The Taming of Economic Aristocracies

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> *Speculation may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill done.*
> *(John Maynard Keynes)*

The historical dynamic of capitalist economy shows some significant patterns: First there is a sort of swinging pendulum movement, where uncontrolled capital expansion is followed by a period of capital contraction under strong political oversight. It is the boom and bust cycle in the diagrams of economists. Most economists believe that everything is done when they have constructed a diagram. But that is not what we sociologists think.

It is not always easy to recognise this as a pattern, because the periods of movement extend over generations. So the experience of one generation, which is typically stamped by the special events in their youth, is fundamental to the measuring scheme and values of the peer group. That is the yardstick against which they will measure all the further experiences of their life. Peer groups whose decisive experience falls into a period of capital expansion in a liberalisation phase attribute meanings to their life that are different from those of young people who grow up in phases of contraction and regulation – their image of the world will be totally different. Someone who grew up in the Depression years may be happy with any form of order and regulation, because s/he has seen and observed with his/her own eyes the depressing effects of bust after market exuberance, and seen also the benefits of the welfare state that came after. Someone who grew up in the 1950s might instead see regulation as fetters on creative resources and as senselessly authoritarian rule.

In short, normally it is impossible to grasp the periodicity of the swinging pendulum with the so to speak 'natural' shaping of the world image that contains no historical knowledge and has no access to the life experiences of elder generations. What can we learn from these conflicting experiences? Is it possible to learn from both of these experiences and so bridge the cycle of generations? Or, to speak in the language of Norbert Elias, is it possible to learn from the historical experiences of earlier generations how to reduce the extremes and dampen the emotions that are attached to life experiences? That would mean not levelling out the high and low extremes but rather gaining a new view of economic history and of the experiences of successive generations, delivering new insights, new constants and new variables.

Civilising processes were and are bound up with the state. The cycle of boom and bust is to be seen as consisting of successive periods in the swing of the pendulum, as part of the big historical movement of the civilising process that spans the generations. The state functions as a pacifying force in the conflicts of all those who take part in the economic process; it takes over the functions of intervening in conflicts and developing institutions of conflict resolution. In the course of one or two generations we can observe the internalisation of the new forms of conflict behaviour by all the economic groups that are involved. Collective events leave their trace in the new roles of all participants, of the state and the attitudes of its officials, and also in the memory and behaviour of the groups involved insofar as they learn to solve their conflicts through the new institutions that were outcome of the prior conflicts.

The examples that I use are taken from the two different economic cultures, and they show that each of the two cultures has its own way of civilising its economic aristocracies.

There are small – or sometimes large – historical reversals, and we must recognise that the process of civilisation is not irreversible. From time to time we seem to face the loss of memory, when the role of the institutions that have been created to solve a special form of conflict is no longer understood, when the struggles that had been ended by establishing those institutions are forgotten or are declared to be yesterday's problems.

Whether such a degradation of an institution takes place or not depends on the actual web of social forces and the constellation of interest groups in a national economy, as well as the role of changes in the economic fundamentals. In the 1970s we saw a steep decline in the role of industrial production in the USA, while the volume of exports of nations like Germany and Japan climbed higher and higher. The industrial production of the United States was no longer competitive, apart from some branches such as defence production and finance. Finance took on a new role and was seen as a way to come out of the great crisis into which the Vietnam War had plunged the American economy. The finance industry [1] [#N1] took this as an opportunity to encourage politicians to break the rules of the institutions that had been imposed on them after the Great Depression. These institutions, as strongly as they had been constructed, and as wise as they had turned out to be as a means of orientation guiding the socialisation of bankers, were removed piece by piece, and in the 1980s and 1990s there was created a New Wall Street, as Peter Gowan (2009) has called it, a Wall Street where the bankers were orientated to speculative arbitrage.

This was called the neoconservative revolution, with Ronald Reagan and Margret Thatcher as its symbolic figures. The financial markets were deregulated, and some smart pioneers of Wall Street loosened the fetters that had kept them in line with the values of their society. It was a strong decivilising spurt, and full employment as a general social interest that would help sustain the qualifications of the workforce, and contribute to upholding the democratic distribution of power, was sacrificed to the interests of a small group on New Wall Street finance aristocrats. A whole generation grew up with the norms of that period of uncontrolled global capital movements, which were understood as new frames of cultural life in which they would have to prove themselves. Their values were orientated towards a world of market freedom and global competition in which the state had lost its power, and country's social rules would be replaced by international codes – or by the moral codes for which some of the NGOs wished.

Whether the crisis will lead to the pendulum swinging back again is not yet clear. Governments have poured taxpayers' money into the holes left in the financial system of credit and debt when the bubble burst. Cheap money from the central banks could save some of the banks for some time. But the hole is so deep, and so many billions of worthless toxic 'assets' that were bought and sold by the finance industry are still on the shelves of the banks, that it would not be greatly surprising if we go straight or smoothly into the next bubble. The motor of the boom years – American consumer-backed by credit – is broken, and Wall Street needs a new growth model, a new motor. But the fact is that we already have the bridges, roads and railways – more than we need; we have the underwater cables, mobile phone transmitters on every corner; we have the Internet and airports. So where are the opportunities for business and a big deal? Will Europe expand the credit for its consumers? Will China take over the role of the world's most indebted consumer? Will we see more demand for military hardware? Or will we have nothing of that kind, and go deeper into the recession? Or will we get the chance for a peaceful shrinking of production which would be good for the greening of our planet?

So wherever this crisis leads us, any solution will need strong regulations and the pendulum will swing back; state control will grow, maybe we will have a change of elites, but sooner or later a new spurt of civilisation will change the behaviour of the people of the financial industry. And it will lead to new orientations and new value schemes among them too.

Will it also change behaviour in the real economy? Will we leave the stupidly trodden path of steady growth, mass extinctions of species, and declining biodiversity, material resources and earth, climate and water? Or will the strains of civilisation be strong enough to lead to a more intelligent use of the common resources of the earth?

I. The civilising of the industrial elites in nineteenth century Germany

The early phase of class struggles was shaped by conflicts about the distribution of power and work in the factories. In this period it was already important to ask 'whether and to what extent the representatives of the monopolies of state power would decide to put their weight into the one or the other side of the balance' (Elias 2012: 347).

The first attempt was to fight against the workers' movement by prohibiting the Social Democratic Party and the trade unions. This attempt was without success since the SPD went underground and became stronger, not weaker, and trade unions also survived and grew more powerful than ever. So the government switched from weakening by prohibition to weakening by taking over some of the functions of the trade unions: the new social policy – and welfare politics – was born! The state supported workers by establishing the welfare system. And at the same time the government, which was formed by feudal aristocrats, was able to tame the industrial aristocracy, holding it at bay by threatening it with the 'right to work'. Bismarck, the representative of the old landed elite, played the classical game to survive as a third group between the two industrial groups. This is a game that we know very well as the 'royal mechanism'.

And Elias observed: 'With this new welfare politics of Bismarck's imperial government, the immediate conflicts between workers and fabric owners lost their meaning. The conflicts went onto a higher level of integration, on the level of parliament and government' (*op. cit.)*.

We see relatively stable long-term dynamic configurations: education, labour, trade and infrastructure are on a developmental path which was established through the functioning of conflict-resolving institutions that were widely accepted. This is the beginning of the period that Gramsci called the phase of the cultural hegemony of the bourgeoisie, the 'civil society'. The welfare state was not only an instrument for the pacification of class struggles, or an instrument of survival. It was far more. It was the social fabric that formed a well-educated population, able to invent and produce goods and machinery in the main sectors of industrial production for home use and for export. In this industrial society we see people grow up with the possibility of their wishes and desires being satisfied in this world. When the third player in that game, the monarch, was removed after the First World War, the authority of the 'third power', the state, was wrecked; a decivilisation process began, and the civil war led to the suppression of the trade unions under the dictatorship again. After the Second World War, the power of the trade unions in Western Germany was restored, leading to a special arrangement of the 'Rhenish capitalism', the 'co-partnership' that gives representatives of the trade unions access to, and to a certain degree also a voice in, the governance of corporations.

II. The taming the financial aristocracies

The second example that I will talk about is the story of the taming of the financial aristocracy. [2] [#N2] This is of special interest today, and the historical example may also have lessons for those trying to understand the miseries caused by the financial markets. The 'variety' school of thought about capitalism has pointed to differences between the continental model of capitalism, where we have so-called 'patient capital', which means industry dominating the financial sector, and the Anglo-Saxon model of capitalism, where the stock exchange dominates industry. The City in Britain and Wall Street in the USA are symbols of the power elites who dominate the political agenda. The 'variety school' has one fault – it has no historical perspective, and cannot explain the dynamics of the two models. Let us have a look at the rise of a new player in the game.

Before the First World War, the USA had a population no bigger than the combined population of Germany and Austria. The development of large corporations at the end of the nineteenth century converged with the emergence of a wider and expanding market through the building of a network of railroads that spanned the continent. Those corporations used the 'strategy of the visible hand', as Alfred Chandler has called it, to grow and to gain markets by forming pools, cartels and trusts. [3] [#N3] The goal was to dominate a market on all levels – from raw materials to the consumer.

These corporations which produced, for example, steel or petroleum were financed by private investors – family assets, commercial credit or internal accumulation built the base of the capital. Wall Street did not play a great role before the 1890s, their business was financing the national debt of the USA or European states. A movement to control the big corporations (the 'Robber Barons') in the 1890s and early 1900s led to the prohibition of cartels and price-fixing agreements. This was the moment when Wall Street became involved in the game. The tycoons were looking for ways to retain their influence, and with the help of investment banks they bought shares of rival firms to restore their market dominance (see, Berle and Means, 1968).

The USA, since its beginnings an importer of capital, became the largest supplier of food and war materials in the First World War, and for the first time changed from being a debtor nation to a creditor nation. When the war was over, they found themselves the largest owner of gold and capital. Corporations were able to expand their factories with low interest rates on capital. Ford was a promoter of the mass production of cars for civil use, and radio sets became part of a more elaborate lifestyle. Capital was abundant, but investment opportunities were scarce and the prices for capital assets rose. The intermediaries of the stock exchange seized the opportunity to fuel the spirit of investors and savers by praising and selling speculative and very risky assets which sprouted like grass in spring time. The boom was fuelled by greedy intermediaries on the one hand and by the false expectations and illusions of the public which forced up share prices high as well.

When in autumn 1929 the share prices tumbled, the myth of unlimited boom was dismantled, and a general contraction began. Consumer demand fell away, business expectations vanished, and Wall Street bankers shied away from investments. Lay-offs and wage reductions were followed by deflation in all parts of the economy. A flood of insolvencies rolled over commerce, business, banks and mortgage lenders and farmers, who had become more and more indebted since the collapse of their markets after the World War. And the middle class was hit hard as well. Politics stood helplessly by, and without ideas. Besides, there was no tradition of intervention in the economy, no government competencies or instruments available. President Hoover had deep respect for the non-intervention tradition and avoided everything that constituted a break with this American tradition, regarding it as sacrilege. In the beginning he ignored and tried to forget about the Depression; later on he hoped and wished that markets would revive – but they did not.

At the end of 1932 Roosevelt was elected President because he promised to do something to overcome the Depression. When he took over the government in March 1933, half of the banks had disappeared and with them the money that had been saved in their accounts. Roosevelt announced bank holidays and all financial institutions underwent scrutiny. After an audit by the Federal Reserve some never reopened, but more than 90 per cent of the rest, which were proved sound, did survive a year later and the trust of the public came back.

From March to June a series of Acts for regulating the financial markets was passed, amongst them the establishment of the SEC (Securities and Exchange Commission), the prohibition of futures trading and the separation of the banking system with the Glass–Seagall Act, under which the ordinary commercial banks were separated from the investment banks to avoid insider trading. In 1935 holding constructions, which had led to a system of non-transparent manipulation of prices, especially on the energy market, were prohibited.

Roosevelt saw himself as participant in the progressive movement of the Democratic Party and not committed to the financial branch, as his predecessors had been. The change in public opinion and the dismantling of the influence of the notables of the financial aristocracy were set in motion through the public exposure of Wall Street dominance by the investigations of the Banking and Currency Committee. This Committee began Congressional hearings in the spring of 1932, but essentially went nowhere for months. After Franklin D. Roosevelt's sweeping victory in November, there was little enthusiasm for continuing.

That Saturday, President Roosevelt assured Americans in his Inaugural Address that the 'unscrupulous money changers' had 'fled from their high seats in the temple of our civilisation' (Schlesinger, 2003: 7). Only then were the hearings re-authorised. Ferdinand Pecora, the former Assistant District Attorney from New York, was hired as counsel in January 1933, after a host of others had turned down the job. The Committee simply wanted a report summarising the investigations, but Pecora persuaded them to take more testimony.

Pecora was aided by John T. Flynn, an Irish-American journalist who had been writing on the shenanigans of the financial industry for years in various journals, and by Max Lowenthal, a Jewish lawyer. By chance, Pecora chose as his first target Charles Mitchell, the chairman of National City Bank. When Mitchell strode into the Senate hearing room in late February with his retinue of staffers, he was one of the pre-eminent bankers of his day. Ten days later, after Pecora's withering examination, he walked out of the building alone and disgraced.

Pecora personally undertook with patience and diligence many of the interrogations during the hearings, including such high-profile Wall Street personalities as Richard Whitney, President of the New York Stock Exchange, George Whitney (a partner in J. P. Morgan & Co.) and investment bankers Thomas W. Lamont, Otto H. Kahn, Albert H. Wiggin of Chase National Bank, and Charles E. Mitchell of National City Bank (now Citibank). Because of Pecora's high-profile work, the hearings soon acquired the popular name the Pecora Commission, and *Time* magazine featured Pecora on the cover of its 12 June 1933 issue.

Pecora's investigation unearthed evidence of irregular practices in the financial markets that benefited the rich and the clients, that were cross-linked with the Wall Street at the expense of ordinary investors, including exposure of Morgan's 'preferred list' by which the bank's influential friends (including Calvin Coolidge, the former President, and Owen J. Roberts, a Justice of Supreme Court of the United States) participated in stock offerings at steeply discounted rates. He also revealed that National City sold off bad loans to Latin American countries by packing them into securities and selling them to unsuspecting investors, that Wiggin had shorted Chase shares during the crash, profiting from falling prices, and that Mitchell and top officers at National City had helped themselves to $2.4 million in interest-free loans from the bank's coffers. The public knew that Wall Street stockbrokers were not just a horde of pious priests, but what most outraged American citizens was Pecora's revelation that those honourable bankers had evaded taxes (Pecora, 1970). [4] [#N4] These revelations paved the ground for the banking regulation acts that followed (the Securities Act of 1933 and the Securities

Exchange Act of 1934), which had already been partly proposed by John Flynn in his widespread books and articles.

The Dodd-Frank-Act is still waiting to be enhanced, as the majority of the Republican Party resists its implementation. We have not seen the Ferdinand Pecora of our days, and we wait for the imposition of new restrictions on the banking sector.

The confrontation between the son of Sicilian immigrants and the vips of Wall Street, who had long had high social profiles and functioned as members of a power elite of the society, was decisive for the course of events. [5] [#N5] The Committee probed the causes of the Wall Street Crash of 1929 and launched a major reform of the American financial system (separation of investment banks and ordinary 'high street' loan-banks, and installation of the SEC). It was a change from the libertarian-Darwinist epoch of the so-called roaring twenties, a time of casino capitalism as Keynes had named it, to the progressive era of a corporate capitalism. [6] [#N6] The Great Depression was followed by the Great Compression, which levelled the inequality of incomes to an extent never seen before or since in the history of the United States, and which lasted to the 1970s (see Goldin and Margo, 1992). Strong trade unions had the chance to get fair rates of pay for the workers, and a just share of the social product, and corporations could sell their products to high paid workers and clerks. The standard of living rose and seemed to level the differences between the classes, so that sociologists began to talk about 'embourgeoisement', the end of classes as such and the coming age of a middle-class society with the 'end of ideology'. And the banking profession grew to be the most boring profession of the world, as Krugman (2009) wrote.

We know that this came to an end, when in the 1980s the neo-conservative revolution loosened the fetters of the financial branch – smart young bankers began to take their chances, and they repeated most of the same schemes that were used in the financial sector before the banking and securities acts.

The similarities to the schemes of the financial crisis since are obvious. There is a model of bubbles that is to be seen through all the historical bubbles: stockbrokers and money managers help to create a state of euphoria for special assets (be it internet firms or real estate) by propaganda machinery. Newspapers begin to talk about a new growth market, and stock brokers and money managers use the initiated wave of capital flows for collecting money by fuelling greed through unsound expectations for thousands of projects and new firms which range from the seemingly sound through to the flawed or criminal. A bubble is assembling, some investors are warned to draw their money back, and when the bubble bursts, firms tumble, people lose their jobs and assets lose their value, which leads to a recession in the whole economy. Investors shy away from further investing in the assets of that "growth-market", and stockbrokers look for a new "growth-market".

This was the model from the propaganda for the golden Asian future markets, that led to flooding South East Asian markets with capital, searching for opportunities in an environment where a very limited infrastructure was unable to channel the capital, so that assets inflated and a bubble was created that burst and led to the great crisis of new industrialised states in South East Asia – the dot.com firms, that had been developed by the technicians and engineers of Silicon Valley and which after having been discovered by Wall Street as a growth model, were then blown up with high expectations that flooded them with capital while accumulating millions of contracts for bets and shares in the new IT sector that led to a bubble which burst just at the moment when it became clear that the anticipated prospects were going to be very badly disappointed. Insiders knew that many criminals had been playing in that game – the subprime-mortgages, a model of selling houses to people who could not afford them. This worked as long as the market for houses grew and house-prices went up while the discount rate of the Federal Reserve was left low. When market-conditions changed, all the packages of bundled mortgages that had been sold as commercial papers came under scrutiny – banks suspected each other, and the opportunities for refinancing shrank to nothing. When Lehman

Brothers defaulted, the crisis infected the whole sector. Panics and bank runs were followed by state borrowing to the sector and by providing capital to big firms like General Motors that suffered from shrinking consumer interest. The state came back in to promote the survival of the financial system.

A distant echo of that last crisis is the Euro crisis that has its origins in the G8 command to uphold the banking sector at any cost after the collapse of Lehman Brothers.

It was a two-fold motivation that led to this command: the commitment of the political elite to the financial aristocracy in connection with the fear for the end of capitalism, should pension funds and people's savings be nullified through the collapse of hundreds of big banks. Several European banks had ventured into the mortgage game (in the US and in the Mediterranean real estate sector business that ebbed away) and that had taken on too much risk so that they were on the brink of default when their governments came in to take over their debts. The consequence was the swelling of the public debts. Until 2010, state bonds of the Eurozone had been sold for the same bond rate, but as financial aristocrats looked out for new opportunities of profits, they saw their chance: When they took a look at the sustainability index of these states that measures the ability of sustainable economic growth, they saw the opportunity to differentiate the ratings of the state bonds of the members of the Eurozone. Hedge funds and investment bankers, that auction the state bonds of European states, now propagated the possibility of the ruin of those states and bought state bonds of these newly identified risky EU member states only with an additional risk charge. This brought these states to their present troubles. As the European Central Bank has no function as a lender of last resort, those states had to refinance by way of using capital markets. In spite of the prohibition of lending capital to states, the ECB did its best to stave off a state collapse by lending hundreds of billions of Euros to private banks on an interest level of near zero. As in times of recession, there is no alternative; private banks take the money from the ECB for a minimal interest rate and put them into the higher renting state bonds of the peripheral states. This has the double effect of reducing the additional risk charge and the costs for states to obtain capital, and of filling the gaps of the peripheral banks that suffer heavily from capital flight. Meanwhile the recession continues and unemployment rates are up to 25 per cent, and especially for young people up to 50%.

An ongoing recession that might lead to a depression could be expected, accompanied by the political unrest that we have already seen in Greece and Spain. A young generation is growing up that sees no living opportunities, neither in the social fabric of the former agrarian family, which is going to be destroyed by the big European agrarian industry, nor in the so called future industries or the service industry that cannot deliver the necessary employment opportunities. All their illusions about a future in a well-supported European level playing field, consolidated by a European welfare level system, are dismantled. Disappointment and political frustration are spreading especially in the peripheral states of the European Union, accompanied by social degrading and growing poverty, and even in some places by hunger.

There is no open confrontation to be seen, but the contest is conducted behind the scenes. The game begins with the misleading diagnosis that states are the sinners, not private banks: If this is hegemonial in the public sphere, then the game is already half-won for the financial aristocrats. Instruments will be created to weaken the state and, where it is thought necessary, to strengthen it. Indeed states are under control – as we have seen in Greece where the EU pushed an unelected dictator to the top of the state administration, a man that was President of the Greek national bank, when Goldman Sachs was hiding the deficitary side of the budget, and also in Italy, where the EU also pushed a President who had been a consultant of Goldman Sachs to the top of the state without any electoral mandate.

With the middle class eroding, voters of the peripheral states incline more and more towards parties that promise to end the yoke of pro-cyclical austerity. The European single market competition has not yet brought about a convergence of economies but more heterogeneity, because the markets tend to inequality and divergence rather than convergence. Analysts of private banks on the other side threaten together with the EU Commission to continue the path of austerity, and denounce member states, that have abandoned the politics of so-called "good governance" and have not obeyed the fiscal austerity pact. The German Secretary of Treasury declares that it is appropriate that debtor nations are punished strongly with high interest rates for state bonds when they are already suffering from recession. The Eurozone is, in his eyes, a community, where some debtor nations are exposed to the furore of the markets like sinners to a pillory. While pointing at Greece, where the budgetary limits have been overdrawn for years, hidden before the scrutiny of European administration in special purpose balance sheets with the help of the investment bank Goldman Sachs, the problems behind the debts of the rest of the so-called GIPSI-States are ignored: The debts of the private banks stemmed from the breaking up of the real estate bubble in the Mediterranean states, which was the result of misallocation of capital. Capital and savings poured into real estate investments, without any financial accountability, without any governance, be it by the EU Commission, be it by the states, because there is no instrument for steering capital investments in a market with the free mobility of capital. The financial aristocracy has the deepest interest in such capital mobility, because it gives it the possibility of a give-and-draw back-strategy, following the highest profitability of investments in the whole currency area without damage to the financial sector, but with much damage to the workers, communities, regions and states where capital has been drawn away from ("capital flight"). The financial aristocracy is spread through a bundle of different branches: from hedge funds, investment bankers, finance consulting agencies to finance journalists and public relation agencies, all of these live from – sometimes horrendous – provisions and honoraries, which means, they earn most in times of growth. Growth is the presupposition of their wellbeing, whatever it leads to, whatever its reasonableness, whatever the underlying investments are. So there is a basic contradiction, because they would suffer from restrictions in capital mobility, which is on the other side the presupposition for avoiding bubbles and damage to workers, communities, regions and states. States that have made themselves dependent on foreign investments, or are victims of the politics of free capital mobility in the open market of the EU, cannot manage investments or the prices of their currencies by devaluation. They are driven into the dilemma that they cannot easily escape the constraints of investors, on the one side, and adequate welfare levels for upholding living standards and preserving democracy, on the other. So there are two chances of overcoming the crisis: A European state is built as a union, in which there is no more tax competition, which is a real fiscal union, capable of strong fiscal management together with the capacities of re-compensation for the losers. It is a future that resembles in some ways the years of the Great Depression, when central power was strengthened, and when the US government for the first time took steps in the direction of a modern welfare state. But we must not overlook the differences: The USA had never had a strong central power before the New Deal, so the Roosevelt Era was a form of nationalisation of the USA. In Europe, many states have been powerful central states, before losing this governing capacity by becoming members of the EU. Looking at the distance between political will, jurisdictional and political power display and the attitudes of constituencies of European member states, what should convince us that this time is different?

History is fraught with monetary unions that broke up because they did not progress to political and fiscal union. A repeat of that process would lead to a break-up of the Eurozone in which states regain the authority to distribute national wealth that results in hard confrontations with the financial aristocracy.

Conclusion

Our historical observations suggest that the high mobility of capital and an absence of state control lead to the pendulum swinging in the direction of laissez-faire economics (see Dale, 1996). In the nineteenth century it was the gold standard that limited the mobility of capital (Polanyi, 1944) unleashed in the 1920s, when the gold standard was no longer functioning as the measure of the foreign value of a national currency (with all the gold in the USA after the First World War, see e.g. Keynes 1919); in the era after the Second World War it was the Bretton Woods agreement that unleashed free commercial trade but regulated capital movement by fixing exchange prices and by ensuring the strong control of currency movement.

It was not until the 1980s that state controls of capital movements were withdrawn (see Helleiner, 1994). The result was, as we have seen, a revitalisation of British and US financial aristocracies with all the critical consequences of the current crisis.

We may expect that the pendulum will swing to the other side, with politicians again able and competent to tame the financial aristocracy by regulating investment streams, and by reducing the mobility of capital and the opportunities for the creation of future bubbles.

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Notes

1. Until about that time, finance would not have been described in English as an 'industry', a word reserved for *manufacturing*. In a similar way, a financial device such as a new kind of insurance policy would not have been described as a 'product', which again was reserved for the physical things made in manufacturing. [#N1-ptr1]
2. Names of bankers that endure through the generations and build up dynasties, firms that form sorts of private/ public entities with their personnel embracing special knowledge and internalizing a special habitus and special traditions - all these are aristocratic elements on a personal level. On the social level these groups are exercising power and influence on government on a functional level, controlling governments without being controlled too much by parliaments. [#N2-ptr1]
3. Chandler's thesis about replacement of Smith's *invisible hand* by a systematic coordination of production and distribution of commodities "emphasizes the gains to the system more than to any particular group, but ... does acknowledge the costs of 'unbridled' competition to business and agrees that the attempts of businessmen to form pools, cartels and trusts was a rational response" (Roy, 1997: 177). Since the beginning of this development one finds the corporationists, that hold for "industrial discipline and governmental arts" because of economic path dependency, but also the contradictory positions of liberal "anti-trusters" - the "Prophets of regulation", as described by McCraw (1984). On the corporationists, see Tugwell (1933) [#N3-ptr1]
4. See also Ron Chernow, 'Where Is Our Ferdinand Pecora?', *New York Times*, 5 January 2009. [#N4-ptr1]
5. The furore of the Wall Street aristocrats was immense and some of them tried even a putsch: "General Smedley D. Butler created a sensation when he told a House Committee that during the summer of 1934 a group of Wall Street brokers had urged him to lead a fascist march on Washington and overthrow the government in order to protect business interests" (Rauch, 1944: 137). [#N5-ptr1]
6. Historians see this as a change from the financial dynasty of the house of Morgan to the industrial dynasty of the House of Rockefeller that dominated the following decades of the American economy. [#N6-ptr1]

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