

Going Places

The rich used to flaunt their roots. Now they prefer wings—and not just the ones on their private jets.

By Rana Foroohar
Newsweek International

May 15-22, 2006 issue - Once upon a time, being rich meant being rooted. A wealthy family would build a grand home in the city, have a second one for weekends in the country, then stock them with expensive art, fabrics, jewels and, of course, a staff. They would belong to the best local clubs, frequent restaurants, and support the local symphony and museum. If they were trying to signal something, it was that they had been in this place for centuries. Fast-forward to 2006. The rich are on the move. **They still live well, of course, but they do so in many places, across the globe. They go from their house in Hong Kong to the pied-à-terre in New York. They spend a month in Provence one year and then catch the London theater scene on the way back.** (By some estimates, 15 percent of the properties in Western Europe are now second homes.)

If the old rich were symbolized by stability, the new are marked by movement. Welcome to the jet set—a quaint, old-fashioned phrase but one that best describes this new world.

The new class of global nomads know no boundaries as to where they can live, work or play. **In the past, only a handful of people achieved this kind of wealth—the kind that allows for private jets, in-home concierges, security entourages, multiple residences, personal art curators and even wealth-education camps for the kids. Now there is a substantial class that can enjoy such privileges.** These new rich are different, as F. Scott Fitzgerald might have said, not only from you and me but also from the moneyed castes of the past. They don't join those clubs near their homes to socialize; instead, they swap homes with their wealthy friends on other continents. They don't ship their kids off to boarding school but enroll them in local international schools. **They travel—at the high end by helicopter, private jet or yacht—from homes to villas to hotels,** working wirelessly all the way. Think of the steel magnate Lakshmi Mittal, who lives in London, travels around the world weekly, held his daughter's wedding in France and returns to his home in New Delhi several times a year.

It is no coincidence that the new nomads are at home nowhere, and everywhere. Many earned their fortunes on globalization, doing cross-border deals and making the world smaller while they made themselves richer. As their search for new markets and cheap labor takes them to ever more far-flung places, their networks grow, and their ties with their countries of origin become less important. In fact they are on a perpetual search for the most tax-efficient base for their burgeoning fortunes—which has made London, with its extremely generous tax rules for nondomiciled expatriates, one of their most popular playgrounds. They are, in some sense, individual versions of multinational companies; their world is truly borderless. And just as the rise of such corporations reshaped global economies, the

rise of this international elite is heralding a new economic era, one characterized by unprecedented wealth and mobility.

You've never heard of most of these people. Sure, Oracle's Larry Ellison owns a 138-meter yacht, and retail entrepreneur Philip Green's self-awarded \$1.2 billion dividend last year was one for the record books. **For every rich headline-grabber, there are many more members of the international elite who want to be unseen. In fact, private bankers like UBS's Faering often chuckle at the rich lists.** "Many of our clients, who value their privacy and go to great lengths to ensure it, are too wealthy to be on them." **Net Jets, the leader in the business of private-jet shares, says that its business has grown by 1,000 percent over the past four years.**

Indeed, **privacy is the commodity that today's superrich covet most**, and getting it requires a lot of money. Kroll, the world's leading private security firm, says that its business with high-net-worth individuals (those with more than \$500 million in assets) has increased 67 percent in the past two years. A full-service package includes a thorough review of all the clients' homes, planes, boats and offices. Are hydraulic rams or bespoke fencing in place to protect residences from attack? Have phones been debugged? Is the staff fully screened, and have they been trained in how to evacuate the family to their panic room in case of a kidnapping attempt? Are all papers in the house being shredded, and all outdated electronic devices destroyed? The total cost for all this can easily run to several million dollars per year. Those who really want to play it safe—like Microsoft cofounder Paul Allen, and Russian oil oligarch Roman Abramovich—will spend tens of millions more on private submarines, which can circle under their yachts to whisk them away in case of ambush.

Even those who don't live in mortal fear of kidnapers still increasingly prefer to live, work and party in privacy, even as they travel the globe. As a result, gated communities, which have long existed in highly segmented societies like Brazil's and parts of Africa, are springing up all over. They offer privacy but also usually come with hotel-style services. Quintessentially, a global concierge service, says that one of its most popular requests is to procure private islands for clients.

The new rich are also much less likely to collect furniture or antiques than art, especially foreign art, which they see as an investment, as well as a symbol of their worldliness. The tremendous global demand for high-end contemporary art from exotic locales has led to bubbles in art markets around the world. "Things are very frenetic right now, particularly at the top end, for works ranging from \$2 million to \$10 million," says Abigail Asher, who buys art for Steven Spielberg, among others. Her duties include flying around the world at the drop of a hat to procure a present for the wife of a cheating husband, or doing the bidding of a competitive billionaire who wants to prevent a rival from snapping up a coveted piece. And while European and American art still command the highest prices, contemporary Chinese and Indian pieces are gaining steam, as global nomads (many of them developing-world expats who have returned home) push them past the \$1 million mark at auction. Artists like China's Ai Weiwei and India's M. F. Hussain are sought-after stars at global festivals and exhibitions. The result is that top gallery owners from New York and London are now setting up shops in Mumbai and Shanghai.

These rootless high fliers also travel to do good. From conferencing at Davos (and its many smaller imitators) to setting out on environmental and health-related trips in Asia and Africa, they are far more likely than their predecessors to have actually seen how the other 95 percent live. Travel with a purpose is on the rise, though some of it is done quite lavishly. American nonprofit executives say, though only anonymously, that their benefactors' chief demand these days is to go visiting the countries in which they operate. "They want to have an interesting experience and feel like they have seen something new," said one. Still, it is having mostly good effects. Motivated by what they've seen during their extensive travels to remote places, a number of young tech entrepreneurs and hedge funders are getting actively involved in "venture philanthropy," doing more hands-on work and using stricter business metrics to gauge their success.

The fuel that keeps this highly mobile global elite going—money—just keeps on coming. The World Wealth Report notes that there are an increasing number of "middle-market millionaires," corporate executives worth \$5 million to 30 million, who have yet to discover their spending power. Milton Pedraza, head of the New York-based Luxury Institute, which tracks the preferences of the rich, predicts that "concierge medicine" will be one booming business of the future. Already, he notes, there are companies that for \$10,000 a year will provide access to private medical planes that will whisk you away to a top hospital should you suffer accident or illness while abroad.

But as the lifestyles of the rich and not-necessarily-famous become ever cushier, what will happen to the middle class? In the United States, where the differences are most pronounced, the top 10 percent of wage earners received 49 percent of the growth in salaries between 1997 and 2001—with **24 percent going to the top 1 percent alone**—while the bottom 50 percent received less than 13 percent of wage growth. "Capitalism used to be a good thing for skillful, working people," says Stephen Haseler, a professor at London Metropolitan University and author of "The Super Rich: The Unjust New World of Global Capitalism," a critical look at the unequal accumulation of global wealth. "Now, it benefits mostly a global elite who have little connection to any specific local or national needs, and who are very interested in avoiding taxes. There will be huge social ramifications of that, starting with our national health and education systems." The rich, after all, can move around the world, choosing where to live, work, and educate their young. But for many of the rest of us the options are not quite so global. In fact, one definition of being middle class today might well be being immobile, largely rooted in one country or region or city. Just like the rich of old.