

One

Sunday, December 16

I

Five o'clock and freezing. Piledrivers and jackhammers were blasting into the wasteland by the side of West Cross Route in Shepherd's Bush. With a bare ten months to the scheduled opening of Europe's largest urban shopping centre, the sand-covered site was showing only skeletal girders and joists under red cranes, though a peppermint facade had already been tacked on to the eastward side. This was not a retail park with trees and benches, but a compression of trade in a city centre, in which migrant labour was paid by foreign capital to squeeze out layers of profit from any Londoner with credit. At their new 'Emirates' Stadium, meanwhile, Arsenal of North London were kicking off under floodlights against Chelsea from the West, while the goalkeepers – one Czech, one Spanish – jumped up and down and beat their ribs to keep warm. At nearby Upton Park, the supporters were leaving the ground after a home defeat; and only a few streets away from the Boleyn Ground, with its East End mixture of sentimentality and grievance, a solitary woman paid her respects to a grandfather – come from Lithuania some eighty years ago – as she stood by his grave in the overflowing cemetery of the East Ham Synagogue. Up the road in Victoria Park, the last of the dog-walkers dragged their mongrels back to flats in Hackney and Bow, grey high-rises marked with satellite dishes, like ears cupped to the outside world in the hope of gossip or escape; while in a minicab that nosed along Dalston Road on its way back to base, the dashboard thermometer touched minus two degrees.

In his small rooms in Chelsea, Gabriel Northwood, a barrister in his middle thirties, was reading the Koran, and shivering. He practised civil law, when he practised anything at all; this meant that he was not involved in ‘getting criminals off’, but in representing people in a dispute whose outcome would bring financial compensation to the claimants if they won. For a long time, and for reasons he didn’t start to understand, Gabriel had received no instructions from solicitors – the branch of the legal profession he depended on for work. Then a case had landed in his lap. It was to do with a man who had thrown himself under a Tube train, and concerned the extent to which the transport provider might be deemed responsible for failing to provide adequate safety precautions. Almost immediately, a second brief had followed: from a local education authority being sued by the parents of a Muslim girl in Leicester for not allowing her to wear traditional dress to school. With little other preparatory work to do, Gabriel thought he might as well try to understand the faith whose demands he was about to encounter; and any educated person these days, he told himself, really ought to have read the Koran.

Some yards below where Gabriel sat reading was an Underground train; and in the driver’s cab a young woman called Jenni Fortune switched off the interior light because she was distracted by her own reflection in the windscreen. She slowed the train with her left hand on the traction brake control and, just before she drew level with the signal, brought it to a halt. She pressed two red buttons to open the doors and fixed her eyes on the wing mirror to watch the passengers behind her getting in and out.

She had been driving on the Circle and Metropolitan lines for three years and still felt excited when she clocked in for her eight-hour shift at the Depot. She felt sorry for the poor passengers who sat and swayed behind her. Sideways on, they saw only bags and overcoats, hanging straps and worn plush under strip lights with suffocating heaters locked on max. They endured the jostle and the boredom, with occasional stabs of fear when drunken, swearing youths pushed on.

From her view, Jenni saw soothing darkness, points, a slither of crossing rails and signals that glowed like red coals. She rattled the train through the tunnels at forty miles per hour and sometimes half expected skeletons to loom out from the wall or bats to brush her face. Head-on, she saw the miracles of London engineering that no passenger would ever glimpse: the corbelled brickwork through which the tunnels had been cut or the giant steel joist that held up a five-floor building above the entry to the platform at Liverpool Street.

The week before Christmas was the worst time of year for people throwing themselves on the track. Nobody knew why. Perhaps the approaching festivity brought back memories of family or friends who'd died, without whom the turkey and the streamers seemed a gloomy echo of a world that had once been full. Or maybe the advertisements for digital cameras, aftershave and computer games reminded people how much they were in debt, how few of 'this year's must-have' presents they could afford. Guilt, thought Jenni: a sense of having failed in the competition for resources – for DVDs and body lotions – could drive them to the rails.

Books were what she was hoping to find beneath her own tree. Her favourite authors were Agatha Christie and Edith Wharton, but she read with undifferentiated glee – philosophy or airport novels. Her mother, who had come from County Cork, had barely owned a book and had been suspicious of Jenni's reading habits as a teenager. She urged her to get out and find a boyfriend, but Jenni seemed happier in her room with 600-page novels with titles in embossed gold lettering that told how a Russian pogrom had led, two generations later and after much suffering and sex, to the founding of a cosmetics dynasty in New York. Her father, who was from Trinidad, had left 'home' when Jenni was eight months old.

After her shift she would return to the novel that had won the big literary prize, the 2005 Café Bravo, which she was finding a bit thin. Then, after making something to eat for herself and her half-brother Tony, if he was there, she would log on to Parallax, the newest and most advanced of alternative-reality games, where

she would continue to create the life of her stand-in, or ‘maquette’ as the game had it, Miranda Star.

Two years before, when she was still new to the job, Jenni had had a jumper. She was coming into Monument when a sudden flash of white, like a giant seagull fluttering from the platform edge, had made her brake hard. But it was too late to prevent her hitting a twenty-year-old man, whose leap had cleared the so-called suicide pit but not taken him as far as the positive rail on the far side. *Don’t look at their faces* was the drivers’ wisdom, and after three months’ counselling and rehabilitation, Jenni had resumed her driving. The man, though seriously injured, had survived. Two months later, his parents brought a civil action against Jenni’s employers, claiming negligence, because their lack of safety precautions had been responsible for the son’s injuries. They lost the case, but had been granted leave to appeal, and the thought of the imminent second hearing – tomorrow there would be another meeting with the lawyer, Mr Northwood – darkened the edges of Jenni Fortune’s days.

At that moment in the wealthy inner suburb of North Park, ‘located’, as the estate agent had it, ‘between the natural advantages of Heath and Green’, Sophie Topping had just made a cup of tea for herself and her husband Lance, who was working in his study. He had done this every Sunday afternoon since becoming an MP in the recent by-election. Sophie wasn’t sure how he could concentrate on constituency paperwork with the football blasting out from the television in the corner and she suspected that he sometimes nodded off to the excited yet soporific commentary. For fear of discovering him slumped with his mouth open, she always knocked before taking in his tea.

‘I’m just finalising the places for Saturday,’ she said, handing him a blue china cup with what he called ‘builders’ tea’ in it.

‘What?’ he said.

‘The big dinner.’

‘God, yes. I’d quite forgotten,’ said Lance. ‘All under control?’

‘Yes, I think it’ll be a night to remember.’

Sophie retired to her desk and looked at the list of names she had printed out from her computer. At first, she’d meant to have an intimate evening with a few powerful people, just so that Richard Wilbraham, the party leader, could see the sort of company Lance moved in. But when she got down to it, there seemed no end to the number of important people she and Lance knew – and wanted the leader to know they knew.

Looking down the names, Sophie began to sketch a table plan.

- Lance and Sophie Topping. The party’s newest MP and his wife. It was still good to say those words.
- Richard and Janie Wilbraham. Richard, the dynamic PM-in-waiting, would be on her own right hand. He was nice enough, though tended to talk politics. But what could you do?
- Len and Gillian Foxley, Lance’s local agent and his tiny wife. Sophie would put Len between two women who would have to bear his halitosis, while Gillian she buried mid-table among the also-rans.
- R. Tranter, the paid leader of discussions at Sophie’s monthly book club and professional reviewer. She wasn’t sure what his first name was. He signed himself ‘RT’ and the women in the group called him ‘Mr Tranter’ until he invited them to move on to RT.
- Magnus Darke. Probably not his real name, Sophie thought. He was a newspaper columnist and therefore dangerous, obviously, but could be entertaining. He had once said nice things about Lance, called him ‘the coming man’ or some such. Sophie dared to put Darke next to chilly Amanda Malpasse.
- Farooq and Nasim al-Rashid. Sophie sucked her pen. Farooq was a chutney magnate and a large private donor to party funds. He seemed a nice chap. But they both were keen ‘Allah-botherers’, as Clare Darnley put it. After some

thought Sophie pencilled each one in next to a Wilbraham, as a mark of respect for Farooq's contributions, and made a note to put no wine glasses at their places.

- Amanda Malpasse. Sophie had made friends with Amanda on a charity committee. She lived in a large cold house in the Chilterns and was beautiful in a dry, shut-down sort of way. Amanda already had Magnus Darke, so Sophie needed to find her someone tonier for the other side.
- Brenda Dillon. Sophie had only ever seen her on television, where she was an argumentative education spokesman. Her husband David was said by a newspaper profile to be keen on DIY and to carry his keys on the waistband of his trousers. This was a poser.
- Tadeusz 'Spike' Borowski. Even more ticklish, this one, thought Sophie. Borowski was a Polish footballer who had settled with a London club. Arsenal, was it? No, another one. Lance had met him when his team were turning on some Christmas street lights and had taken a liking to him. He thought it would make them look modern to have Spike there. But did he speak English? Would he behave? What did footballers like to do after dinner? 'Dogging', was it, or 'spit-roasting'? She wasn't quite sure what either of these things was.
- Simon and Indira Porterfield. They at least were easy, and could talk charmingly to anyone. Simon was the billionaire owner of Digtimate TV, whose reality shows, notably *It's Madness*, had saved Channel 7. Indira was a Bangalore-born princess of eye-watering beauty; he referred to her as his 'mail-order bride', the first Mrs Porterfield having been superannuated.
- Roger Malpasse, Amanda's husband. Sophie smiled. The thought of Roger always made her smile. He was a former corporate lawyer, now retired to farm and supervise his horses, which were trained at Lambourn. Sophie decided to put him near Spike Borowski, since, apart from dogs

and horses, football was the only thing she'd ever heard Roger talk about.

- Radley Graves. Another tricky one, she thought. Graves was a schoolteacher at the coalface who was said to have given Lance the inside line on comprehensives during the campaign. The obvious person to put him next to was Brenda Dillon, but something about Graves's demeanour made Sophie doubt that either would enjoy it.
- Gabriel Northwood. He should be all right, Sophie thought, though it depended what mood he was in. He was a barrister, who could be melancholy and sometimes seemed to switch off from the conversation. After some consideration, Sophie placed him next to Mrs Lime Pickle, Nasim al-Rashid.
- Clare Darnley. Another easy one. Clare was Sophie's favourite lame duck – elegant enough, but apparently condemned to loneliness. Perhaps it was because she was so outspoken and moralistic; it made people in the modern world feel uneasy to be told that certain things were 'wrong'. Clare worked in some appalling job in 'care provision'. Sophie put her on the other side of Gabriel.
- John Veals, the unsmiling hedge-fund man, and Vanessa, his long-suffering wife, who was also in Sophie's book group. John was a tough ask, there was no doubt about that. He had no small talk and was often late or jet-lagged or both. He spoke little. It drove Vanessa mad, Sophie knew. On the other hand, his lack of grace meant he was oddly direct, if foul-mouthed. He could be interesting. Sophie gave him half Indira Porterfield, and to Vanessa, poor thing, she dealt Len Foxley.

The remaining guests were Jennifer and Mark Loader, both in finance; two women drawn from Sophie's repertory company of singles; and three other couples she'd met when their children

were at school together. One, the McPhersons, had bought and sold a chain of busy coffee bars, Café Bravo, before diversifying into other ventures; another, the Margessons, had invented an Internet site for lonely teenagers, called YourPlace; the third, the Samuels, had bundled up and sold on other people's debts. Sophie couldn't understand who the buyers for such things were – why would you *buy* debt? – but all three couples lived nearby and she 'owed' all of them hospitality.

At her bedroom window, looking over the houses of North Park, Sophie felt a sudden shiver. She was so used to Christmas being hot and wet that the sudden Arctic winds were hard to deal with; she put on another sweater and settled herself on the bed. The novel she needed to read for her book club was a typical Jennifer Loader selection; it was set in Chile and appeared to be written with all the sentences rolled into one.

Sophie didn't care about this man Javier and his life in Central or South America, whichever one Chile was in, she wasn't sure, it was sometimes hard to remember . . .

She snapped the book shut. She was sure that Jennifer had only chosen the book to impress R. Tranter, the professional reviewer; that was why she always picked books with haphazard narrators and unreliable punctuation. But, Jennifer had pointed out when her selection had been queried, this one had not only been short-listed for the Café Bravo and the Allied Royal Bank prizes, it had also been nominated for the Pizza Palace Book of the Year. You could barely see the photo on the jacket – a barefoot waif in a bomb site – for the prize sponsors' bright stickers. 'Hmm,' Lance had said, sniffing it briefly before tossing it back to her, 'more endorsements than your driving licence, Soph.'

John Veals, the hedge-fund manager, was meanwhile looking at one of the four flat-screen monitors banked above his desk. His office was in a tall, blank building in Old Pye Street – the only such block in an otherwise quiet, residential road in Victoria – with a view over to the miniature Byzantine domes and piebald

brickwork of Westminster Cathedral, where the bells were tolling for early evening Mass.

The weekends allowed Veals time to be alone in his office, without interruption. This was when he tried to let his market instinct find its true north, with no e-mail or telephone or colleagues to break the spell. It was not that it was ever a noisy office; even during the busy week, most visitors remarked on its calm. Veals himself spoke little because he was so aware of security risks. Although the office was regularly swept for bugs, he had trained himself never to say anything that he couldn't bear to have overheard. Much of his most delicate business was conducted in the Folger's coffee shop in Victoria station, in the Moti Mahal beneath a sooty bridge in Waterloo or through one of his six cellphones in an alleyway that ran off Old Pye Street, behind the Peabody Buildings. Marc Bézamain, his man in New York, told him that ninety-five per cent of successful prosecutions brought by regulators stemmed from their reading of incriminating e-mail traffic.

Veals didn't do e-mail. To clients or counterparties too powerful to ignore, he offered the vague `exec1@hlcapital.com` as an address, but to make sure he couldn't reply even to the most provocative messages, he had had the back office disable his 'send' capacity. There was one other ruse. The company which supplied the screens and their data also offered an e-mail service; and this was neither stored nor checked by the authorities.

The secretaries at High Level Capital were chosen for soft-footedness. The managers worked in soundproof offices with solid doors; Veals did the rounds each day, but avoided large meetings. The analysts came and went, then wrote their reports on silent keyboards. All of them were thin. Veals couldn't stand fatness; it riled the ascetic in him. The men wore charcoal grey suits, never navy, and he stipulated no pink shirts; the women's skirts were knee-length, their nylons black. In summer the air conditioning was turned up high; in winter the radiators were too hot to touch. Veals took thirty per cent of his investors' profits annually; but he also took

three per cent a year of the value of funds (before leverage) as a management fee, so even by doing nothing, no new trades at all, he could make many millions a year. The electricity bill was not an issue.

In his twenty-seven years in finance, one thing remained constant in Veals's view: the only way to make money was to have an edge. No trader, however brilliant or intuitive, could outperform the market over a sustained period. Veals had read all the books on 'rational' markets: he'd read the theories of Merton, Black and Scholes on the valuation of stock options; he'd weighed on the one hand their two Nobel prizes and on the other hand the trillion-dollar black hole left by the collapse and humiliation of the hedge fund for which all three had worked.

'Theory' was all, in John Veals's opinion, piffle. If you play blackjack every day for a year, the house will always win. Veals knew this for a fact since in his first experience of markets, at the age of fourteen, he *was* the house. His uncle was a bookmaker in Hendon and showed young John how to set the odds in a ten-horse race so that any outcome made a profit for the book. The keys, he taught John, were speed of reaction and constant recalculation. At the latter, John was a prodigious pupil. From the age of thirteen he could work out in his head what odds should be offered on an eleven-part yankee before his uncle could do it with paper and pencil. Horse racing taught him that the only way to beat the house was to have information. If you knew that Stardust Rosie had been held back by her jockey for three races till her odds were 18/1 for the next outing but on that occasion the jockey would give the horse her head, then you really could beat the bookie by backing her to win. No computer model, no algorithmic forecast, could outperform such knowledge.

Veals was viewed as old-fashioned by his peers in believing that the 'real economy' of mills and factories and making things did still have a function – which was to generate a deal flow for the financiers. And these deals, he pointed out, did generate real revenue, which in turn generated tax (some tax anyway,

depending on how efficient your tax-avoidance department was) for hospitals, roads, all that.

Where Veals gained an edge on most of his rivals was by knowing that the word ‘inside’ in the phrase ‘inside information’ had a surprisingly strict legal meaning. He had known many bankers who hadn’t properly understood how much ‘inside’ information they were legally permitted to acquire, and had thus unnecessarily handicapped themselves. He didn’t tell them. They, too, could have studied the book if they’d chosen to. There was kosher inside and iffy inside. ‘Know the rules’ was Veals’s own favourite rule.

The second obvious step towards getting a sustainable edge was to stay away from regulation. In his years as a futures trader and a banker Veals had chosen to operate in areas where regulation was either minimal or non-existent. It was only a matter of time in his own mind before he moved into the world of hedge funds, because here legal supervision was at its lightest: sophisticated investors needed flexible arrangements, not fussy inspectors.

Another obvious precaution, taken by most senior people he knew, was not to pay tax. When it came to running his own hedge fund, he naturally, therefore, based it offshore. He had chosen Zurich, because it was under the jurisdiction neither of the Financial Services Authority in London nor of the European Union. The large profits of High Level Capital were kept in the fund and rolled up abroad; it was structured so that it generated no taxable income. Vanessa, John Veals’s Anglo-American wife, was for tax purposes not domiciled in Britain, and there were legal ways of making sure that the income they needed each year should be classified as foreign earnings in her name. A remittance of funds from abroad could alert the taxman, it was true, but the Veals family didn’t need much income: John had no power boats or polo ponies; no collections of Sumerian stone tablets or early Picassos; no mortgage, no hobbies and no interests outside work. He hadn’t even dug out the basement of his house to stick in a swimming pool. Petty cash could be also bled out of the fund through a web

of trusts held in the names of his two children, Bella and Finn. Well, it wasn't his fault; he didn't make the laws.

He disliked the famous remark made by a New York billionaire that taxes were for the 'little people'. It sent out the wrong signals. John Veals did, however, share the more elegantly phrased view of many of his senior colleagues in the London hedge fund and banking world that 'income tax is voluntary'.

As the bells tolled, he closed his eyes and contemplated the magnificent good fortune of his life. The quiet in the office was wonderful. Two senior colleagues worked abroad, Duffy in Switzerland and Bézamain in New York, where how they behaved was their own affair (Bézamain wore espadrilles to work and sang French folk songs under pressure). But in the cathedral calm of Old Pye Street, Veals's partner Stephen Godley was the only person allowed to be voluble; he siphoned off the tension from the others: the billion-dollar sweats bloomed only in his armpits. Since the day they'd met at a New York investment bank in 1990, Veals had seen in Godley's open, sporting jollity something he himself was lacking: clients warmed to him in a way that no one ever warmed to Veals. He talked to them in sporting metaphors ('I think we'll put the other side in to bat first'), and he was the only Englishman in New York who seemed genuinely to understand baseball and gridiron as easily as he did golf and cricket. In the course of raising funds to start their hedge fund in 1999, Veals had learned to let Godley do the talking. Who cared what madman was in the attic so long as the door was firmly locked and the key was in smiling Stephen Godley's pocket?