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The Rise of the New Global Elite

F. SCOTT FITZGERALD WAS RIGHT WHEN HE DECLARED THE RICH DIFFERENT FROM YOU AND ME. BUT TODAY'S SUPER-RICH ARE ALSO DIFFERENT FROM YESTERDAY'S: MORE HARDWORKING AND MERITOCRATIC, BUT LESS CONNECTED TO THE NATIONS THAT GRANTED THEM OPPORTUNITY—AND THE COUNTRYMEN THEY ARE LEAVING EVER FURTHER BEHIND.

By Chrystia Freeland

IMAGE CREDIT: STEPHEN WEBSTER/WONDERFUL MACHINE

IF YOU HAPPENED to be watching NBC on the first Sunday morning in August last summer, you would have seen something curious. There, on the set of *Meet the Press*, the host, David Gregory, was interviewing a guest who made a forceful case that the U.S. economy had become "very distorted." In the wake of the recession, this guest explained, high-income individuals, large banks, and major corporations had experienced a "significant recovery"; the rest of the economy, by contrast—including small businesses and "a very significant amount of the labor force"—was stuck and still struggling. What we were seeing, he argued, was not a single economy at all, but rather "fundamentally two separate types of economy," increasingly distinct and divergent.

This diagnosis, though alarming, was hardly unique: drawing attention to the divide between the wealthy and everyone else has long been standard fare on the left. (The idea of "two Americas" was a central theme of John Edwards's 2004 and 2008 presidential runs.) What made the argument striking in this instance was that it was being offered by none other than the former five-term Federal Reserve Chairman Alan Greenspan: iconic libertarian, preeminent defender of the free market, and (at least until recently) the nation's foremost devotee of Ayn Rand. When the high priest of capitalism himself

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is declaring the growth in economic inequality a national crisis, something has gone very, very wrong.

This widening gap between the rich and non-rich has been evident for years. In a 2005 report to investors, for instance, three analysts at Citigroup advised that “the World is dividing into two blocs—the Plutonomy and the rest”:

> In a plutonomy there is no such animal as “the U.S. consumer” or “the UK consumer”, or indeed the “Russian consumer”. There are rich consumers, few in number, but disproportionate in the gigantic slice of income and consumption they take. There are the rest, the “non-rich”, the multitudinous many, but only accounting for surprisingly small bites of the national pie.

Before the recession, it was relatively easy to ignore this concentration of wealth among an elite few. The wondrous inventions of the modern economy—Google, Amazon, the iPhone—broadly improved the lives of middle-class consumers, even as they made a tiny subset of entrepreneurs hugely wealthy. And the less-wondrous inventions—particularly the explosion of subprime credit—helped mask the rise of income inequality for many of those whose earnings were stagnant.

But the financial crisis and its long, dismal aftermath have changed all that. A multibillion-dollar bailout and Wall Street’s swift, subsequent reinstatement of gargantuan bonuses have inspired a narrative of parasitic bankers and other elites rigging the game for their own benefit. And this, in turn, has led to wider—and not unreasonable—fears that we are living in not merely a plutonomy, but a plutocracy, in which the rich display outsize political influence, narrowly self-interested motives, and a casual indifference to anyone outside their own rarefied economic bubble.

Through my work as a business journalist, I’ve spent the better part of the past decade shadowing the new super-rich: attending the same exclusive conferences in Europe; conducting interviews over cappuccinos on Martha’s Vineyard or in Silicon Valley meeting rooms; observing high-powered dinner parties in Manhattan. Some of what I’ve learned is entirely predictable: the rich are, as F. Scott Fitzgerald famously noted, different from you and me.

What is more relevant to our times, though, is that the rich of today are also different from the rich of yesterday. Our light-speed, globally connected economy has led to the rise of a new super-elite that consists, to a notable degree, of first- and second-generation wealth. Its members are hardworking, highly educated, jet-setting meritocrats who feel they are the deserving winners of a tough, worldwide economic competition—and many of them, as a result, have an ambivalent attitude toward those of us who didn’t succeed so spectacularly. Perhaps most noteworthy, they are becoming a transglobal community of peers who have more in common with one another than with their countrymen back home. Whether they maintain primary residences in New York or Hong Kong, Moscow or Mumbai, today’s super-rich are increasingly a nation unto themselves.

The Winner-Take-Most Economy

The rise of the new plutocracy is inextricably connected to two phenomena: the revolution in information technology and the liberalization of global trade. Individual nations have offered their own contributions to income inequality—financial deregulation and upper-bracket tax cuts in the United States; insider privatization in Russia; rent-seeking in regulated industries in India and Mexico. But the shared narrative is that, thanks to globalization and technological innovation, people, money,

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and ideas travel more freely today than ever before.

Peter Lindert is an economist at the University of California at Davis and one of the leaders of the "deep history" school of economics, a movement devoted to thinking about the world economy over the long term—that is to say, in the context of the entire sweep of human civilization. Yet he argues that the economic changes we are witnessing today are unprecedented. "Britain's classic industrial revolution was far less impressive than what has been going on in the past 30 years," he told me. The current productivity gains are larger, he explained, and the waves of disruptive innovation much, much faster.

From a global perspective, the impact of these developments has been overwhelmingly positive, particularly in the poorer parts of the world. Take India and China, for example: between 1820 and 1950, nearly a century and a half, per capita income in those two countries was basically flat. Between 1950 and 1973, it increased by 68 percent. Then, between 1973 and 2002, it grew by 245 percent, and continues to grow strongly despite the global financial crisis.

But within nations, the fruits of this global transformation have been shared unevenly. Though China's middle class has grown exponentially and tens of millions have been lifted out of poverty, the super-elite in Shanghai and other east-coast cities have steadily pulled away. Income inequality has also increased in developing markets such as India and Russia, and across much of the industrialized West, from the relatively laissez-faire United States to the comfy social democracies of Canada and Scandinavia. Thomas Friedman is right that in many ways the world has become flatter; but in others it has grown spikier.

One reason for the spikes is that the global market and its associated technologies have enabled the creation of a class of international business megastars. As companies become bigger, the global environment more competitive, and the rate of disruptive technological innovation ever faster, the value to shareholders of attracting the best possible CEO increases correspondingly. Executive pay has skyrocketed for many reasons—including the prevalence of overly cozy boards and changing cultural norms about pay—but increasing scale, competition, and innovation have all played major roles.

Many corporations have profited from this economic upheaval. Expanded global access to labor (skilled and unskilled alike), customers, and capital has lowered traditional barriers to entry and increased the value of an ahead-of-the-curve insight or innovation. Facebook, whose founder, Mark Zuckerberg, dropped out of college just six years ago, is already challenging Google, itself hardly an old-school corporation. But the biggest winners have been individuals, not institutions. The hedge-fund manager John Paulson, for instance, single-handedly profited almost as much from the crisis of 2008 as Goldman Sachs did.

Meanwhile, the vast majority of U.S. workers, however devoted and skilled at their jobs, have missed out on the windfalls of this winner-take-most economy—or worse, found their savings, employers, or professions ravaged by the same forces that have enriched the plutocratic elite. The result of these divergent trends is a jaw-dropping surge in U.S. income inequality. According to the economists Emmanuel Saez of Berkeley and Thomas Piketty of the Paris School of Economics, between 2002 and 2007, 65 percent of all income growth in the United States went to the top 1 percent of the population. The financial crisis interrupted this trend temporarily, as incomes for the top 1 percent fell more than those of the rest of the population in 2008. But recent evidence suggests that, in the wake of the crisis,

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incomes at the summit are rebounding more quickly than those below. One example: after a down year in 2008, the top 25 hedge-fund managers were paid, on average, more than $1 billion each in 2009, quickly eclipsing the record they had set in pre-recession 2007.

Plutocracy Now

If you are looking for the date when America's plutocracy had its coming-out party, you could do worse than choose June 21, 2007. On that day, the private-equity behemoth Blackstone priced the largest initial public offering in the United States since 2002, raising $4 billion and creating a publicly held company worth $31 billion at the time. Stephen Schwarzman, one of the firm's two co-founders, came away with a personal stake worth almost $8 billion, along with $677 million in cash; the other, Peter Peterson, cashed a check for $1.88 billion and retired.

In the sort of coincidence that delights historians, conspiracy theorists, and book publishers, June 21 also happened to be the day Peterson threw a party—at Manhattan's Four Seasons restaurant, of course—to launch *The Manny*, the debut novel of his daughter, Holly, who lightly satirizes the lives and loves of financiers and their wives on the Upper East Side. The best seller fits neatly into the genre of modern "mommy lit"—*USA Today* advised readers to take it to the beach—but the author told me that she was inspired to write it in part by her belief that "people have no clue about how much money there is in this town."

Holly Peterson and I spoke several times about how the super-affluence of recent years has changed the meaning of wealth. "There's so much money on the Upper East Side right now," she said. "If you look at the original movie *Wall Street*, it was a phenomenon where there were men in their 30s and 40s making $2 and $3 million a year, and that was disgusting. But then you had the Internet age, and then globalization, and you had people in their 30s, through hedge funds and Goldman Sachs partner jobs, who were making $20, $30, $40 million a year. And there were a lot of them doing it. I think people making $5 million to $10 million definitely don't think they are making enough money."

As an example, she described a conversation with a couple at a Manhattan dinner party: "They started saying, 'If you're going to buy all this stuff, life starts getting really expensive. If you're going to do the NetJet thing'"—this is a service offering "fractional aircraft ownership" for those who do not wish to buy outright—"'and if you're going to have four houses, and you're going to run the four houses, it's like you start spending some money.'"

The clincher, Peterson says, came from the wife: "She turns to me and she goes, 'You know, the thing about 20'"—by this, she meant $20 million a year—"'is 20 is only 10 after taxes.' And everyone at the table is nodding."

As with the aristocracies of bygone days, such vast wealth has created a gulf between the plutocrats and other people, one reinforced by their withdrawal into gated estates, exclusive academies, and private planes. We are mesmerized by such extravagances as Microsoft co-founder Paul Allen's 414-foot yacht, the *Octopus*, which is home to two helicopters, a submarine, and a swimming pool.

But while their excesses seem familiar, even archaic, today's plutocrats represent a new phenomenon. The wealthy of F. Scott Fitzgerald's era were shaped, he wrote, by the fact that they had been "born rich." They knew what it was to "possess and enjoy early."

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That's not the case for much of today's super-elite. "Fat cats who owe it to their grandfathers are not getting all of the gains," Peter Lindert told me. "A lot of it is going to innovators this time around. There is more meritocracy in Bill Gates being at the top than the Duke of Bedford." Even Emmanuel Saez, who is deeply worried about the social and political consequences of rising income inequality, concurs that a defining quality of the current crop of plutocrats is that they are the "working rich." He has found that in 1916, the richest 1 percent of Americans received only one-fifth of their income from paid work; in 2004, that figure had risen threefold, to 60 percent.

Peter Peterson, for example, is the son of a Greek immigrant who arrived in America at age 17 and worked his way up to owning a diner in Nebraska; his Blackstone co-founder, Stephen Schwarzman, is the son of a Philadelphia retailer. And they are hardly the exceptions. Of the top 10 figures on the 2010 *Forbes* list of the wealthiest Americans, four are self-made, two (Charles and David Koch) expanded a medium-size family oil business into a billion-dollar industrial conglomerate, and the remaining four are all heirs of the self-made billionaire Sam Walton. Similarly, of the top 10 foreign billionaires, six are self-made, and the remaining four are vigorously growing their patrimony, rather than merely living off it. It's true that few of today's plutocrats were born into the sort of abject poverty that can close off opportunity altogether— a strong early education is pretty much a precondition—but the bulk of their wealth is generally the fruit of hustle and intelligence (with, presumably, some luck thrown in). They are not aristocrats, by and large, but rather economic meritocrats, preoccupied not merely with consuming wealth but with creating it.

The Road to Davos

To grasp the difference between today's plutocrats and the hereditary elite, who (to use John Stuart Mill's memorable phrase) "grow rich in their sleep," one need merely glance at the events that now fill high-end social calendars. The debutante balls and hunts and regattas of yesteryear may not be quite obsolete, but they are headed in that direction. The real community life of the 21st-century plutocracy occurs on the international conference circuit.

The best-known of these events is the World Economic Forum's annual meeting in Davos, Switzerland, invitation to which marks an aspiring plutocrat's arrival on the international scene. The Bilderberg Group, which meets annually at locations in Europe and North America, is more exclusive still—and more secretive—though it is more focused on geopolitics and less on global business and philanthropy. The Boao Forum for Asia, convened on China's Hainan Island each spring, offers evidence of that nation's growing economic importance and its understanding of the plutocratic culture. Bill Clinton is pushing hard to win his Clinton Global Initiative a regular place on the circuit. The TED conferences (the acronym stands for "Technology, Entertainment, Design") are an important stop for the digerati; Herb Allen's* Sun Valley gathering, for the media moguls; and the Aspen Institute's Ideas Festival (co-sponsored by this magazine), for the more policy-minded.

Recognizing the value of such global conclaves, some corporations have begun hosting their own. Among these is Google's Zeitgeist conference, where I have moderated discussions for several years. One of the most recent gatherings was held last May at the Grove Hotel, a former provincial estate in the English countryside, whose 300-acre grounds have been transformed into a golf course and whose high-ceilinged rooms are now decorated with a mixture of antique and contemporary furniture. (Mock Louis XIV chairs—made, with a wink, from high-end plastic—are much in evidence.) Last year, Cirque

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du Soleil offered the 500 guests a private performance in an enormous tent erected on the grounds; in 2007, to celebrate its acquisition of YouTube, Google flew in overnight Internet sensations from around the world.

Yet for all its luxury, the mood of the Zeitgeist conference is hardly sybaritic. Rather, it has the intense, earnest atmosphere of a gathering of college summa cum laudes. This is not a group that plays hooky: the conference room is full from 9 a.m. to 6 p.m., and during coffee breaks the lawns are crowded with executives checking their BlackBerrys and iPads.

Last year's lineup of Zeitgeist speakers included such notables as Archbishop Desmond Tutu, London Mayor Boris Johnson, and Starbucks CEO Howard Schultz (not to mention, of course, Google's own CEO, Eric Schmidt). But the most potent currency at this and comparable gatherings is neither fame nor money. Rather, it's what author Michael Lewis has dubbed "the new new thing"—the insight or algorithm or technology with the potential to change the world, however briefly. Hence the presence last year of three Nobel laureates, including Daniel Kahneman, a pioneer in behavioral economics. One of the business stars in attendance was the 36-year-old entrepreneur Tony Hsieh, who had sold his Zappos online shoe retailer to Amazon for more than $1 billion the previous summer. And the most popular session of all was the one in which Google showcased some of its new inventions, including the Nexus phone.

This geeky enthusiasm for innovation and ideas is evident at more-intimate gatherings of the global elite as well. Take the elegant Manhattan dinner parties hosted by Marie-Josée Kravis, the economist wife of the private-equity billionaire Henry, in their elegant Upper East Side apartment. Though the china is Sèvres and the paintings are museum quality (Marie-Josée is, after all, president of the Museum of Modern Art's board), the dinner-table conversation would not be out of place in a graduate seminar. Mrs. Kravis takes pride in bringing together not only plutocrats such as her husband and Michael Bloomberg, but also thinkers and policy makers such as Richard Holbrooke, Robert Zoellick, and *Financial Times* columnist Martin Wolf, and leading them in discussion of matters ranging from global financial imbalances to the war in Afghanistan.

Indeed, in this age of elites who delight in such phrases as *outside the box* and *killer app*, arguably the most coveted status symbol isn't a yacht, a racehorse, or a knighthood; it's a philanthropic foundation—and, more than that, one actively managed in ways that show its sponsor has big ideas for reshaping the world.

Philanthrocapitalism

George Soros, who turned 80 last summer, is a pioneer and role model for the socially engaged billionaire. Arguably the most successful investor of the post-war era, he is nonetheless proudest of his Open Society Foundations, through which he has spent billions of dollars on issues as diverse as marijuana legalization, civil society in central and eastern Europe, and rethinking economic assumptions in the wake of the financial crisis.

Inspired and advised by the liberal Soros, Peter Peterson—himself a Republican and former member of Nixon's Cabinet—has spent $1 billion of his Blackstone windfall on a foundation dedicated to bringing down America's deficit and entitlement spending. Bill Gates, likewise, devotes most of his energy and intellect today to his foundation's work on causes ranging from supporting charter schools

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to combating disease in Africa. Facebook's Zuckerberg has yet to reach his 30th birthday, but last fall he donated $100 million to improving the public schools of Newark, New Jersey. Insurance and real-estate magnate Eli Broad has become an influential funder of stem-cell research; Jim Balsillie, a co-founder of BlackBerry creator Research in Motion, has established his own international-affairs think tank; and on and on. It is no coincidence that Bill Clinton has devoted his post-presidency to the construction of a global philanthropic "brand."

The super-wealthy have long recognized that philanthropy, in addition to its moral rewards, can also serve as a pathway to social acceptance and even immortality: Andrew "The Man Who Dies Rich Dies Disgraced" Carnegie transformed himself from robber baron to secular saint with his hospitals, concert halls, libraries, and university; Alfred Nobel ensured that he would be remembered for something other than the invention of dynamite. What is notable about today's plutocrats is that they tend to bestow their fortunes in much the same way they made them: entrepreneurially. Rather than merely donate to worthy charities or endow existing institutions (though they of course do this as well), they are using their wealth to test new ways to solve big problems. The journalists Matthew Bishop and Michael Green have dubbed the approach "philanthrocapitalism" in their book of the same name. "There is a connection between their ways of thinking as businesspeople and their ways of giving," Bishop told me. "They are used to operating on a grand scale, and so they operate on a grand scale in their philanthropy as well. And they are doing it at a much earlier age."

A measure of the importance of public engagement for today's super-rich is the zeal with which even emerging-market plutocrats are developing their own foundations and think tanks. When the oligarchs of the former Soviet Union first burst out beyond their own borders, they were Marxist caricatures of the nouveau riche, purchasing yachts and sports teams, and surrounding themselves with couture-clad supermodels. Fifteen years later, they are exploring how to buy their way into the world of ideas.

One of the most determined is the Ukrainian entrepreneur Victor Pinchuk, whose business empire ranges from pipe manufacturing to TV stations. With a net worth of $3 billion, Pinchuk is no longer content merely to acquire modern art: in 2009, he began a global competition for young artists, run by his art center in Kiev and conceived as a way of bringing Ukraine into the international cultural mainstream. Pinchuk hosts a regular lunch on the fringes of Davos and has launched his own annual "ideas forum," a gathering devoted to geopolitics that is held, with suitable modesty, in the same Crimean villa where Stalin, Roosevelt, and Churchill attended the Yalta Conference. Last September's meeting, where I served as a moderator, included Bill Clinton, International Monetary Fund head Dominique Strauss-Kahn, Polish President Bronislaw Komorowski, and Russian Deputy Prime Minister Alexei Kudrin.

As an entrée into the global super-elite, Pinchuk's efforts seem to be working: on a visit to the U.S. last spring, the oligarch met with David Axelrod, President Obama's top political adviser, in Washington and schmoozed with Charlie Rose at a New York book party for *Time* magazine editor Rick Stengel. On a previous trip, he'd dined with Caroline Kennedy at the Upper East Side townhouse of HBO's Richard Plepler. Back home, he has entertained his fellow art enthusiast Eli Broad at his palatial estate (which features its own nine-hole golf course) outside Kiev, and has partnered with Soros to finance Ukrainian civil-society projects.

A Nation Apart

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Pinchuk's growing international Rolodex illustrates another defining characteristic of today's plutocrats: they are forming a global community, and their ties to one another are increasingly closer than their ties to hoi polloi back home. As Glenn Hutchins, co-founder of the private-equity firm Silver Lake, puts it, "A person in Africa who runs a big African bank and went to Harvard might have more in common with me than he does with his neighbors, and I could well share more overlapping concerns and experiences with him than with my neighbors." The circles we move in, Hutchins explains, are defined by "interests" and "activities" rather than "geography": "Beijing has a lot in common with New York, London, or Mumbai. You see the same people, you eat in the same restaurants, you stay in the same hotels. But most important, we are engaged as global citizens in crosscutting commercial, political, and social matters of common concern. We are much less place-based than we used to be."

In a similar vein, the wife of one of America's most successful hedge-fund managers offered me the small but telling observation that her husband is better able to navigate the streets of Davos than those of his native Manhattan. When he's at home, she explained, he is ferried around town by a car and driver; the snowy Swiss hamlet, which is too small and awkward for limos, is the only place where he actually walks. An American media executive living in London put it more succinctly still: "We are the people who know airline flight attendants better than we know our own wives."

America's business elite is something of a latecomer to this transnational community. In a study of British and American CEOs, for example, Elisabeth Marx, of the headhunting firm Heidrick & Struggles, found that almost a third of the former were foreign nationals, compared with just 10 percent of the latter. Similarly, more than two-thirds of the Brits had worked abroad for at least a year, whereas just a third of the Americans had done so.

But despite the slow start, American business is catching up: the younger generation of chief executives has significantly more international experience than the older generation, and the number of foreign and foreign-born CEOs, while still relatively small, is rising. The shift is particularly evident on Wall Street: in 2006, each of America's eight biggest banks was run by a native-born CEO; today, five of those banks remain, and two of the survivors—Citigroup and Morgan Stanley—are led by men who were born abroad.

Mohamed ElErian, the CEO of Pimco, the world's largest bond manager, is typical of the internationalists gradually rising to the top echelons of U.S. business. The son of an Egyptian father and a French mother, ElErian had a peripatetic childhood, shuttling between Egypt, France, the United States, the United Kingdom, and Switzerland. He was educated at Cambridge and Oxford and now leads a U.S.-based company that is owned by the German financial conglomerate Allianz SE.

Though ElErian lives in Laguna Beach, California, near where Pimco is headquartered, he says that he can't name a single country as his own. "I have had the privilege of living in many countries," ElErian told me on a recent visit to New York. "One consequence is that I am a sort of global nomad, open to many perspectives." As he talked, we walked through Midtown, which ElErian remembered fondly from his childhood, when he'd take the crosstown bus each day to the United Nations International School. That evening, ElErian was catching a flight to London. Later in the week, he was due in St. Petersburg.

Indeed, there is a growing sense that American businesses that don't internationalize aggressively risk being left behind. For all its global reach, Pimco is still based in the United States. But the flows of

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goods and capital upon which the super-elite surf are bypassing America more often than they used to. Take, for example, Stephen Jennings, the 50-year-old New Zealander who co-founded the investment bank Renaissance Capital. Renaissance's roots are in Moscow, where Jennings maintains his primary residence, and his business strategy involves positioning the firm to capture the investment flows between the emerging markets, particularly Russia, Africa, and Asia. For his purposes, New York is increasingly irrelevant. In a 2009 speech in Wellington, New Zealand, he offered his vision of this post-unipolar business reality: "The largest metals group in the world is Indian. The largest aluminum group in the world is Russian ... The fastest-growing and largest banks in China, Russia, and Nigeria are all domestic."

As it happens, a fellow tenant in Jennings's high-tech, high-rise Moscow office building recently put together a deal that exemplifies just this kind of intra-emerging-market trade. Last year, Digital Sky Technologies, Russia's largest technology investment firm, entered into a partnership with the South African media corporation Naspers and the Chinese technology company Tencent. All three are fast-growing firms with global vision—last fall, a DST spin-off called Mail.ru went public and immediately became Europe's most highly valued Internet company—yet none is primarily focused on the United States. A similar harbinger of the intra-emerging-market economy was the acquisition by Bharti Enterprises, the Indian telecom giant, of the African properties of the Kuwait-based telecom firm Zain. A California technology executive explained to me that a company like Bharti has a competitive advantage in what he believes will be the exploding African market: "They know how to provide mobile phones so much more cheaply than we do. In a place like Africa, how can Western firms compete?"

The good news—and the bad news—for America is that the nation's own super-elite is rapidly adjusting to this more global perspective. The U.S.-based CEO of one of the world's largest hedge funds told me that his firm's investment committee often discusses the question of who wins and who loses in today's economy. In a recent internal debate, he said, one of his senior colleagues had argued that the hollowing-out of the American middle class didn't really matter. "His point was that if the transformation of the world economy lifts four people in China and India out of poverty and into the middle class, and meanwhile means one American drops out of the middle class, that's not such a bad trade," the CEO recalled.

I heard a similar sentiment from the Taiwanese-born, 30-something CFO of a U.S. Internet company. A gentle, unpretentious man who went from public school to Harvard, he's nonetheless not terribly sympathetic to the complaints of the American middle class. "We demand a higher paycheck than the rest of the world," he told me. "So if you're going to demand 10 times the paycheck, you need to deliver 10 times the value. It sounds harsh, but maybe people in the middle class need to decide to take a pay cut."

At last summer's Aspen Ideas Festival, Michael Splinter, CEO of the Silicon Valley green-tech firm Applied Materials, said that if he were starting from scratch, only 20 percent of his workforce would be domestic. "This year, almost 90 percent of our sales will be outside the U.S.," he explained. "The pull to be close to the customers—most of them in Asia—is enormous." Speaking at the same conference, Thomas Wilson, CEO of Allstate, also lamented this global reality: "I can get [workers] anywhere in the world. It is a problem for America, but it is not necessarily a problem for American business ...

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American businesses will adapt."

Revolt of the Elites

Wilson's distinction helps explain why many of America's other business elites appear so removed from the continuing travails of the U.S. workforce and economy: the global "nation" in which they increasingly live and work is doing fine—indeed, it's thriving. As a consequence of this disconnect, when business titans talk about the economy and their role in it, the notes they strike are often discordant: for example, Goldman Sachs CEO Lloyd Blankfein waving away public outrage in 2009 by saying he was "doing God's work"; or the insistence by several top bankers after the immediate threat of the financial crisis receded that their institutions could have survived without TARP funding and that they had accepted it only because they had been strong-armed by Treasury Secretary Henry Paulson. Nor does this aloof disposition end at the water's edge: think of BP CEO Tony Hayward, who complained of wanting to get his life back after the Gulf oil spill and then proceeded to do so by watching his yacht compete in a race off the Isle of Wight.

It is perhaps telling that Blankfein is the son of a Brooklyn postal worker and that Hayward—despite his U.S. caricature as an upper-class English twit—got his start at BP as a rig geologist in the North Sea. They are both, in other words, working-class boys made good. And while you might imagine that such backgrounds would make plutocrats especially sympathetic to those who are struggling, the opposite is often true. For the super-elite, a sense of meritocratic achievement can inspire high self-regard, and that self-regard—especially when compounded by their isolation among like-minded peers—can lead to obliviousness and indifference to the suffering of others.

Unsurprisingly, Russian oligarchs have been among the most fearless in expressing this attitude. A little more than a decade ago, for instance, I spoke to Mikhail Khodorkovsky, at that moment the richest man in Russia. "If a man is not an oligarch, something is not right with him," Khodorkovsky told me. "Everyone had the same starting conditions, everyone could have done it." (Khodorkovsky's subsequent political travails—his oil company was appropriated by the state in 2004 and he is currently in prison—have tempered this Darwinian outlook: in a jail-cell correspondence last year, he admitted that he had "treated business exclusively as a game" and "did not care much about social responsibility.")

Though typically more guarded in their choice of words, many American plutocrats suggest, as Khodorkovsky did, that the trials faced by the working and middle classes are generally their own fault. When I asked one of Wall Street's most successful investment-bank CEOs if he felt guilty for his firm's role in creating the financial crisis, he told me with evident sincerity that he did not. The real culprit, he explained, was his feckless cousin, who owned three cars and a home he could not afford. One of America's top hedge-fund managers made a near-identical case to me—though this time the offenders were his in-laws and their subprime mortgage. And a private-equity baron who divides his time between New York and Palm Beach pinned blame for the collapse on a favorite golf caddy in Arizona, who had bought three condos as investment properties at the height of the bubble.

It is this not-our-fault mentality that accounts for the plutocrats' profound sense of victimization in the Obama era. You might expect that American elites—and particularly those in the financial sector —would be feeling pretty good, and more than a little grateful, right now. Thanks to a $700 billion TARP bailout and hundreds of billions of dollars lent nearly free of charge by the Federal Reserve (a

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policy Soros himself told me was a "hidden gift" to the banks), Wall Street has surged back to pre-crisis levels of compensation even as Main Street continues to struggle. Yet many of America's financial giants consider themselves under siege from the Obama administration—in some cases almost literally. Last summer, for example, Blackstone's Schwarzman caused an uproar when he said an Obama proposal to raise taxes on private-equity-firm compensation—by treating "carried interest" as ordinary income—was "like when Hitler invaded Poland in 1939."

However histrionic his imagery, Schwarzman (who subsequently apologized for the remark) is a Republican, so his antipathy toward the current administration is no surprise. What is more striking is the degree to which even former Obama supporters in the financial industry have turned against the president and his party. A Wall Street investor who is a passionate Democrat recounted to me his bitter exchange with a Democratic leader in Congress who is involved in the tax-reform effort. "Screw you," he told the lawmaker. "Even if you change the legislation, the government won't get a single penny more from me in taxes. I'll put my money into my foundation and spend it on good causes. My money isn't going to be wasted in your deficit sinkhole."

He is not alone in his fury. In a much-quoted newsletter to investors last summer, the hedge-fund manager—and 2008 Obama fund-raiser—Dan Loeb fumed, "So long as our leaders tell us that we must trust them to regulate and redistribute our way back to prosperity, we will not break out of this economic quagmire." Two other former Obama backers on Wall Street—both claim to have been on Rahm Emanuel's speed-dial list—told me that the president is "anti-business"; one went so far as to worry that Obama is "a socialist."

Much of this pique stems from simple self-interest: in addition to the proposed tax hikes, the financial reforms that Obama signed into law last summer have made regulations on American finance more stringent. But as the Democratic investor's angry references to his philanthropic work suggest, the rage in the C-suites is driven not merely by greed but by a perceived affront to the plutocrats' amour propre, a wounded incredulity that anyone could think of them as villains rather than heroes. Aren't they, after all, the ones whose financial and technological innovations represent the future of the American economy? Aren't they "doing God's work"?

You might say that the American plutocracy is experiencing its John Galt moment. Libertarians (and run-of-the-mill high-school nerds) will recall that Galt is the plutocratic hero of Ayn Rand's 1957 novel, *Atlas Shrugged*. Tired of being dragged down by the parasitic, envious, and less talented lower classes, Galt and his fellow capitalists revolted, retreating to "Galt's Gulch," a refuge in the Rocky Mountains. There, they passed their days in secluded natural splendor, while the rest of the world, bereft of their genius and hard work, collapsed. (G. K. Chesterton suggested a similar idea, though more gently, in his novel *The Man Who Was Thursday*: "The poor man really has a stake in the country. The rich man hasn't; he can go away to New Guinea in a yacht.")

This plutocratic fantasy is, of course, just that: no matter how smart and innovative and industrious the super-elite may be, they can't exist without the wider community. Even setting aside the financial bailouts recently supplied by the governments of the world, the rich need the rest of us as workers, clients, and consumers. Yet, as a metaphor, Galt's Gulch has an ominous ring at a time when the business elite view themselves increasingly as a global community, distinguished by their unique talents and above such parochial concerns as national identity, or devoting "their" taxes to paying

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down "our" budget deficit. They may not be isolating themselves geographically, as Rand fantasized. But they appear to be isolating themselves ideologically, which in the end may be of greater consequence.

The Backlash

The cultural ties that bind the super-rich to everyone else are fraying from both ends at once. Since World War II, the United States in particular has had an ethos of aspirational capitalism. As Soros told me, "It is easier to be rich in America than in Europe, because Europeans envy the billionaire, but Americans hope to emulate him." But as the wealth gap has grown wider, and the rich have appeared to benefit disproportionately from government bailouts, that admiration has begun to sour.

One measure of the pricklier mood is how risky it has become for politicians to champion Big Business publicly. Defending Big Oil and railing against government interference used to be part of the job description of Texas Republicans. But when Congressman Joe Barton tried to take the White House to task for its post-spill "shakedown" of BP, he was immediately silenced by party elders. New York's Charles Schumer is sometimes described as "the senator from Wall Street." Yet when the financial-reform bill came to the Senate last spring—a political tussle in which each side furiously accused the other of carrying water for the banks—on Wall Street, Schumer was called the "invisible man" for his uncharacteristic silence on the issue.

In June, when I asked Larry Summers, then the president's chief economic adviser, about hedge funds' objections to the carried-interest tax reform, he was quick to disassociate himself from Wall Street's concerns. "If that's been the largest public-policy issue you've encountered," he told me, "you've been traveling in different circles than I have been over the last several months." I reminded him that he had in fact worked for a hedge fund, D. E. Shaw, as recently as 2008, and he emphasized his use of the qualifier *over the last several months*.

Critiques of the super-elite are becoming more common even at gatherings of the super-elite. At a *Wall Street Journal* conference in December 2009, Paul Volcker, the legendary former head of the Federal Reserve, argued that Wall Street's claims of wealth creation were without any real basis. "I wish someone," he said, "would give me one shred of neutral evidence that financial innovation has led to economic growth—one shred of evidence."

At Google's May Zeitgeist gathering, Desmond Tutu, the opening speaker, took direct aim at executive compensation. "I do have a very real concern about capitalism," he lectured the gathered executives. "The Goldman Sachs thing. I read that one of the directors general—whatever they are called, CEO—took away one year as his salary $64 million. *Sixty-four million dollars*." He sputtered to a stop, momentarily stunned by this sum (though, by the standards of Wall Street and Silicon Valley compensation, it's not actually that much money). In an op-ed in *The Wall Street Journal* last year, even the economist Klaus Schwab—founder of the World Economic Forum and its iconic Davos meeting—warned that "the entrepreneurial system is being perverted," and businesses that "fall back into old habits and excesses" could "undermin[e] social peace."

Bridging the Divide

Not all plutocrats, of course, are created equal. Apple's visionary Steve Jobs is neither the moral nor the economic equivalent of the Russian oligarchs who made their fortunes by brazenly seizing their

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country's natural resources. And while the benefits of the past decade's financial "innovations" are, as Volcker noted, very much in question, many plutocratic fortunes—especially in the technology sector—have been built on advances that have broadly benefited the nation and the world. That is why, even as the TARP-recipient bankers have become objects of widespread anger, figures such as Jobs, Bill Gates, and Warren Buffett remain heroes.

And, ultimately, that is the dilemma: America really does need many of its plutocrats. We benefit from the goods they produce and the jobs they create. And even if a growing portion of those jobs are overseas, it is better to be the home of these innovators—native and immigrant alike—than not. In today's hypercompetitive global environment, we need a creative, dynamic super-elite more than ever.

There is also the simple fact that someone will have to pay for the improved public education and social safety net the American middle class will need in order to navigate the wrenching transformations of the global economy. (That's not to mention the small matter of the budget deficit.) Inevitably, a lot of that money will have to come from the wealthy—after all, as the bank robbers say, that's where the money is.

It is not much of a surprise that the plutocrats themselves oppose such analysis and consider themselves singled out, unfairly maligned, or even punished for their success. Self-interest, after all, is the mother of rationalization, and—as we have seen—many of the plutocracy's rationalizations have more than a bit of truth to them: as a class, they are generally more hardworking and meritocratic than their forebears; their philanthropic efforts are innovative and important; and the recent losses of the American middle class have in many cases entailed gains for the rest of the world.

But if the plutocrats' opposition to increases in their taxes and tighter regulation of their economic activities is understandable, it is also a mistake. The real threat facing the super-elite, at home and abroad, isn't modestly higher taxes, but rather the possibility that inchoate public rage could cohere into a more concrete populist agenda—that, for instance, middle-class Americans could conclude that the world economy isn't working for them and decide that protectionism or truly punitive taxation is preferable to incremental measures such as the eventual repeal of the upper-bracket Bush tax cuts.

Mohamed El-Erian, the Pimco CEO, is a model member of the super-elite. But he is also a man whose father grew up in rural Egypt, and he has studied nations where the gaps between the rich and the poor have had violent resolutions. "For successful people to say the challenges faced by the lower end of the income distribution aren't relevant to them is shortsighted," he told me. Noting that "global labor and capital are doing better than their strictly national counterparts" in most Western industrialized nations, ElErian added, "I think this will lead to increasingly inward-looking social and political conditions. I worry that we risk ending up with very insular policies that will not do well in a global world. One of the big surprises of 2010 is that the protectionist dog didn't bark. But that will come under pressure."

The lesson of history is that, in the long run, super-elites have two ways to survive: by suppressing dissent or by sharing their wealth. It is obvious which of these would be the better outcome for America, and the world. Let us hope the plutocrats aren't already too isolated to recognize this. Because, in the end, there can never be a place like Galt's Gulch.

*Originally, the article mistakenly referred to the sponsor of the Sun Valley conference as Paul Allen.

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We regret the error.

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How do global elite relate to theri home nation? What is the potential consequences for Americans? They can relate to their own nation because they have more in common with other global elites than anyone from their own nation. They may not have their own nation in their best interest when making decisions. This set is often saved in the same folder as In the wake of the recession, this guest explained, high-income individuals, large banks, and major corporations had experienced a â€œsignificant recoveryâ€; the rest of the economy, by contrastâ€”including small businesses and â€œa very significant amount of the labor forceâ€â€”was stuck and still struggling. What we were seeing, he argued, was not a single economy at all, but rather â€œfundamentally two separate types of economy,â€ increasingly distinct and divergent.Â Before the recession, it was relatively easy to ignore this concentration of wealth among an elite few. The wondrous inventions of the modern economyâ€”Google, Amazon, the iPhoneâ€”broadly improved the lives of middle-class consumers, even as they made a tiny subset of entrepreneurs hugely wealthy. Most elites arent too sympathetic So if youre going to demand 10 times the paycheck of a lower-cost worker abroad, you need to deliver 10 times the value. It sounds harsh, but maybe people in the middle class need to decide to take a pay cut. 11 Speaking of value. In 2009 the top 25 hedge-fund managers were paid more than 1 billion each equaling the pay of 658,000 entry-level teachers (at salary of about 38,000/yr, including benefits).Â 12 Revolt of the elites. Theres a growing disconnect between US business elites and the US workforce. Elites see the world differently. See their wealth as a consequence of merit and hard work. Feel victimized by criticism, while they see themselves doing Gods work, as the CEO of Goldman Sachs put it.