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The new Victorians

The new super-rich, based largely in London, bestride the world like their 19th century forebears – but without the charity, says Richard Woods

The cossacks should do the trick. No decent party these days is complete without a cossack, so there will be six, decked out in traditional costume and mounted on black stallions, ready to greet the guests.

Inside the splendour of London's Guildhall more cossacks will entertain the throng along with Katherine Jenkins, the classical singer, and Darcey Bussell, the ballet dancer.

Jemima will be going, Hugh probably not. David Tang, the entrepreneur and socialite, has a table. Bryan Ferry is on the list. And the hedge-fund boys will be out in force like some City gang of dealers, money their drug.

This will be the "Diner des Tsars", a sumptuous banquet that will take place in London next month: tickets are £1,500 a pop before you even think about the Louis Roederer Cristal champagne at £1,200 a jeroboam.

"It's very over the top and fabulous, spectacular and lavish," gushes one of the organisers. "The dress is imperial elegance and that really encapsulates the whole evening."

In the Great Hall guests will tuck into an eight-course banquet prepared by the Michelin-starred chef Tom Aikens. Caviar with avocado purée, lobster and artichoke salad, poached turbot with langoustine sauce and chervil gnocchi and many more delicacies are on the menu.

It is a feast fit for a tsar — which is exactly what it was 140 years ago. The Guildhall event is a recreation of a gut-busting blow-out staged in 1867 by Tsar Alexander II, Tsarevich Alexander and Kaiser Wilhelm I in Paris.

It is also a sign of these extraordinary times. This is the elite of a new empire at play, and a solid gold bookmark in the annals of indulgence. Imperial fortunes are once again being made almost overnight, not in the mines of far-flung colonies, but on the trading screens of global banks and the boardrooms of private equity powerhouses. And the epicentre of this plutocracy is London.

There's been nothing quite like it since Victorian entrepreneurs bestrode the world and built vast country piles on the proceeds while ragged Dickensian children tugged forelocks and clambered up the chimneys.

The three-tsars dinner is in aid of charity, and few would carp at the rich sparing a few grand for Unicef and needy youngsters. But in a year of record City bonuses the squillionaires are looking a little too stuffed with foie gras and self-satisfaction for the liking of some with their noses pressed to the window.

A hint of bolshevism is in the air, with the GMB union castigating private equity investors for perceived iniquities. Revolution is not on the cards, but questions are being asked.

The "new Victorians" have the enormous wealth of the imperial age, but do they also have the moral conscience and sense of duty that drove the 19th century tycoons to help the poor? In short, are those who've profited from the good times giving enough back? And if they aren't, how can they be persuaded to do so?

It's hard to grasp the scale of what is happening, partly because we have become so inured to reports of riches spewing out of the global slot machine. But a few scatter-gun statistics give some perspective.

The starting threshold for this year's Sunday Times Rich List will be assets of well above £60m (the precise figure has yet to be set). The list covers just the 1,000 richest in Britain. Philip Beresford, its compiler, estimates there are 30,000 people worth £5m — and possibly many more than that — but these are the small fry.

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This year the City is dishing out record bonuses of £9 billion to the 325,000 people who work there. One banker received a bonus of £50m. More than 3,000 people are thought to be getting annual bonuses worth £1m or more.

To many high flyers a bonus of £100,000 is peanuts. The average basic salary in Canary Wharf, the eastern outpost of the City, is now more than £100,000 a year.

Millions of ordinary policyholders in pension and insurance funds have not seen much from this bonanza: the bonus rates on their policies in recent years have often been close to zero. The median salary in Britain outside the City honeypot is just £24,000 a year, the average (which is pulled up by the higher earners) is £29,000.

The gap between top and bottom has widened markedly. At the apex are the entrepreneurs, epitomised by Sir Philip Green, who left school without a single O-level and fought his way from ragtrader to billionaire owner of Top-shop, Bhs and other stores.

Next month he'll celebrate his 55th birthday by taking 300 friends on a five-day luxury trip to a mystery destination. If his 50th is anything to go by it will be a bash of monster proportions: he spent £5m taking 250 to Cyprus for a toga party worthy of a Roman emperor.

Other plutocrats include Lakshmi Mittal, who bought a house in London for £70m, and Michael Spencer, who started the money broker Icap with £50,000 and is now worth more than £600m. He works in London but likes to go shooting for the day — in Spain.

Or there's Eddie Jordan, motor racing multi-millionaire, who last month dropped into the London Boat Show and picked up a Sun-seeker superyacht at £10m. Among the more notable playboys is Vincent Tchenguiz, a property entrepreneur worth nearly £500m with his brother, whose range of motors for cruising London's clubland includes two Rolls-Royces, two Bentleys, two Range Rovers, an Aston Martin and a purple Lamborghini.

Around the entrepreneurs and chief executives cluster the bankers, brokers, hedge fund managers, private equity players and lawyers who foster and feed off the giant deals of today's global market. Leader of the pack is Damon Buffini, managing partner of Permira, Europe's largest private equity group, which now owns businesses such as AA, New Look and Travelodge.

Last week he defended his industry saying: "We are making the UK effective in a global economy." The profits made by private equity investments help pension funds and other public investors, he said.

Another venture capitalist, who preferred to not to be named, was blunter. "We're parasites," he said. "But very successful parasites, and ones that can help the host."

These are the "two and 20" guys. Typically they raise funds by persuading banks, pension funds, insurance companies or rich individuals to give them money to invest. They then take a 2% annual management fee and 20% of any capital gains.

The firms are often small in staff and big on money. You might get a firm of 10 senior staff handling a fund of £500m, which works out at £1m apiece just in annual management fees — before any capital gains. The hedge fund group Odey Asset Management, for example, lists 12 senior staff and manages more than £2 billion.

It's little wonder that nightclubs such as Movida in central London have "premium clients" who blow £3,500 a night, rising to £10,000 at weekends, mostly on champagne.

One night at Movida there was a competition between three groups over who could spend the most on champagne. "It was like the World Cup," said Eamonn Mulholland, a director of the club, "three groups trying to outdo each other by buying more jeroboams of Cristal, at £4,500 a bottle, than the others."

In this world the line between business and pleasure often blurs, which has provided a lucrative niche for Ayo Johnson, who runs a service called Velvet Rope organising everything from restaurant bookings to overseas trips for super-rich brokers.

"I've done everything from booking football tickets to a three-day party in Marrakesh put on by a bank for its client," said Johnson. "Business is booming. But this is not extravagant stuff. This is people working exceptionally hard, playing hard and making money all at the same time."

In the arms race of wealth, exclusivity is all. One London banker is currently having his house refurbished. The work includes his own ice rink. Next week the wife of one British banker is flying out to a tiny island in the Bahamas called Little Whale Cay for some R and R. She's "chartered" the whole island for herself a few friends and her personal trainer. A snip at £28,000 for the week (food and drink extra).

"Necker [the Caribbean island owned by Sir Richard Branson] is rather common these days," said one of those in the business. "It's too much of an airline extension."

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Luxury is not a crime. So does any of this matter, given that we have all been getting richer, albeit the poor at a marginal rate compared with those at the top?

The public are growing uneasy. An ICM poll last week showed that 73% of those surveyed thought City bonuses had become "excessive and something should be done about them"; 69% believed the gap between the highest earners and average earners was too high.

Even Sir Peter Lampl, who made his millions in private equity before becoming a philanthropist, is troubled. "There is no question we are living in a remarkable time, especially if you consider the growth of the hedge fund and private equity sectors over the last 10 years," says Lampl. "These enterprises control vast sums of money on which they make high returns, which benefit very few people.

"I'm afraid the impact is not entirely positive. Social mobility has declined over the last 30 years and in Britain is the lowest for any advanced country for which data is available. A major reason for the decline is that there is an increasing gap between rich and poor."

Nor is it just the poor who are being left behind. Lampl believes ordinary professionals are being priced out of certain ambitions — such as property and education — they once aspired to.

"I live in Wimbledon, which is not particularly special," he says. "But you couldn't afford to buy a house in my street these days unless you worked in the City."

The last time the gulf between haves and have-nots was this wide was a century ago or more. The London of Queen Victoria was a city of extremes: it was the greatest port in the world and merchants, bankers and industrialists lived in style. It was also packed with festering slums and sweatshop labour that helped to build the fortunes of a few.

Poverty now is relative, not absolute. But to an extent there are some parallels with Victorian times.

"What's happening now reflects the trends in Victorian mortality rates," says Judith Flanders, historian and author of several books on Victorian life. "The average age of death is widening between difference social groups."

In the 19th century the average life expectancy of a well-off family in the home counties was 49; for a working man's family in London it was 15, a figure that reflects the appalling infant mortality rate. The difference is not so extreme now, but a labourer in Glasgow can expect to die much sooner than a retired banker in the sout east.

Faced with social divisions and occasional riots, the Victorian upper and middle classes determined something must be done to help the poor.

"One difference with today is the very explicit emergence of social conscience in the Victorian period," says Jerry White, author of a new book called London in the 19th Century. "It was what Beatrice Webb called the consciousness of sin — the view that wealth was out of kilter with a very substantial minority in London still mired in poverty and ignorance.

"There was this consciousness that individuals who had done well should be paying something back, not just at arm's length, but by personal engagement."

It was epitomised by the "settlement movement" arising in the 1880s in which large numbers of the better off engaged in projects to create colleges, clubs and voluntary organisations to help the poor.

"These things aren't utterly absent from the current City," says White. "There are individuals who are encouraged to engage with deprived parts of London. But I think you could argue that in the 1880s it was a broad movement in a way that it isn't now."

The motivators for widespread philanthropy today are less obvious, he admits. In Victorian London, starvation was a problem in a way that no longer applies. But other facets of poverty are more complex.

Flanders argues that the sweatshops and poverty wages that blighted Victorian London are still with us, just no longer on our doorstep. "The £1 T-shirt you can find on a British high street is bought with sweatshop labour just as much as the Victorians would have been heating their houses with coal produced from children going down the mines. But we have outsourced it to China and the Far East, so it is easier for us to shut our eyes to it."

Britain's record on philanthropy is patchy compared with the Victorians and modern America, where Bill Gates is leading a huge wave of good works by dedicating much of his estimated £30 billion fortune to his charitable foundation. Individuals give 0.73% of GDP to charity in the UK, and 1.7% in the US.

A survey of giving in the UK for 2005/6 by the Charities Aid Foundation shows the "bonus boom" has not led to any marked increase in good works. The total amount donated in 2005/6 was £8.9 billion, pretty much the same as the year before.

The better-off — those in professional and managerial occupations — make bigger donations than the poor and contribute 57% of all money given. But judged by donations as a percentage of income, they are less generous than those lower down the scale.

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The average donor gives 1.2% of income in a year; but for "high-level" donors the figure is 0.8%. Why is this? And how can the super-rich be persuaded to cough up more for the poor?

Felix Dennis, the colourful publishing entrepreneur, believes the British rich may not be as miserly as some suspect when casting eyes across the Atlantic. They just give it away less publicly.

"The wealth in the US is greater — it depends on the percentage you give away," he says. "I know a lot of high net worth people in Britain and I know they do a lot of good stuff."

There are problems to consider, he says. "If you are an entrepreneur you never get a firm grip on what you are really worth. Assets go up and they go down. You don't know how much to blow or give away."

Mind you, he's admitted spending millions in his years of hedon-ism, when he pursued women, wine and the high life with an energy that nearly did him in. He now wishes he'd spent more on trees. He is in the process of trying to restore Britain's native woodland and hopes to create a national forest.

Other figures among Britain's super-rich have pledged vast sums to good causes, notably Sir Tom Hunter, the Scottish retail entrepreneur. Recently he has given more than £78m towards improving health and education, particularly in Africa.

Philip Richards, a hedge fund manager with a strong Christian faith, has regularly given 10% of his income to charity and last year gave away almost half.

The Children's Investment Fund (TCI), a hedge fund, passes part of its a slice of its earnings to helping children and Aids victims in the Third World.

A new type of giving is emerging from the entrepreneurial culture and creating specialist advisers to go with it. Nigel Harris is chief executive of an organisation called New Philanthropy Capital, which helps donors find suitable recipients for their gifts.

"We are beginning to see a group of new donors coming through," he says. "The driver for these guys is that it isn't about social advancement, this isn't about making friends; it is about making a difference. The driving motivation is effectiveness."

Lampl, who set up the Sutton Trust to provide educational opportunities for the nonprivileged and has spent £20m of his own money on it, sees the same phenomenon. "There is cause for optimism," he says. "In the 10 years since I set up the Sutton Trust the climate has changed considerably in this country.

"Charities are becoming more effective at engaging with their donors, and donors themselves have prompted higher standards of performance and evaluation in the charitable sector. An advantage of individuals making an awful lot of money, often at a young age, is that they are prepared to give their time as well as their money."

The city investment bank of Gold-man Sachs has participated for 10 years in Community Team Works, in which its staff spend a day working for charitable organisations. And recently it has raised a $1 billion bond to help vaccination programmes in 70 poor countries.

Some of the largest private equity outfits, now feeling the heat, last year set up a European charitable foundation, with particular emphasis on children's causes.

The London image of self-serving "celebrity giving" — largely through lavish and highly publicised charity bashes — is also slightly misleading. Last year the financier Arpad "Arki" Busson staged a gala dinner for 1,000 guests that involved a giant mechanical elephant and a concert by Sir Elton John. Jemima Khan, Sting and other stars mingled with the City elite, and the charity auction raised millions. One guest bid £250,000 for the chance to work on a new painting with Dam-ien Hirst.

Behind the glitz there were more serious and discreet players. Anonymous benefactors of Ark, the charity set up by Busson, matched every £1 raised with another £3, boosting the total proceeds to £18m.

"Here it is not about named endowments, it is done collectively," said Paul Bernstein, who runs Ark. "It is about being part of a larger group that leverages talent as well as gives money."

Nevertheless, in Lampl's view many of the people making fortunes today are still putting little or nothing back. "In the States if you are successful you are expected to do something," he says. "If you don't, people think there's something wrong."

Part of the problem, says Lampl, is that the UK provides tax breaks for charitable gifts in a more complicated way than in America. By simplifying the system, he argues, the government could encourage the wealthy to put their riches to work helping others. The Treasury is reluctant to make changes, however, fearing that tax breaks will lead to abuse and tax evasion.

More generally, Britain still suffers from a culture of secrecy and cynicism, says a member of one top US bank in London.

"In the US [giving] is upfront and open," he says. "In the UK we still have the politics of envy. People are cynical — they ask why you are giving and say you are only doing it so people think better of you.

"So people do it in private. That means there's no peer pressure, so people maybe don't give so much.

"It's a tragedy. We need to create a more virtuous circle."

Virtue? That sounds rather Victorian.