The Velvet Rope Economy

HOW INEQUALITY BECAME BIG BUSINESS

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Introduction

Under the baking hot sun of an Orlando morning in August, the line at SeaWorld snakes its way past the turnstiles and into the distance toward the vast parking lots. Sweat pours down the faces and backs of the dads, while the moms vainly try to calm screaming toddlers and entertain their fidgety older siblings. Gum sticks to the kids' sneakers as parents shell out money for one more bottle of water and the loudspeakers announce yet another delay for the Dolphins Up-Close Tour. When visitors finally arrive at the front of the line, groups are quickly hustled past the dolphin pools, only enabling the weary tourists to briefly touch the captive creatures.

Two miles away, the cast of characters is the same but the atmosphere is completely different. Here, at an oasis called Discovery Cove, parents lounge on daybeds and kids play in hammocks amid lush landscaping. Lines are nowhere to be seen, and there are even private cabanas complete with towel service and fridges stocked with snacks and beverages by an artificial beach. When they are ready, families depart for a personalized Dolphin Swim Experience, with an individual trainer as their guide.

At Discovery Cove, parents and children wade into the dolphin pool, where the boldest visitors can take hold of a dolphin's dorsal fin and go for a gentle ride. Teenagers can break off from the group as part of the "Trainer for a Day" package, complete with feedings with dolphins, a behind-the-scenes tour, and the opportunity to shadow employees. Other options include a chance to wade beside otters, hand-feed parrots and toucans, or go snorkeling with tropical fish and rays. Both parks are owned by SeaWorld, so Discovery Cove's guests can always hop over to the traditional park for old favorites like the dolphin show. And, for an extra fee, they can skip SeaWorld's lines and reserve the best seats in the house to see the marine mammals.

While thousands of visitors a day throng SeaWorld, daily attendance at Discovery Cove is capped at 1,300. Why? To create an exclusive experience that an affluent family of four is willing to pay up to $1,240 for, more than three times what a visit to SeaWorld would cost. And for SeaWorld, a publicly traded company that has been battered by criticism from animal rights activists, Discovery Cove is a cash cow. So while long waits are a feature of the traditional park, at Discovery Cove there are expanded offerings aimed at a tiny slice of visitors. In 2017, the upscale park began offering its most adventurous guests the chance to swim with sharks for an extra $109 per person, or with stingrays for $59. "With no lines throughout the park, you can plan your adventure at your own pace," Discovery Cove's website promises.

This pattern—a Versailles-like world of pampering for a privileged few on one side of the velvet rope, a mad scramble for basic service for everyone else—is being repeated in one sphere of American society after another. At Yankee Stadium, holders of elite Legends tickets enter through a separate door, enjoy a private dining room with gourmet food in addition to the usual franks and popcorn, and are ushered to seats that sell for $1,000 or more, located along the first- and third-base lines. Occupants of the Legends Suite never come into contact with other people attending the game if they don't want to, whether they are far away in the bleachers or sitting in slightly less expensive mid-tier boxes a few yards back. Nor can the other fans sitting further away walk down to the field for autographs or a sight of their favorite player at bat like in the old days. The new Yankee Stadium that opened in 2009 was designed with a moat that prevents anyone except Legends seat holders from getting close to the field near home plate. What was once a quintessentially communal, American experience—going to a baseball game—has become another archetype of what I call the Velvet Rope Economy. And behind the scenes, among the purveyors of elite experiences, the business of building Velvet Ropes has never been better. It's driven by straightforward economics—as more wealth accumulates in fewer hands, attracting this wealthy contingent is essential if profits are to grow.

But this book is about more than business or economics. The rise of the Velvet Rope Economy threatens to worsen the divisiveness that plagues our politics and culture today. After all, if you never actually encounter people from a different class or social background, it's much easier to demonize them. "With growing inequality, there is an attempt by the affluent to buy their way out of public spaces and services in favor of something better and often more exclusive," said Michael J. Sandel, a professor of political philosophy at Harvard. Sandel examined these issues in his 2012 book, *What Money Can't Buy: The Moral Limits of Markets,* and the trend has only gathered steam since then. As a result, he said, "it becomes harder to think of ourselves as citizens engaged in a common project and in a shared way of life. This has contributed to the growing polarization of American life and the erosion of community."

The political and social repercussions of the spreading Velvet Rope go beyond symbolism and rhetoric—they have a real impact on government policies and fiscal priorities. For instance, when corporate decision makers, members of Congress, and especially the political donor class routinely bypass traffic jams and deteriorating trains and buses and get to the airport via a luxury helicopter service like Blade, the political impetus to improve public transit systems fades. The ease of catching a commercial flight at the deluxe new private terminal at Los Angeles International Airport—the first of its kind in America, with a $4,500 annual membership plus a $3,000 fee per trip—makes it that much easier for those who can afford it to forget about the decrepit main terminal, with its claustrophobic hallways and overcrowded waiting areas. Similarly, if wealthier consumers can jump the line at the hospital and see specialists before everyone else or employ high-priced counselors to gain special access to the Ivy League universities, health care and education reform become much less pressing. The name for the American system of government, a republic, comes from the Latin *res publica,* or public things. As the public sector is replaced by private services aimed at the elite, the very foundation of the republic is eroded.

Take Nick Hanauer, a Seattle entrepreneur worth hundreds of millions of dollars. Money provides him a private version of E-ZPass, enabling him to zip past the everyday obstacles the rest of us have to contend with. "This is my life, I see it everywhere," said Hanauer. "I haven't waited in a line in ten years." Hanauer doesn't deal with TSA lines—or even commercial airports. Indeed, as the first person to invest in Amazon from outside the family of its founder, Jeff Bezos, Hanauer now gets around in his own personal Dassault Falcon 900LX jet, which retails for $43 million. He shared Bezos's vision of the internet's potential a quarter of a century ago, and thanks to that early stake and other similarly prescient investments, Hanauer now inhabits an economic stratosphere. But for all his wealth, Hanauer said he has a gnawing fear that the widening gulf between economic winners like himself and ordinary Americans is unsustainable. "If you're not genuinely concerned about the future of the United States, you are not paying attention," he said. If inequality continues to worsen, he fears the country could face civil disorder or even revolution.

Hanauer may fly private, but for ordinary Americans, nowhere are the workings of the Velvet Rope Economy on more obvious display than at a cruising altitude of 36,000 feet. While elite fliers in the front of the plane enjoy more and more lavish amenities—flat beds, cashmere blankets, even a shower on some flights—for everyone else air travel increasingly resembles something out of Hieronymus Bosch's grisly palette. In order to expand business and first class cabins, airlines have reduced the space between seats in coach to sardine-can-like proportions, and even shrunk the thickness of the seat cushions. Meanwhile, with boarding now staggered into nine separate groups on airlines like American, fliers without elite status are condemned to force their bulging carry-on suitcases into overhead compartments in order to avoid the $25 fee for checked bags. By the time Basic Economy fliers reach their seats, finding room for carry-ons is impossible. Flight attendants nickname them Group Nines, because they board after everyone else and frequently are furious about their last-place status.

In recent years, the practice of sorting and separating customers into tiers has spread far beyond the world of jets, cruise ships, and hotels to reshape nearly every aspect of American life. No corner of society is immune, with castelike divisions appearing in realms like education where the rhetoric of egalitarianism was once the order of the day. The rise of the Velvet Rope Economy marks an end to the great democratization of American life in the post–World War II era. As the jet set faded and budget airlines were born, the rapid growth of the economy created a vast middle class, and in places like airports and theme parks even the very privileged rubbed shoulders with everyone else. Now the pendulum is swinging rapidly in the opposite direction.

On board the latest Norwegian cruise ships, the kind of rigid class distinctions famous from the era of the *Titanic* have staged a comeback. A couple might save for years to celebrate their twenty-fifth anniversary with a cruise, only to find that the best views aren't included. Those are reserved for travelers in the Haven, a ship-within-in-a-ship off-limits to most guests, where the most privileged passengers have the most desirable decks to themselves. On board ship, the Haven itself is hidden behind a locked door but the special treatment is hardly a secret. "Be pampered throughout your cruise," Norwegian promises in its marketing pitch for the Haven. "Skip the lines and be personally escorted on and off the ship at the pier and at ports-of-call." For companies able to profit from this system, the rewards are immense. The Haven is among the fastest-growing offerings at Norwegian. And Discovery Cove helped private equity giant Blackstone Group earn $1.7 billion on its investment in SeaWorld, nearly triple what the firm put in.

Sometimes, the edge provided by entrée inside the rope is small. In the Legends suite at Yankee Stadium, fans can still enjoy a beer in the bottom of the ninth inning. For everyone else at the ballpark alcohol is cut off after the seventh inning stretch. Or at the airport, instead of racing from one terminal to another to catch a connecting flight, Delta's Surprise-and-Delight service ferries the most elite frequent fliers directly between planes in a Porsche.

To be sure, there are worse fates in America than having to schlep on foot from one terminal to another at the airport, or waiting for hours in line at Walt Disney World while the FastPass+ holders fly by. Nearly 40 million Americans lived in poverty in 2017, equivalent to 12.3 percent of the population. Just over 17 percent of children lived in households that earned less than $25,465, the income threshold for what the government defines as the poverty line for a family of four. But as we shall see, the Velvet Rope doesn't merely delight the wealthy—it also exacerbates the isolation and abandonment of the poor.

And the ability to pay to slip past the Velvet Rope can sometimes mean the difference between life and death. In California, private firefighters sent by insurers saved the vineyards and estates of a fortunate few during the recent spate of wildfires even as neighboring homes were reduced to ashes. For $50,000, private health care consultants can steer cancer patients into potentially lifesaving clinical trials.

The evidence of this trend isn't merely anecdotal, either: the richest one percent of Americans live nearly fifteen years longer on average than the poorest one percent, according to a 2016 study in the *Journal of the American Medical Association*. And that disparity is increasing, with life expectancy rising by 2.5 years for the wealthiest top 5 percent of Americans between 2001 and 2014, while barely changing for the bottom 5 percent over the same period.

Whatever the arena in contemporary life—health care, education, work, travel and leisure—on the right side of the rope is a friction-free existence where, for a price, needs are anticipated and catered to. Red tape is cut, lines are jumped, appointments are secured, and doors are opened. On the other side of the Velvet Rope, friction is practically the defining characteristic, with middle- and working-class Americans facing an increasingly Darwinian fight for a decent seat on the plane, a place in line with their kids at the amusement park, a college scholarship, or a doctor's appointment.

Of course, there have long been different classes for travelers and varying standards of service for customers, whether in more traditional European societies or in the same America that promised a more egalitarian life. At times in the past, the stratification was even more dramatic than it is today. In the mid-1800s, French railroads avoided putting roofs on third-class wagons to force any passengers who could afford second-class seats to cough up a few extra francs. In turn, second class wasn't made too comfortable to increase the allure of first. "The companies, having proved almost cruel to third-class passengers and mean to second-class ones, become lavish in dealing with first-class passengers," wrote Jules Dupuit, a pioneering economist in nineteenth-century France. "Having refused the poor what is necessary, they give the rich what is superfluous."

Dupuit was one of the first economists to identify what his modern counterparts call price discrimination. This describes how companies can charge different amounts for nearly identical products that cost the same to produce. In the process, they can extract the maximum price from those willing to pay the most, without sacrificing sales to customers who can't afford to pay as much. But even the wealthiest consumers don't want to pay any more than they absolutely have to, and they certainly don't want to find out someone else paid less for nearly the same thing. Not only will that leave your best customers feeling ripped off, it will also prompt them to desert you for your competitors.

The solution for businesses is product differentiation—but this basic element of modern marketing isn't as straightforward as it first appears. Edward Chamberlin, the Harvard economist who coined the term in 1933, was among the earliest in the field to test his ideas using actual experiments, rather than theorizing as earlier economists like Adam Smith or David Ricardo did. Expanding upon Dupuit's ideas, Chamberlin showed how differentiating a product doesn't necessarily mean altering the product itself—it can be as simple as a change in how it is wrapped, when and where it is sold, or how many can be bought at one time. All that matters is that buyers perceive a difference.

And with the rise of mass markets, advertising, and increased competition in the twentieth century (much of Dupuit's work focused on monopolies), sellers needed to start differentiating their products to a much greater extent. This principle doesn't just apply to luxury goods: McDonald's has been adding and pulling the McRib from store menus practically since it was first offered in the 1980s to increase the appeal of an otherwise unremarkable BBQ-flavored pork sandwich. Although it never really disappeared, in 2017 McDonald's announced the "return" of the McRib on the thirty-fifth anniversary of its introduction, even providing fans with a McRib Locator website to track it down locally.

Altering products to capture what's known as a price premium is especially critical when providers are offering very similar goods or services in competitive markets—think airline tickets or credit cards or insurance. The actual amount of differentiation can vary—after all, tickets on a train aren't really that different. Even if some might travel in greater comfort, first-, second-, and third-class passengers all arrive in the same place at the same time. The challenge is that different customers seek different things from the same item; a few are looking for a particular feature or style, some want to think they own something unique, and many just want the lowest price. Therefore, each group is willing to pay a different amount. By segmenting their markets, companies can successfully target all of these cohorts individually without sacrificing profit margins by having to design each item from scratch.

Some segments of the market behave differently from others, however. When the product is a commodity like gasoline, and not much can be done to vary it, the main differentiator is price. Cheaper goods and mass market products are largely selected on the basis of price, but sellers have more room to raise prices—and therefore increase profits—when two factors come into play. The first, as we have said, is by differentiating the product in the first place, introducing an Apple tablet with a bigger screen at a higher price, say, or adding the extra layer of foam in Casper's new, more expensive line of mattresses. The second and even more powerful condition is when fundamental limits on capacity come into play.

There are only so many slots for admission at Stanford or Harvard—and you either get in or you don't. The supply of courtside tickets at basketball arenas and front-row seats at football games is similarly limited, no matter how new or big the stadium might be. And although almost no one in the health care world wants to discuss it openly, the same goes for access to top surgeons or specialists in rare diseases. As we shall see, when these two factors—product differentiation and capacity constraints—are combined, the sky becomes the limit in terms of what sellers can charge, what buyers with the means will pay, and the profits that can be earned.

If economists have been writing about price discrimination since the nineteenth century, and businesses have been figuring out ways to differentiate their products and segment their markets since the twentieth, then what's new about the Velvet Rope Economy?

The answer lies in how both our everyday experiences as well as the destinies of our children are increasingly determined by the Velvet Rope, how starkly the Velvet Rope has divided Americans from different walks of life, and how our social fabric is fraying as a result. As the proportion of society's resources reserved for those inside the Velvet Rope increases, less and less remains for everyone else. In many cases, it's a zero-sum game.

Indeed, the trajectory of the Velvet Rope Economy has closely tracked widening income inequality. Since the early 1970s, incomes for all but the top 10 percent of American households have remained flat. Within the top 10 percent, however, salaries have been rising, and nowhere has the surge in pay been as great as among the top one percent. The top one tenth of one percent have done the best of all. Gains in disposable income, which drive consumer spending and in turn corporate profits, have been similarly confined to the very top of the income scale.

The cause of that trend is a subject of great debate but the effect is clear. From hotels and ski resorts to youth sports, banks, and college admissions, companies are following Willie Sutton's advice and going where the money is. The same holds true even in largely nonprofit sectors, like education and philanthropy, which, if anything, are more critical to sustaining the social fabric. As a result, when the common denominator is businesses seeking growth and survival in a globally competitive economy, the private and public sectors alike are happy to build an HOV lane through life for those who are fortunate enough to have the most money.

There's also much more opportunity to profit by providing products and services for the rich than there was one or two generations ago, because they own so much more of America's wealth and control a greater share of the nation's income. To put it another way, what really counts is the change in the income of the top strata relative to everyone else. "By definition the one percent is always just one percent, but that group has gotten much wealthier and their purchasing power is bigger," said Geoff Yang, a cofounder of Redpoint Ventures and one of the Bay Area's most successful venture capitalists.

A study in 2017 by the left-of-center Institute for Policy Studies in Washington, D.C., concluded that three individuals at the apex of the American income scale—Bill Gates, Warren Buffett, and Jeff Bezos—control more wealth than the entire bottom half of the American population, or 160 million people. With Wall Street demanding double-digit annual profit increases from companies and investors looking for the next big thing, the calculus for the corporate brass is simple: focus on the richest slice.

What's more, the twin engines of economic dynamism and raw capitalistic power in America today—venture capital and private equity—have discovered the profits that follow whenever and wherever the Velvet Rope is erected. In early 2018, Redpoint's Geoff Yang helped launch LaneOne, a start-up that secures the best seats at concerts and other live events, packages them with goodies like limo service, an on-site concierge, and entry and exit through separate entrances, and sells that elite experience for a premium price. The new Private Suite at LAX is partly owned by TPG Capital, one of the country's leading private equity firms. Goldman Sachs initially owned part of Legends, a joint venture between the New York Yankees and the Dallas Cowboys that effectively creates Velvet Rope enclaves at stadiums and sports arenas around the country, including the eponymous one at Yankee Stadium. Goldman sold its investment in Legends in 2012 for a healthy profit and the sports firm is now valued at more than $750 million.

"Our team was sitting around recently and brainstorming about the most interesting markets," said Yang. "I personally have a belief that a huge number of really wealthy people have been created in the last fifteen or twenty years. You'd be surprised how many of them there are. There are a growing number of people who want the best and are willing to pay for it."

Moreover, when it comes to serving the rich, the barriers to entry are lower than when you're selling to the masses. The latter requires scale and that doesn't come cheap—again, think about airlines. If the profit margin per seat is $10, you need to sell a lot of seats, and maintain a lot of planes, to make money. On the other hand, if the profit margin is $1,000 per seat, a handful of private jets aimed at a sliver of well-heeled customers will earn as much or more than dozens of 737s filled to the brim with budget passengers.

What's also new today is just how far big American companies, professionals, and institutions are willing to go to pamper the biggest spenders—and punish everyone else. Companies have become much more adept at identifying their top customers and knowing which psychological buttons to push. With algorithms and new tools like big data, companies can pinpoint and favor these wealthy customers in ways unimaginable even a decade ago. The rise of artificial intelligence and machine learning, which many technologists consider the next big things in Silicon Valley, will only speed this trend. "This is where companies are innovating and where there is demand," said Steven Fazzari, a professor of economics at Washington University in St. Louis.

While the laws of capitalism might seem to inevitably favor the rich over everyone else, there are countervailing forces. Among the most powerful of these are what Berkeley economics professor Emmanuel Saez calls social norms, which can vary from place to place. The level of wealth may be the same on both coasts, but cruising around Manhattan in a road-hogging Escalade with a chauffeur is still viewed as cool, or at least socially acceptable, while it would be seen as gauche and over-the-top in Silicon Valley.

Teslas and less extravagant options like bikes and Priuses have a cachet of their own in high-priced zip codes in Palo Alto, Atherton, and other aeries of the tech elite. There's a dichotomy in Silicon Valley, said Geoff Yang of Redpoint Ventures. "You see very few people who have drivers even though there's more than enough wealth to support it," he said. "People don't want to come across as jerks. It's almost a mark of distinction—I'm so successful in tech but let's see how sloppy I dress or how bad a jalopy I drive."

Similarly, paying extra to speed through security at the airport is a given in the U.S. but has caught on much less quickly abroad. Don't You Know Who I Am? is a phrase more likely to be heard in Los Angeles or New York than Minneapolis or Chicago, and not just because there are more celebrities on the coasts.

Along with economic factors like growing inequality, the rise of the Velvet Rope in America has been enabled by greater social acceptance of a new norm, an updating of the Golden Rule: the guy with the gold makes the rules. Whether it means paying extra to jump to the front of the line with the kids at Six Flags or Universal's theme park, or a few years later hiring a former Ivy League admissions officer to grease their way into college, money talks in a new, utterly unapologetic way, whatever the social consequences.

Traditional social norms can be tenacious. But master marketers, social scientists, and business gurus have discovered there are ways to make slipping past the Velvet Rope much less awkward for those who can afford it. Sometimes, it can even be downright gratifying and validating. And in a few cases, displaying the Velvet Rope can be used as a selling point for consumers who seem destined to stay on the wrong side of it.

For those lucky enough and rich enough to live behind the Velvet Rope, everyday existence is a smooth glide, in which life's inevitable bumps and challenges—birth, schooling, aging, and retirement—are softened by unparalleled access and special attention. But for those without significant means, these changes have meant there are fewer and fewer shock absorbers to offset life's inevitable blows. Think of it like a barbell, with the poorest on one end, the richest on the other, and everyone else in between. As the rich get richer and the poor more plentiful, the new reality consists of less attention, fewer options, and shabbier service for everybody in between. In many cases, that's by design. Ordinary experiences deteriorate in quality, and the motivation to pay more for an upgrade and better treatment becomes more urgent, even for Americans who don't consider themselves part of the elite.

With American consumers being squeezed into ever-narrower segments, and the top echelons becoming more isolated, what had been a tiered system is morphing into a caste system. Above all, the rise of the Velvet Rope Economy marks a farewell to the egalitarian impulse that once characterized American life, if not always in deed, then at least in spirit. And there is a growing suspicion among Americans from all walks of life that this is the case. A January 2018 Gallup poll showed that 36 percent of Americans were dissatisfied with their ability to get ahead by working hard, up from 22 percent in 2001. Meanwhile, according to a survey by the Pew Research Center in October 2017, 82 percent of Americans said income inequality is a major problem. The same poll showed that 65 percent of Americans also believe the economic system in America "unfairly favors powerful interests."

The result is that the United States, founded on the proposition that all men are created equal, is on its way to becoming a nation where the day-to-day experiences of the majority are as remote from the top one percent as they are in developing countries like Brazil and South Africa, where the divide between the privileged and everyone else has been long established.

From within the privileged vantage point that comes with the protections afforded by the Velvet Rope, sympathetic observers might regard less fortunate Americans as the victims of globalization or the Great Recession, left behind between the booming Silicon Valley on one coast, and Wall Street on the other. Outside the rope, millions of people are going about their daily lives, paying their taxes and trying to make ends meet, as they wait longer to see a doctor or to get through security at the airport because richer Americans are jumping the line. And many of them are boiling with rage and resentment toward what they see, often rightly, as an out-of-touch elite, with little connection to how they live, and even less concern.

"If this continues unabated, we're done," said Nick Hanauer, the early Amazon investor, who started a think tank aimed at creating a more level playing field called Civic Ventures in 2014. "This won't be a capitalist system, it'll be a feudal system. You can't shred the norms of reciprocity that make social cohesion possible and expect to have a functioning democracy. It's just not going to work."

Where does the Velvet Rope actually fall? To make it into the much talked about one percent, you need to earn a minimum $514,000 per year. The average income among the one percent stands at $1,305,000, and this small slice of the population commands about a fifth of the country's total income. To be sure, most of us spend time on both sides of the Velvet Rope at different times in our lives, enjoying the perks of frequent-flier status or occasionally jumping the line at Walt Disney World with a FastPass+ even if we can't afford up to $625 an hour for a VIP Tour of the Magic Kingdom. Treats like the latter are typically the province of the richest one tenth of one percent, which requires an annual income of at least $2.2 million to join. At its broadest point, the Velvet Rope Economy opens up to admit the top 10 percent of households as measured by income, or a minimum of $135,000 per year. All told, the top 10 percent of households account for nearly half of national income. Defining who belongs to exactly what class is tricky—what it takes to live a middle-class life in San Francisco translates into an upper-middle-class or even rich lifestyle in Toledo. For purposes of simplicity, I define the middle class broadly, from the 40th percentile of the income distribution to the 75th, with average individual salaries ranging from $35,000 to $80,000. Next are the upper middle class, with salaries up to $207,000 that place earners in the 95th percentile, and the rich above that.

The first step in dealing with the threat of limited social mobility and the fact of how divided by class we are becoming, is to identify and acknowledge it. That's hard for some, which is why the Velvet Ropes are often camouflaged, whether via frosted glass at the airport or the red blankets at Stanford Hospital that quietly signal to doctors and nurses that they are treating a VIP.

I've organized this book based on how the system works, from both the consumers' perspective and that of the people who cater to them. The first part, Inside the Velvet Rope, looks at how the top tiers are crafted, why people with means will pay so much to gain admittance, and how businesses can maximize profits as a result. Like Pavlov's dogs, consumers have been conditioned to respond to signals they recognize but don't consciously understand. These chapters explore the most potent of these: Envy, Exclusivity, Ease, Access, and Security.

Velvet Rope tactics are constantly being refined and iterated, as more exclusive spaces and services are offered up to justify more Olympian levels of pricing. The Legends dining club at Yankee Stadium is open only to holders of tickets for the first few rows of seats along the first- and third-base lines which cost up to $1,000 apiece. Within that rarefied club is the Harman Lounge, where a security guard turns most Legends seat holders away. There's nothing unique about the semi-secret lounge—just more gray suede couches, another full bar, and wide-screen TVs. In fact, the only thing that makes the Harman Lounge special is that it is restricted to fans sitting only in the very *first* row, and those tickets cost up to $1,500 each.

Fine distinctions like those evolve into much deeper divisions when the setting is Outside the Velvet Rope, as I call the latter part of the book. Here, the ability to pay determines if your child plays on the school athletic team or stays on the sidelines. Or whether they attend a school where the PTA can raise millions to pay for extra help in the classroom or after-school enrichment, even as neighboring schools struggle to afford the basics.

Unlike in the first part of the book, where business drives much of the tiering, here public policy and elected officials have at least as much responsibility for the stratification as private enterprise does. In the criminal justice system, money means the difference between going to jail or clearing one's record of any crime. As publicly funded hospitals close, poorer patients must travel longer distances for critical medical care, like delivering a baby or treating a stroke. Not that the private sector is blameless. As businesses increasingly cater to the rich, dying malls dot the landscape and there are fewer places for Americans in different classes to gather or shop. Social capital and societal cohesion erodes, and the results are the phenomena I term Exclusion, Division, and Isolation.

As with fliers sleeping on the flat beds in first class on a jumbo jet, the most privileged Americans now rarely come into contact with people from other walks of life. Indeed, just as the poor have long been out of sight for the very rich, now even middle-class

Americans are disappearing from their view. How did we get here? How can broad swaths of the country seem unfamiliar, or at least profoundly distant, to more privileged Americans? Is there any way to prevent this stratification from becoming ever more extreme? The answers lie in the Velvet Rope Economy, and this book is its Baedeker.