The Exclusivity Economy

How concierge dining, health, and travel services insulate the wealthy and hide soaring inequality

By KANISHK THAROOR | April 21, 2020

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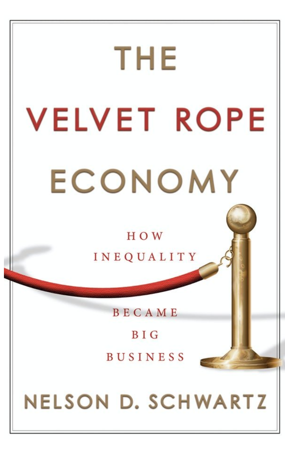
If you can make it in New York, the cliché goes, you can make it anywhere. But there's making and then there's *making* it. A recent feature in Eater identified a trend in the habits of a sliver of New Yorkers: the increasing use of "private dining" venues accessible only to the wealthiest and most networked people in the city. These sanctums for the hungry elite often sit steps away from the watering holes of the mere bourgeoisie; above the cavernous Tavern restaurant in Hudson Yards, for example, are secret dining rooms upholstered in leather and designed to conjure the atmosphere of a country club. Anyone can eat downstairs at Tavern, but access to the private rooms costs $7,500 a year in dues and a $15,000 initiation fee. Meanwhile, new restaurants with big-name chefs are opening as amenities in luxury condo buildings throughout the city, with reservations available only to residents and their guests. "People who have resources," a restaurant consultant sagely explained to Eater, "would like to spend more time together with people who have resources."

That blunt truism—that the very wealthy would rather be around the very wealthy, thank you very much—rises to the pitch of cataclysmic moral failure in the work of the *New York Times* business reporter Nelson D. Schwartz. In *The Velvet Rope Economy: How Inequality Became Big Business*, Schwartz catalogs the many ways the U.S. economy has grown more segmented, with the rich leading lives increasingly remote from the rest of society. For the wealthy, "everyday existence is a smooth glide, in which life's inevitable bumps and challenges … are softened by unparalleled access and attention." For those on the other side of what Schwartz calls the "velvet rope"—the proliferating barriers that separate the rich from middle-class, working-class, and poor Americans—"there are fewer and fewer shock absorbers to offset life's inevitable blows." Schwartz explores the dizzying number of areas in which growing inequality defines the day-to-day functioning of the U.S. economy, from cruise ships to hospitals, amusement parks to college education, Little League soccer to firefighting. What these changes augur, in his view, is the crystallization of a caste system in the United States and the birth of a new aristocracy.



THE VELVET ROPE ECONOMY: HOW INEQUALITY BECAME BIG BUSINESS
By Nelson D. Schwartz Doubleday, 352 pp., $27.95

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He's hardly the first to discern this. At least since the brief eruption of the Occupy Wall Street movement in 2011, economic inequality has loomed large in many American political conversations. The presidential campaigns of Bernie Sanders and Elizabeth Warren routinely inveighed against "the one percent" and lamented the long stagnation of working-class wages. The statistics are familiar. The top one percent owns more wealth than the entire middle class. Two in five Americans can't scrape together $400 in the event of an emergency. Schwartz's book has the virtue of making inequality less the measure of income disparity and hypothetical figures, and more the matter of lived outcomes. In his reporting, he brings to bear everything from the byzantine hierarchies of airline boarding groups to the vagaries of ticket pricing at new sports stadiums to reflect a single reality: Free-market forces are restructuring the economy to provide more services and perks for those who can afford them, while constricting whatever remains for everybody else.

On a recent American Airlines flight between New York and the Caribbean, I discovered that the airline divided passengers into no fewer than nine boarding groups—an intricate taxonomy that doesn't even include the most exclusive ranks of elite fliers. Regular travelers don't get summoned till about zone five or six. Occupying too low a rung on the ladder has consequences (being forced to check your hand luggage, for instance, and delayed boarding) and makes the often unpleasant trial of flying even more inconvenient.

Inconvenience, or at least the perception of inconvenience, is the point. In recent decades, airlines have made huge amounts of money from stratifying their passengers, encouraging fliers to pay for the privileges that come with a higher boarding group or a loftier status. The airline industry is hardly alone in seeing the riches that come from carving up their consumers into ranks; across the economy, segmentation has made companies big profits. Casinos determine the "customer lifetime value" of their patrons, tracking those who are richer and more capable of spending than others. Using caller ID, casinos automatically identify the calls of people with higher CLV scores and offer them preferential rates for reservations. "If you're a student of the Old Testament, you know God said that all people are created equally," a former casino executive begins promisingly. "But she never said that all customers were created equally."

In what reads at times like a series of reported newspaper features stitched together (the seeds of the book can be found in a 2017 essay in *The New York Times*), Schwartz tours the many arenas of the velvet rope economy, noting how it stokes envy among some consumers while dangling the promise of exclusivity and ease before others. Take sporting events. Schwartz, a childhood New York Yankees fan, shells out $700 to sit in the pricey Legends Suite at the new Yankee Stadium (the old stadium had 19 luxury boxes; the new one has 78 such boxes and nearly 5,000 "premium" seats). Fans with Legends tickets come into the stadium through a separate entrance, enjoy a special dining room boasting swordfish ceviche and sushi, and sit in the first few rows between home plate and first and third base—"the best seats in the house." Whereas young fans could once saunter down to the edge of the stands to get a ball or an autograph from a player on the field, now only ticketed Legends customers get anywhere close.

Schwartz compares this rarefied experience to his trips as a child in the 1980s to the stadium, with its "grimy concession stands … where lukewarm frankfurters emerged from a bath of cloudy water and the floors were caked with blackened chewing gum from games past." Now seated in cosseted luxury, Schwartz appreciates the appeal of Legends, where he feels "special": "Even as I see how segmented and stratified the Legends section is and acknowledge I could never afford to take my kids there, life inside the Velvet Rope is pretty good."

Amusement parks, like stadiums, are also large public spaces increasingly fragmented by the modern economy. At Disney World in Orlando, Schwartz purchases a special VIP package to access the park hassle-free. For $625 an hour, a genial guide whisks his family through alleys and hidden doors to all the park's major attractions. While the general public wilts in the heat in interminable lines, Schwartz's family and other visitors who have paid a premium price simply circumvent the queues. He somewhat wistfully recalls a more egalitarian past in his visits to Six Flags in New Jersey in the 1980s, where "we were all thrown together on the same line."

The changing shape of things in Yankee Stadium and Disney World finds more damning echoes in other areas of American life. Following the guidance of a prominent libertarian foundation, more than 40 U.S. cities have imposed the logic of the free market on highways; in Houston and Dallas, for instance, individual drivers can pay to enter faster car pool lanes, buying speed and time as those who can't afford the additional tolls creep through traffic. In a similar vein, Schwartz bristles at the "pay to play" schemes that increasingly govern youth sports. Cash-strapped school districts demand that families pay thousands of dollars to keep their children on school teams. As a result, participation in youth sports is increasingly determined not by enthusiasm or ability, but by the relative wealth of one's parents. Just as obscene as pay to play is "pay to stay"; for $110 per night, wealthier convicted criminals can reside in more comfortable, safer jails, separate from the general body of inmates, guarded by gentler wardens who don't resort to shouting or worse.

One of the more disconcerting developments that Schwartz details is the growth of concierge medicine. He profiles a private medical practice in San Francisco imaginatively called Private Medical. It charges its clients—many from the city's tech sector—up to six-figure yearly fees to manage the health care of their families, with services from routine checkups to referrals to top doctors. Concierge practices like Private Medical help the superrich circumvent the habitual—and sometimes fatal—frustrations and inconveniences of the U.S. health care system. Between 2009 and 2017, average wait times to see primary care physicians went up from 20 days to 29 days; in the case of certain types of specialists, that wait time has doubled in the last decade. Jordan Shlain, the founder of Private Medical, describes American health care to Schwartz as "a broken system"; as a memento from an earlier time in his career, Shlain keeps a reimbursement check from an insurance company that he billed $350 but from which he only received 70 cents. Exhausted by having to deal with the bureaucracy of insurance companies and by the grueling pace of work (cycling through patients in 15-minute appointments), Shlain set up his more exclusive practice. For a substantial fee, he can get his clients immediate access to the most sought-after doctors in the country and to the most promising clinical trials. While standards of care deteriorate for the general public, a parallel system emerges for the richest. In concierge medicine—and in other areas like college education, where elite coaching immensely improves the odds of admission into the Ivy League—Schwartz sees the stark ramifications of an economy skewed toward wealthy Americans, who "can essentially live a different life in the same country."

***The Velvet Rope Economy* is unrelenting in its assault on the** facade of the country's meritocratic order. But the book has a harder time showing what is new about much of this. The wealthy were perfectly capable of separating themselves from the masses throughout the nineteenth century and for much of the twentieth. Schwartz acknowledges, in a section exploring segmentation on cruise ships, that the Titanic was far more rigidly hierarchical than any ship today. He accepts that the wealthy have long had access to better medical care, to private rooms in hospitals, and to the most admired doctors. But a note of nostalgia seeps through his analysis, as he harks back to an ill-defined age when American life was not as stratified, when the private sector worked in greater harmony with the public interest.

When was that time? Schwartz doesn't say exactly, though the reader assumes that his elusive golden age maps onto the decades between World War II and the 1970s, when economic growth in the United States was broadly shared among labor and capital. The fall from that hazy period of grace—from the egalitarian lines at Six Flags and the universal grime of Yankee Stadium—seems to begin in the 1980s. Nodding to the work of the Berkeley economist Emmanuel Saez, Schwartz argues that tax cuts under Ronald Reagan helped usher in powerful new cultural norms that changed "American attitudes toward privilege, exclusivity, and the ability to pay to jump the line." The wealthy have increasingly extricated themselves from the public sphere. As a result, their "dollars stay in private hands and are redirected into the forums patronized by society's most fortunate members." That separation from others produces a vicious cycle, with the rich less inclined to invest in public goods, leading to diminished public spending, more vitiated public spaces, and spiraling inequality.

Schwartz offers conventional center-left remedies to the various ills of the velvet rope economy, including tax hikes, the closing of loopholes that allow companies to evade taxes, expanded Medicaid programs, higher reimbursement rates for Medicare, more fine-tuned regulation of the airline industry. But we will still have to learn to live with segmentation. "Barring a revolution—and I'm certainly not calling for that—Velvet Ropes will not disappear," he writes. He urges the private sector to see the merits of treating customers more equally, cheering the examples of Southwest Airlines (which does not have business or first-class cabins), the Green Bay Packers football team (which retained the egalitarian ethos of its stadium in recent renovations), and the likes of Target and Best Buy (which do not segment their customers but are still among the best-performing companies of the last 25 years). Occasionally, the reader gets a glimpse of what Schwartz deems a truly virtuous world. "The billionaire and the barista wait on the same line at Best Buy," he suggests, joined in harmonious alliteration.

But do they really? Have they ever? In his breathless recounting of present ills, Schwartz is probably guilty of misplacing the historical emphasis. Perhaps it isn't the current economy that is an aberration, but rather the more egalitarian economy that for a short while preceded it, one that was produced by particular material circumstances (the aftermath of World War II) and political will (the desire on both sides of the Atlantic to curb the influence of private interests over the public weal, in part to dampen the appeal of more radical, socialist politics). As he recognizes, the private firefighters who now rush to save the vineyards of Silicon Valley tycoons (while underfunded public firefighting departments molder) could be lifted straight from the eighteenth or nineteenth centuries. Schwartz never demonstrates that the velvet rope economy amounts to a change in kind, rather than just a change in degree or, worse, the logical continuation of two centuries of free-market liberalism.

Schwartz's book might have benefited from looking beyond the United States. In *Shah of Shahs*, his 1982 book on Iran's Islamic Revolution, the Polish journalist Ryszard Kapuscinski was struck by the growing gulf between Iran's bustling, worldly cities and its poor rural areas. The country's crisis lay in this drifting apart of two parallel worlds, an untenable divide that would always lead to instability. "As long as the son who has moved to the city visits his native village a few years later as if it were some exotic land," he wrote, "the nation to which he belongs will never be modern." Economists of the global south of that era traced this same phenomenon in many impoverished countries. They called it "disarticulation." While better-educated, wealthier people in the cities benefited from access to the global economy, benighted rural areas atrophied. Inequality ballooned, and the divisions within societies grew stark.

Several decades later, what Schwartz offers in admirable detail is a portrait of disarticulation in the United States. What separates Americans is not just income, but whole frames of reference: Cordoned off, the wealthy live in a world apart from the less-well-off, no longer sharing the same experiences. Schwartz's tour of the modern economy is a study of not just how the market carves consumers into separate tribal groups, but of how it can create countries within countries whose borders—however velvet—are incontrovertibly real.

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