delta, where there is almost nothing left.

Something similar is happening in Britain. Britain has a far more diversified economy than Angola's, so plenty of wealth is being generated at the bottom – but there is also a gusher of wealth flowing in at the top, not from pipes inserted into the ground but instead engineered by the financial sector, much of it siphoned out from other parts of the economy. These top-down wealth flows from the financial sector haven't exactly turned Britain into an authoritarian state (though this has certainly happened to a fair degree in some of the smaller tax havens where financial dominance is much greater), but what *has* happened is that finance is often in conflict with other parts of the economy, and in these battles finance always seems to win out.

All these factors have conspired to damage the non-oil economies of both Angola and Britain. Britain's industrial decline hasn't been nearly so calamitous – but Angola's past carries big lessons for our future. Excessive prosperity in the dominant sector can strangle other sectors. And those thrilling flows of money flooding into your country are likely to stunt economic growth over the long term, and damage your country in many ways.

It is no coincidence that the decline of British manufacturing since the 1970s has been so much faster than in other industrial economies, at the same time as Britain's financial sector assets have grown so much larger as a share of the economy than in comparable Western nations. It is no coincidence, either, that – for all the trillions of dollars that sluice through the City of London and the glitzy oligarchs who populate our restaurants and theatres – the United Kingdom as a whole is no better off than its peers: if anything, it's worse off. Britain's GDP per capita is lower than that of its northern European peers, but it is also a much more unequal place, and with poorer overall scores on health and well-being.[7]

You'd expect the enormous growth in our financial sector to have generated a fountain of investment capital for other sectors in our economy, but the exact opposite has happened. A century ago, 80 per cent of bank lending went to finance business. Now, banks are lending mostly to each other and into housing and commercial real estate: little more than 10 per cent of UK bank lending goes to businesses outside the financial sector.[8] Investment in the non-financial parts of the UK economy has been less than that of Italy. In fact it is the lowest of any G7 economy. And this is a long-term trend: since 1997 this investment share has been the lowest in the OECD, a club of thirty-four rich countries which includes Mexico, Chile and Turkey. Many British people take pride in our supposedly 'competitive' low-tax, high-finance economy – but on an income-per-person basis, Britain's economy is smaller than that of nearly all its northern European peers, and its productivity is a full 25 per cent lower than high-tax France. Outside of London, British productivity is lower still, and has been for a very long time.[9] To compensate for this sluggishness, and to escape from politically difficult choices, successive governments have filled the holes with policies of financial loosening, which has allowed bank credit to grow three times as fast as the underlying economy since the 1960s.[10] And yet most of this credit has been circulating in the financial sector, unmoored, disconnected from the real economy and from the people it is supposed to serve. The transformation that has happened in the era of financialisation has had little to do with the needs of ordinary business and ordinary people.

The same question emerges here again, but on a bigger scale: *what is it all for?* John Kay, one of Britain's best-known financial commentators, poses this question himself, and adds this observation: 'If a closed circle of people keep exchanging bits of paper with each other, common sense suggests that the overall value of these bits of paper won't change much. If some members of that closed circle make extraordinary profits, these profits can only be made at the expense of other members of the same circle.'[11]

But the finance curse analysis shows that it seems to be even worse than that: all this money swirling around our oversized financial sector seems to be making us collectively poorer. The mainstream narrative in Britain is that the City of London is the goose that lays the golden eggs. But the finance curse reveals the City to be a different bird: a cuckoo in the nest that is crowding out other sectors.

We all need finance. We need it to pay our bills, to help us save for retirement, to redirect our savings to businesses so they can invest, to insure us against unforeseen calamities, and also sometimes for speculators to sniff out new investment opportunities in our economy. We need finance – but this tells us nothing about how big our financial centre should be, or what roles it should serve. The measure of finance's contribution to our economy is whether it provides useful services to us at a reasonable cost – not whether it produces large profits and high salaries. Imagine if telephone companies suddenly became insanely profitable and began churning out lots of billionaires, and telephony grew to dwarf every other economic sector – but our phone calls were still crackly and expensive and the service unreliable. It would be obvious that something strange was going on.

The rise of finance and financialisation has not been a zero-sum game that transfers wealth from poorer majorities to a relatively small number of players in the financial sector. It is a long-term, negative-sum game. A lot of evidence and research is now emerging to show that once the financial sector in a country grows beyond a certain size it starts to turn away from its critically useful functions and towards more lucrative and more destructive goals. Further expansion beyond this optimal size tends to make the economy that hosts it grow more slowly and generate a range of other harms. Britain's financial sector passed its optimal size long ago. And this raises more big questions. First, where is the tipping point? Second, how big is the damage?

On the first question, I will take a more historical and political approach and through this book I will describe how the first seeds of trouble were sown in the 1950s, an era when Britain lost its empire and when the City of London faced powerful democratic forces at home which curbed its profits and its power, and which delivered unprecedented growth to other parts of the economy. The City then began to construct a new globalised financial model, which was so successful for the City that some have described its rebirth as the dawn of a second British empire. After these early beginnings, this new model began to emerge in the 1970s, and the damage began to mount in earnest.

On the second question, we can take a more data-orientated approach. In 2016 two US finance academics, Professor Gerald Epstein of the University of Massachusetts, one of the US's best-known authorities on financialisation, and Juan Montecino of Columbia University, published a document called *Overcharged: The High Costs of High Finance*. It was a kind of finance curse analysis for the United States, and it sought to use established methods to create an estimate of the overall damage created by an outsized financial sector in the US. Their conclusion? That the US financial system will impose an excess cost of between $12.9 trillion and $22.7 trillion on the US economy between 1990 and 2023, thereby 'making finance in its current form a net drag on the American economy'. This calculation of the benefits of the financial sector to the US economy, minus the costs imposed by the financial sector on the US economy, is equivalent to a net $105,000–$184,000 for the average American family: without this loss, the typical US household would have doubled its wealth at retirement. The US economy would have been stronger today if the US government had simply paid its highest-paying financiers their full salaries, then sent them off to live in luxurious gated communities to play golf all day.

In 2017 John Christensen and I discussed with Epstein and Montecino the possibility of producing a similar calculation for Britain. They did so, and I can now reveal the results. Overall, they estimate the costs of the damage to the UK economy from having an oversized finance sector at £4.5 trillion, plus some. To put that in perspective, that is equivalent to two and a half years' economic output, or £170,000 per household. That gives an idea of how much more the average family might have saved, had the UK financial sector been the optimal (much smaller) size, and serving society as it should.[12]

These are conservative numbers, in purely numerical terms. But there is also a large range of unmeasurable costs to add to the numbers. One is that the finance curse has powerful racial, gender, geographical and generational effects. Pretty much every time, as I will show, financialisation and the rise of finance tends to mean wealth and power are extracted from the more disadvantaged groups, and delivered up to those least in need of it, worsening inequalities of wealth and power across many dimensions. Another potential cost that cannot be measured is that excess finance, by worsening these inequalities, will have added to a pervasive sense of injustice among many British people, and contributed significantly towards the Brexit vote.

A further unmeasurable cost is the rise in organised crime and other abusive activities that happen in the City of London. It's impossible to convey here the sheer scale of this. A good indication though can be found in a list entitled 'Robert Jenkins' partial list of bank misdeeds'. This list is a kind of running score published and updated by a group called Finance Watch. Jenkins is a former member of the Bank of England's Financial Policy Committee and a former Citigroup and Credit Suisse banker, who has seen it all. His list enumerates the multitude of ways in which banks do wrong. It begins, for example, with '1. Mis-selling of payment protection insurance' ('mis-selling' is usually a euphemism for fraud). And it goes on like this, for a long time. Each element is a shocker. Coming in at number 11, there's 'Abusive small business lending practices', a hallmark of modern finance. At number 16, there is the humble 'Aiding and abetting tax evasion' – a sport that has cost treasuries around the world hundreds of billions. Number 17 is 'Aiding and abetting money laundering for violent drugs cartels', a reference to, among other things, the role played by HSBC in washing hundreds of millions of dollars for Russian gangsters and for Mexico's Sinaloa cartel. Number 19 is 'Manipulation of Libor', referring to the numbers used to calculate payments in the $800 trillion derivatives market, and a whole lot more besides. Number 61 is the less weighty 'Offers to procure prostitutes to curry favour with Sovereign Wealth Fund clients'. Tucked away at number 109, there's 'Facilitating African money laundering on a grand scale'.

At the time of writing, this list contained 144 items – and counting. Each represents a large can of villainous worms. And this is only a *partial* list of the misdeeds – and even then, this only refers to *banks*. Trying to get your arms around all this feels a bit like trying to convey to a child the distances between galaxies in the known universe. Many of the costs these activities impose on society lie outside the scope of our estimate of £4.5 trillion in damages.

It is certainly possible to raise all sorts of objections to this gigantic £4.5 trillion number – and defenders of the City of London will doubtless shoot plenty of arrows at it. But this is a *better* estimate than the standard dominant narrative that has emerged from the City, which involves simply totting up the total number of jobs, tax revenues, or the financial services export surplus, thereby discreetly stripping out all the costs, and then calling this the 'contribution' of finance to the economy and flogging it to the media. Without including the costs of oversized finance alongside the benefits, the City's numbers are meaningless. Theirs is a gross figure, this new research provides a net figure – which turns out to be large and negative. As ever, more research is needed here.[13] But for now it is the best numerical estimate of how far the City has outgrown its useful role.

And it is a good starting point for understanding the scale of the finance curse.

By now, a new question emerges: why have we put up with an overgrown sector that is making us worse off? A large part of the reason lies in a narrative we're fed by politicians and by the many players in the City of London: that the City is indispensable, full of brilliant wealth creators, and must be pampered. This narrative is underpinned by the ubiquitous idea of 'national competitiveness' which has emerged in a particular and malign form in Britain and in many other countries: a form I call the Competitiveness Agenda. This narrative has pervaded all aspects of British political and economic life for decades.

The basic proposition that 'Britain must be competitive' is immensely appealing. But the Competitiveness Agenda which rests on this idea turns out to be one of the most confused economic narratives of all time. It has bamboozled many people in Britain, persuading them that they must deliver a constant stream of financial subsidies, deregulation and other gifts to the City, for fear that all the bankers will run away to more 'competitive' places like Singapore or Geneva. These constant calls to support the 'competitiveness' of the City have been used as a cosh to bludgeon away opposition to corporate tax cuts, financial deregulation, or Britain's soft-touch approach to policing dirty money and financial crime. It is the financial sector's strongest ideological weapon, enabling it to capture Britain's policymaking apparatus and large parts of the media. This capture is mostly a subtle, networked thing, backed up by dollops of well-aimed sponsorship as banks, insurance firms and hedge funds hurl funding at opinion-forming think tanks, throw banquets for visiting dignitaries, or organise drunken grouse-hunting expeditions for politicians or distinguished members of the metropolitan punditry. I call it 'country capture' because it goes far beyond the political system, penetrating deep into our economy, our culture and our society. This widely accepted story about the pressing need to preserve the City's 'competitiveness' goes a long way towards explaining why our banks are too big to fail and our bankers too important to jail, why our hospitals aren’t getting funded, why your favourite local bookshop closed down, and why tax havens seem to be so hard to tackle.

The concept of ‘national competitiveness’ is a complex, tricky area, whose history and meaning I will explore throughout this book. Many people have been tricked into believing that Britain can be compared to a giant corporation, as if there is something called ‘UK PLC’ competing in the world marketplace, pitted against Germany or China or Luxembourg in a global race. These claims are nonsense, and this book will expose the deep fallacies and misunderstandings that form the basis of this pervasive narrative that underpins the finance curse.

The finance curse turns the dominant story decisively on its head. The purpose of having a ‘competitive’ financial sector, under the prevailing logic, is to keep the City as big and strong as possible. But if more finance is bad for Britain, then logically the City must *shrink* if we want our country to prosper. So pursuing this kind of ‘competitiveness’ is a fool’s errand: we should do exactly the opposite. Understand this, and democracy gets a wholesale new lease of life. If Britain and its financial sector don’t need to ‘compete’ in a ‘global race’ on this stuff, then it can *unilaterally* tax and regulate its financial sector in the interests of society – and be better off overall. As I will show, this will generally tend to preserve the good stuff and get rid of the stuff that’s harming us. That is quite a prize.

And this book contains a tremendous piece of good news: that prize is well within our grasp.

1

Sabotage

Some economists behave like aliens who sit in spaceships high above the earth, watching us through powerful telescopes. They record all the scurrying back and forth, then build theories and mathematical models about what we're up to, without accounting for folly, cruelty, sex, friendship, credulity and the general rough and tumble of our crazy lives.

The renegade economist and thinker Thorstein Veblen was an extraterrestrial of a different kind. He too perched himself outside the normal range of human experience, but this enabled him to sit far enough back from humanity to be able to observe our foibles clearly, so as to use them as a starting point for properly understanding the world of money and business. He rebelled against conventional wisdom in many ways, but particularly so in his attitude towards economics. Veblen has been called an American Karl Marx or the Charles Darwin of economics, but in truth his varied output is too diverse and weird to categorise. Yet his messy understanding of human behaviour is exactly what makes his ideas so remarkable. By linking economics with uglier truths about how we as humans really behave and think, he summarised many of the deepest principles that underpin the finance curse.

Veblen was a Norwegian-American economist, sociologist, womaniser and misfit. He made his own furniture, didn't make his bed, and he would let his dishes pile up in tottering heaps before washing them all in a barrel with a hosepipe. It is said he once borrowed a sack from a neighbour just so that he could return it with a hornets' nest inside. In his florid, peculiar writing style he described religion as 'the fabrication of vendible imponderables in the *n*th dimension', the main Churches as 'chain stores' and their individual churches as 'retail outlets'. At the fiercely religious Carleton College Academy in Minnesota he asked a student to calculate the value of her Church to her in kegs of beer, and provoked uproar with a speech entitled 'A Plea for Cannibalism'. A lank-haired weirdo genius, he observed society unencumbered by strictures of religion, economic conventions, or the petty airs and graces of the early twentieth century that kept the grubby workers down and the landed gentry in their rightful place. His apartness let him see things others couldn't, and helped him say the unsayable.

Born to Norwegian immigrant parents in rural Wisconsin in 1857, Veblen was the sixth and the cleverest of twelve children. The farmstead where he grew up was so isolated that when he left he was, as one historian put it, 'emigrating to America'. His brilliance took him from these humble beginnings to Yale, where he got a PhD in 1884, before going to ground and mooching around listlessly for several years. 'He read and loafed,' his brother remembered, 'and the next day he loafed and read.' Some said he was unemployable because he hated Christianity, or that he had a prejudice against Norwegians. His oddball, sardonic wit surely didn't help, nor did his open contempt for economists and other academics. He clashed repeatedly with university authorities but also relished scholarly cut and thrust, calling himself 'a disturber of the intellectual peace' and 'a wanderer in the intellectual no-man's land'.

It wasn't all solitude, though. He was later ejected from the University of Chicago for marital infidelities with colleagues and students. As one story goes, the dean summoned Veblen into his office in 1905 for a chat.

DEAN: We have a problem with the faculty wives.
VEBLEN: Oh yes, I know. They're terrible. I've had them all.[1]

His womanising prowess wasn't down to his appearance. Longish hair plastered down either side of a centre parting, bushy eyebrows and a roughly cut moustache and beard combined to suggest he hadn't tried very hard to discard his Norwegian peasant-farmer upbringing. One lover apparently described him as a chimpanzee. Others remembered a strange domestic charisma. 'Lounging about in his loose dressing gown and looking not nearly as anaemic and fragile as in his street clothes, he reminded one, with his drooping moustaches and Nordic features, of nothing so much as a hospitable Viking taking his ease at his own fireside,' a visitor attested. 'At such times, he was at his best, doling out curious information, throwing off a little malicious gossip which, in view of his seclusiveness, he must have picked miraculously out of the air, mixing picturesque slang with brilliant phrases of his own coinage, solicitously watching out for his guests' comfort.'[2]

This charisma extended to the realm of ideas and gained him a following which has endured more than a century after his death. He vivisected capitalism, impaling the complacent orthodoxy of Victorian and neoclassical economists, who regarded humanity as a set of identical perfectly informed 'utility-maximising' individuals and firms pursuing their own self-interest, to be treated as data inputs for their mathematical sausage-making machines. In these economists' hands, he acidly observed, a human became 'a lightning calculator of pleasures and pains, who oscillates like a homogenous globule of desire of happiness under the impulse of stimuli'. Such economists, he jeered, would take 'a gang of Aleutian Islanders, slashing about in the wrack and surf with rakes and magical incantations for the capture of shellfish', and shovel them all into equations about rent, wages and interest. Bring back history, he lamented. Bring back politics. Bring back real life. He had a point then, and he would still have a point today.

Veblen's best-known book, *The Theory of the Leisure Class*, published in 1899, is a vicious exposé of a world where productive workers toiled long hours, and parasitic elites fed off the fruits of their labours. The wealthy also engaged in 'conspicuous consumption' and 'conspicuous leisure' – wasteful activities to show others they were so rich they didn't need to work. Plutocrats always wanted more wealth and power, he noted, and worse, their petulance and excesses generally provoked not anger but reverence! The oppressed masses didn't try to overthrow their social betters; they wanted to copy them. (The popularity of shows like *Made in Chelsea* and *Keeping up with the Kardashians* might be the modern equivalents.) In short, he concluded, twentieth-century man wasn't that far removed from his barbarian ancestors.

Veblen's next big book, *The Theory of Business Enterprise*, published in 1904, was less well known but more radical and more important, and contained glimpses of the finance curse.[3] In this he contrasted industry and the 'machine process' – the productive engineers and entrepreneurs who rolled their sleeves up and made useful stuff – with what he called the 'business' of making profits. Above the foundation of production rose a financial superstructure of credit, loans, ownership, bets and markets, to be controlled and milked. While Karl Marx had focused on tensions between workers and factory owners, Veblen concentrated on a different but related struggle: between wealth *creators* and wealth *extractors*. Makers versus takers; producers versus predators. Imagine a group of old men in top hats, manipulating a Heath-Robinson-like contraption of spindly pipework perched on top of the economy, hoovering up coins and notes and IOUs from the pockets of the workers and consumers toiling away underneath.[4]

Generations of economic thinkers had known about this distinction, at least as far back as Adam Smith's *Wealth of Nations* in 1776.[5] The main problem, though, was that people disagreed about who the wealth creators were. A conservative tradition holds that they are the rich, the owners of money and capital, who build the factories, then get taxed by government, which redistributes their wealth to the poor and to the recipients of handouts. In this view of history, it's the poor and disadvantaged who are the leeches, preying on the capitalists.

Veblen, however, was having none of it. He compared the rich wealth extractor to a self-satisfied toad which 'has found his appointed place along some frequented run where many flies and spiders pass and repass', and then went a whole step further into more controversial terrain. Many businessmen get rich, Veblen went on, not just through extraction, like the lazy toad catching passing flies, but through active sabotage – or, as he put it in his spiky language, 'the conscientious withdrawing of efficiency'. These players, he said, interrupt the regular flow of outputs, shaking the tree so they can more easily make off with the fruit.

Nonsense, the critics sneered. Who'd do such a rotten, foolish thing?

Everyone, it turns out. Veblen had brutally exposed one of capitalism's great open secrets: big capitalists don't like efficient competition, and they don't like free markets. They *say* they do, but genuine competition drives down prices and drives up wages – and so reduces profits. What they really like is markets rigged in their favour – against workers, against consumers and against taxpayers. That's where the big money is. 'Instead of competing against one another to their mutual defeat, the absentee owners now turn their undivided competition efforts against the consumers,' Veblen wrote. 'It became a competition not within the business but between the business as a whole and the rest of the community.' This conflict is at the heart of the finance curse.

The Theory of Business Enterprise came out in the wake of what was then, and may still be, the most impressive feat of investigative journalism in world history. This was an exposé of John D. Rockefeller's Standard Oil monopoly by the journalist Ida Tarbell, who uncovered a conspiracy and cartel the likes of which the world had never seen. Rockefeller, she revealed, was a master of Veblenite sabotage, rigging markets in the production and distribution of oil and its refined products, buying or elbowing out rivals in a ruthless and sometimes violent quest to build an America-wide monopoly. Her articles, serialised in *McClure's* magazine from 1902 to 1904, opened with a picture of rugged young men carving out new frontier towns in the Pennsylvania oilfields.

Life ran swift and ruddy and joyous in these men. They were still young, most of them under forty, and they looked forward with all the eagerness of the young who have just learned their powers, to years of struggle and development. They would make their towns the most beautiful in the world.

But suddenly, at the very heyday of this confidence, a big hand reached out from nobody knew where, to steal their conquest and throttle their future. The suddenness and the blackness of the assault on their business stirred to the bottom their manhood and their sense of fair play.[6]

In one Rockefeller operation a hundred ruffians descended on Hancock in Delaware County in 1892 to prevent a competing pipe being laid. As another account put it, 'Dynamite was part of their armament, and they were equipped with grappling irons, cant-hooks, and other tools to pull the pipe up if laid. Cannon … are used to perforate tanks in which the oil takes fire. To let the 'independents' know what they were to expect the cannon was fired at ten o'clock at night with a report that shook the people and the windows for miles about.'[7] The independents abandoned Hancock. A more overt act of business sabotage is hard to imagine.

Tarbell's explosive articles were an obsessive labour of love and loathing. She had watched her own father, a small-time oilman named Franklin Tarbell, transmogrified by Rockefeller's ruthless tactics from genial, loving father into a grim-faced, humourless shell. 'Take Standard Oil stock, and your family will never know want,' Rockefeller crooned to the victims of his semi-legal practices. He would offer to swap their degraded business interests for Standard Oil stock, offering the equivalent of pennies on the dollar while assuring them that they would be much better off with him because 'I have ways of making money you know nothing of.' Franklin Tarbell held out and paid a heavy price, so much so that his business partner killed himself. Ida's father 'no longer told of the funny things he had seen and heard during the day,' she remembered. 'He no longer played his Jew's harp, nor sang to my little sister on the arm of his chair.'[8]

Rockefeller paid bribes and kickbacks; he eliminated rivals by spying, smear tactics, thuggery and buyouts with menaces. He sabotaged producers of oil barrels, hoarded oil and squashed middlemen. He secretly financed politicians and haughtily dismissed requests to appear at official inquiries. He covered his tracks, delegating questionable tasks to juniors and avoiding compromising language on internal documents. He expanded overseas, dodging regulations and gaming gaps in the global tax system to become, as one biographer put it, 'a sovereign power, endowed with resources rivalling those of governments'.[9]

It takes time, Tarbell noted, to crush men who are pursuing legitimate trade. 'But one of Mr Rockefeller's most impressive characteristics is patience. He was like a general who, besieging a city surrounded by fortified hills, views from a balloon the whole great field, and sees how, this point taken, that must fall; this hill reached, that fort is commanded. And nothing was too small: the corner grocery in Browntown, the humble refining still on Oil Creek, the shortest private pipe line. Nothing, for little things grow.'

In the early days of Rockefeller's business operations corporations weren't allowed to do business across state lines, but he had found a loophole. He brought all his different state corporations together under the ownership of a trust, a flexible and powerful mechanism of central control which could operate at a national level and in great secrecy. (This is why anti-monopoly laws and actions have been known as antitrust measures ever since.) Through his trust mechanism, Rockefeller got to control over 90 per cent of the oil refined in the United States, extracting vast amounts from consumers and generating fountains of profit, which were funnelled beyond the core business into railroads, banking, steel, copper, and more.[10] If this reminds you of today's Amazon, you're on the right track. It is no coincidence that Rockefeller was America's biggest monopolist and also its first billionaire. Monopoly was, and still is, where the big money is.

But Rockefeller was in fact just one of several robber barons dominating the American economic landscape in Veblen's day. There were monopolies in beef, sugar, whiskey, shipping, railroads, steel, cotton, textiles and furs, and the rulers of these fiefdoms amassed fortunes so great that their names (Rockefeller, Carnegie, Vanderbilt) still resonate today. But one force eclipsed them all, a financial monopoly.

In 1913, nearly a decade after Veblen published *Business Enterprise*, a US Congressional committee produced its now-famous 'Money Trust Investigation', a report exposing a grand conspiracy of American business leaders to rig half the national economy. Rockefeller was implicated, but it was bigger than him or Standard Oil. The Money Trust was a monstrous interlocking lattice of at least eighteen major financial corporations and over 300 cross-cutting directorships and lines of control which directed much of industrial America and manipulated the financial clearing houses and the New York Stock Exchange.[11] It was based on a secret rogues' charter known insidiously as 'banking ethics' by which they agreed not to compete with each other. Atop it all sat a banker, John Pierpoint Morgan.

The report warned chillingly that there were forces more dangerous than monopoly in industry: the greater danger was monopoly control of the means by which credit is allocated to industry and across the economy. If you controlled credit, it warned, you controlled the economy. 'The arteries of credit [are] now clogged well-nigh to choking by the obstructions created through the control of these groups,' it said. 'The acts of this inner group [have] been more destructive of competition than anything accomplished by the trusts, for they strike at the very vitals of potential competition in every industry that is under their protection.'

When the report went public, national fury ensued. Political cartoonists drew octopuses with tentacles wrapped around buildings, men in top hats grasping the world, bankers sitting on sacks of money while the poor queued up to hand them their savings. Devils with pitchforks pranced with bags of cash. A scowling eight-armed J. P. Morgan cranked eight handles turning machinery inside eight banks; or he was a giant Pied Piper, leading great crowds on a merry dance into the wilderness. Louis Brandeis, the best-known lawyer of Veblen's era, summarised the report's findings: 'The goose that lays the golden eggs has been considered a most valuable possession.

But even more profitable is the privilege of taking the golden eggs laid by someone else's goose. The investment bankers now enjoy that privilege … The dominant element in our financial oligarchy is the investment banker.'

Brandeis pointed to something else too: a lesson that recurs again and again in the story of the finance curse. At the heart of all the extraction and predation there usually lies a genuinely useful function. The central problem isn't finance, but *too much* finance, finance that is *too powerful*, and the *wrong kind* of finance, unchecked by democracy.

Although monopolies are one of the most important methods of sabotage, there were many other varieties around in Veblen's time. One of the biggest, which wasn't mentioned in the 'Money Trust Investigation', also involved Morgan's bank. This saga began in 1899 when William Cromwell, Morgan's legal counsel, incorporated a new company, the Panama Canal Company of America. At the time, Panama was a province of Colombia and had a profitable railroad running across the narrow isthmus connecting North and South America. In league with J. P. Morgan, President Roosevelt armed and supported separatists who wanted to wrest Panama away from Colombia and get their hands on those lucrative rail transhipment fees. And if they could build a canal, why, the profits would multiply. To cut a long conspiracy short, Panama won independence from Colombia, but only under effective US control. The new country's first official fiscal agent was J. P. Morgan, and the Panama Canal opened in 1914. 'Wall Street planned, financed and executed the entire independence of Panama,' summarised Ovidio Diaz Espino, a former Morgan lawyer who wrote a book about the affair entitled *How Wall Street Created a Nation*. This episode 'brought down the Colombian government, created a new republic, shook the political foundations in Washington with corruption and gave birth to American imperialism in Latin America'.

Essentially, Wall Street interests had harnessed their government's military resources to build and operate a mighty tollbooth at the choke point of one of the world's great trade arteries. Soon whole communities of American financial toads were ensconced happily here, with the flies and spiders of Veblen's imagination replaced by some of the world's largest ships. In 1919, as Panama was taking its first steps setting up its ask-no-questions ship registry, Veblen summarised how the game worked: 'In this international competition the machinery and policy of the state are in a peculiar degree drawn into the service of the larger business interests; so that, both in commerce and industrial enterprise, the business men of one nation are pitted against those of another and swing the forces of the state, legislative, diplomatic, and military, against one another in the strategic game of pecuniary advantage.'

These are 'channels of sabotage', he said, wrapped up in the flag. To help the national champions 'compete' on a global stage, the common man must shoulder the burden. The idea of national champions is a recurring theme in economic history. When Mark Zuckerberg of Facebook was grilled by the US Senate in April 2018 over privacy violations, photos of his crib notes revealed this: 'US tech companies key asset for America; break up strengthens Chinese companies.' This kind of nonsense – an apparent call to leave his monopoly alone to profitably harvest and sell valuable and sensitive data about American users in the interests of national security – was summarised by Veblen in his usual style. Armies and navies, he said, were used 'to enforce or defend the businesslike right of particular vested interests to get something for nothing in some particular place and in some particular way – and the common man pays the cost and swells with pride'. Veblen had identified what was then and remains today one of the greatest and most misunderstood themes of international finance and business, the 'competitiveness' of nations.

But sabotage wasn't and isn't only about monopoly. The creation of Panama's shipping registry, as it happened, was that country's first big step towards the creation of a tax haven. And tax havens are another widely used modern tool for sabotage. There's no general agreement as to what a tax haven is, though the concept can usefully be boiled down to 'escape' and 'elsewhere'. You take your money or your business elsewhere – offshore – to escape the rules and laws at home that you don't like. These laws may involve taxes, disclosure, financial or labour regulations, shipping requirements or whatever, so 'tax haven' is a misnomer; these places are about so much more than tax.

But let's take tax, and a classic tax haven trick which began to emerge in Veblen's day called transfer pricing. Imagine it costs a multinational $1000 to produce a container of bananas in Ecuador, and a supermarket in Wales will buy that container for $3000. Somewhere in this system lies $2000 profit. The question is: who gets to tax that profit? The multinational now sets up three subsidiaries: EcuadorCo, which produces the bananas, WalesCo, which sells the bananas to the supermarket, and a third shell company with no employees, PanamaCo, in a tax haven. These companies sell the container to each other inside the multinational: first, EcuadorCo sells it to PanamaCo for $1000, then PanamaCo sells it to WalesCo for $3000.

Where does the $2000 profit end up? It cost EcuadorCo $1000 to produce the container, but it sold the container for $1000 to PanamaCo, so there's zero profit – hence no tax – in Ecuador. Similarly, WalesCo bought from PanamaCo for $3000 but sold to the supermarket for $3000, so again no profit or tax in Britain. PanamaCo, though, bought the container for $1000 and sold it for $3000, making $2000 profit. But because it's in a tax haven, the tax is zero. Hey presto! No tax anywhere!

In the real world it's obviously much more complicated than this, but this is the basic idea, and it's clear that nobody anywhere in this financial game has produced a better, more efficient way to grow, transport or sell bananas. This is simply wealth extraction: a shift of wealth away from taxpayers in both rich and poor countries towards the businesses. But it's also sabotage because it rigs markets in favour of the large multinationals who can afford to set up these expensive international schemes, at the expense of their smaller domestic competitors, who can't.

Two brothers who became pioneers of this kind of multinational tax strategy were Edmund and William Vestey, who founded the Union Cold Storage company in Liverpool in 1897. Meat monopolists extraordinaire, the Vesteys ran cattle operations in South America at one end, where they crushed the unions on their extensive holdings. At the other end, in Britain, they crushed rival meat traders – including one of my great-great-uncles[12] – and monopolised the retail trade. In between they dominated certain shipping lines and rigged the international tax system in their favour. 'If I kill a beast in the Argentine and sell the product of that beast in Spain,' William Vestey taunted a British royal commission in 1920, 'this country can get no tax on that business. You may do what you like, but you cannot have it.'

From those early beginnings in the 1920s, tax havens would grow to offer a wider ecosystem of market-cornering possibilities. And with the growth of mobile global finance, particularly after the 1970s, the possibilities for sabotage would multiply.

As the twentieth century progressed, Veblen's views would be vindicated again and again. Take, for instance, the great American streetcar scandal, when a consortium of oil companies, bus, car and tyre companies came together in a loose arrangement to buy up streetcars and electric mass-transit rail systems in forty-five major US cities, then kill them off. Antitrust lawyers argued that the ensuing destruction of rail-based urban transport was part of a 'deliberate concerted action' to push America into dependency on cars, buses, tyres and oil. It seems to have worked, helping pave the way for, among other things, massive climate change.

Or, for a more recent example of sabotage, take the now-notorious activities of the Royal Bank of Scotland's Global Restructuring Group – nicknamed the Vampire Unit. RBS described the GRG as an 'intensive care unit' for ailing firms, which restructured their loan agreements to 'help them back to health', but following the global financial crisis, the GRG hit thousands of fragile small businesses with crippling, unexpected fees, fines and interest-rate hikes. Under what bank staff called Project Dash for Cash, they engineered financial terms that made it more likely the businesses would fail so that RBS could get hold of their assets on the cheap. Hundreds of small UK businesses have sued RBS, accusing the bank of having preyed on them. ‘Rope: sometimes you need to let customers hang themselves,’ a widely circulated internal bank memo said. ‘Leverage upsides with high initial monthly fees … just hit budget.’ A leaked report for the Financial Conduct Authority, which City regulators tried to suppress, even cited a memo to twenty-four staff inviting GRG staff to grab goodies from a shop that had gone under: ‘Go in and add your name and what you want … keep things to staff only and don’t take the p**s … GRG only!’

An earlier report found that over 90 per cent of viable firms the GRG dealt with suffered ‘inappropriate action’ by the group during 2009–13. And it wasn’t just RBS: an independent report by Lawrence Tomlinson, a government adviser, described ‘profiteering and abhorrent behaviour’ all across retail banking in the UK. ‘Some of the banks,’ he wrote, ‘are harming their customers through their decisions and causing their financial downfall.’ This kind of sabotage crushed small businesses and led to family breakdowns, heart attacks and suicides.[13]

Veblen made an observation about such behaviour which remains relevant today. The fountains of profit that can ensue from this kind of rapacity and market rigging underpin what he sneeringly called business sagacity. We hear ‘business sagacity’ every day from the leaders of politics, industry and finance. We hear it when the BBC wheels out know-nothing bankers or City pundits to applaud the latest merger-driven rise in the stock market, or the latest deregulatory or tax-cutting gift to the City of London, or a surge in banker bonuses or private equity activity, as if these things benefit Britain.[14] To the extent that these profits are extracted from the veins of our economy, these soaring profits are all signs of economic malaise, not health. As Veblen famously put it, ‘business sagacity reduces itself in the last analysis to the judicious use of sabotage’.

Veblen and Tarbell were often pilloried by their contemporaries, yet they have both been repeatedly proved correct. After her exposé of Standard Oil, Ida Tarbell was vilified by sections of the media. ‘The dear girl’s efforts … are pathetic,’ wrote one academic. She and her followers were ‘sentimental sob sisters’, wrote another. Rockefeller called her Miss Tar Barrel, a socialist and ‘that misguided woman’. She pretended to be fair, he said, but ‘like some women, she distorts facts … and utterly disregards reason’. The vilification made her long to ‘escape into the safe retreat of a library’ and be liberated from ‘harrowing human beings confronting me, tearing me’.[15] But in 1911 her investigations bore fruit. Standard Oil was broken up into thirty-four different companies, to become the forerunners of today’s oil giants ExxonMobil and Chevron, and even a part of BP. Although it didn’t last: at a meeting in 1928 at Achnacarry Castle in Inverness-shire the heads of some of the biggest fragments of Standard Oil got together with some foreign rivals and hammered out a secret criminal deal to carve up the world’s oil industry into profitably collaborating fiefdoms.

Veblen died in 1929, a few weeks before the great financial crash vindicated his big ideas. The crash, and the ensuing turmoil, fed dark forces which eventually plunged the world into bloody global warfare again, still in the lifetime of Tarbell, who died in 1944. Their work and history contain great warnings: these great malignancies of capitalism must be tackled.