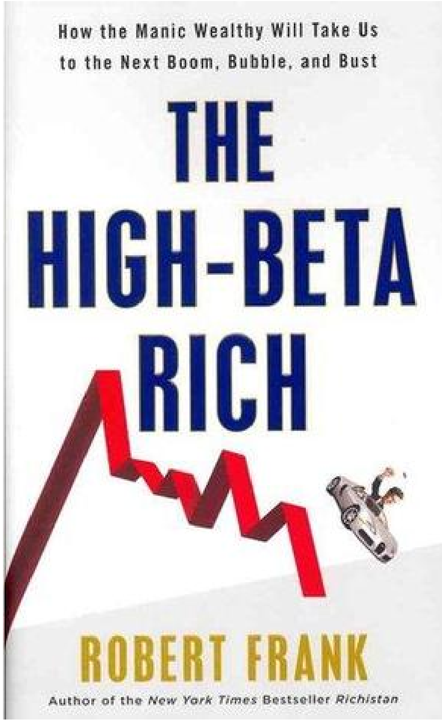

The High-Beta Rich: How the Manic Wealthy Will Take Us to the Next Boom, Bubble, and Bust

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The rich are not only getting richer, they are becoming more dangerous. Starting in the early 1980s the top one percent (1%) broke away from the rest of us to become the most unstable force in the economy. An elite that had once been the flat line on the American income charts - models of financial propriety - suddenly set off on a wild ride of economic binges.

Not only do they control more than a third of the country's wealth, their increasing vulnerability to the booms and busts of the stock market wreak havoc on our consumer economy, financial markets, communities, employment opportunities, and government finances.

Robert Frank's insightful analysis provides the disturbing big picture of high-beta wealth. His vivid storytelling brings you inside the mortgaged mansions, blown-up balance sheets, repossessed Bentleys and Gulfstreams, and wrecked lives and relationships:

• How one couple frittered away a fortune trying to build America's biggest house —90,000 square feet with 23 full bathrooms, a 6,000 square foot master suite with a bed on a rotating platform—only to be forced to put it on the market because "we really need the money".

• Repo men who are now the scavengers of the wealthy, picking up private jets, helicopters, yachts and racehorses – the shiny remains of a decade of conspicuous consumption financed with debt, asset bubbles, "liquidity events," and soaring stock prices.

• How "big money ruins everything" for communities such as Aspen, Colorado whose over-reliance on the rich created a stratified social scene of velvet ropes and A-lists and crises in employment opportunities, housing, and tax revenues.

• Why California's worst budget crisis in history is due in large part to reliance on the volatile incomes of the state's tech tycoons.

• The bitter divorce of a couple who just a few years ago made the Forbes 400 list of the richest people, the firing of their enormous household staff of 110, and how one former spouse learned the marvels of shopping at Marshalls, filling your own gas tank, and flying commercial.
Robert Frank's stories and analysis brilliantly show that the emergence of the high-beta rich is not just a high-class problem for the rich. High-beta wealth has national consequences: *America's dependence on the rich + great volatility among the rich = a more volatile America.*

Cycles of wealth are now much faster and more extreme. The rich are a new "Potemkin Plutocracy" and the important lessons and consequences are brought to light of day in this engrossing book.

high-beta rich (hi be'ta rich) **1**. a newly discovered personality type of the America upper class prone to wild swings in wealth. **2.** the winners (and occasional losers) in an economy that creates wealth from financial markets, asset bubbles and deals. **3**. derived from the Wall Street term "high-beta," meaning highly volatile or prone to booms and busts. **4**. an elite that's capable of wreaking havoc on communities, jobs, government finances, and the consumer economy. **5**. a new Potemkin plutocracy that hides a mountain of debt behind the image of success, and is one crisis away from losing their mansions, private jets and yachts.

From the Hardcover edition.

The High-Beta Rich: How the Manic Wealthy Will Take Us to the Next Boom, Bubble, and Bust Details

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From Reader Review The High-Beta Rich: How the Manic Wealthy Will Take Us to the Next Boom, Bubble, and Bust for online ebook

La Petite Américaine says

I'll admit it: I bought this book for the schadenfreude. I skimmed over the financial stats and took particular glee in reading about people going from billionaire to bankrupt overnight in the 2008 financial crisis. My favorite examples? A toss-up between the former billionaire who could no longer pay her phone bill and had to learn to do her own dishes, and the wife of a guy who when from $8 billion to $100 million overnight, who then had to cope with the "trauma" of flying commercial after they sold their private jets. Then there's the story of the repo man who has to travel with a former pro-wrestler when he takes back the toys of the ex-rich: jets, yachts, and sports cars. Oh yeah, then there's the chick who went so broke that the coral in her special tropical fish tank got repossessed. Oh, and the single tear that slid down the face of a woman who, with her husband, was building the largest house in America until they ran out of money.
HAHAHAHAHA!!! LOVE IT.

Basically, the whole book is about these stupid people who are no better than you and me: they're rich on paper and they don't really own anything. Heh. Makes me feel a little less guilty about having charged the book. ;)

My one complaint are the five typos and numerous grammatical errors that I found, likely because this book was rushed into publication before the ex-nouveau riche could climb out of their financial holes and find money again. But what the hell? I'm willing to overlook the occasional typo if it means entertainment found in the financial ruin of the excessively wealthy.

:-D

Zak says

In this book, the author makes the case that concentration of wealth among the global elite is the reason behind increasingly violent economic and market gyrations. This is further exacerbated by the fact that forms of wealth have shifted from primarily hard assets and "real" businesses built up over decades in the past to financial fortunes amassed almost overnight and held in the forms of stocks and other assets (like over-priced properties) which are more ephemeral in nature.

While this is not exactly an academic study and there seems to be a lack of references, one does intuitively feel that there is more than a grain of truth to his argument. Liquidity events like IPO's create massive paper wealth for founders, investors and bankers, often producing multi-billionaires in a very short space of time. One only has to look at Silicon Valley and Wall Street payouts to see the truth in this. When times are good, these groups of people spend prodigiously, driving the demand for and prices of things like real estate and luxury goods and services up precipitously. Entire areas can become gentrified and upscaled, crowding out long-standing businesses that cannot afford the rents anymore. The taxes the elite pay in good years also swell up state coffers and tend to distort budgetary planning. When a market crash comes, discretionary spending is throttled, businesses end up shuttered and state governments find that the spigot has suddenly dried up, leading to huge budget deficits that necessitate drastic cuts in services provided to ordinary folks. Robert Frank gives many examples of this happening in the book.

Overall, I would say it was a quick, informative read, containing interesting interviews with several "fallen" billionaires. There are some lessons to be taken from this book.

Final rating: 3.75*

Christopher Litsinger says

This is one of those books, like Predictably Irrational or Fast Food Nation that gets under your skin and you can't stop talking about. While Frank's writing had a few annoying ticks ("Consider the story of the xx family" got a bit old after a while) overall this was a terrifying and fascinating book, covering the story of the win-it-all-lose-it-all wealthy from lots of interesting angles: talking to many rich and formerly rich people as well as butlers and high-end repo men.
I didn't always agree with Frank's suggested solutions, but I found his predictions for the future to be all too believable, and completely terrifying.

Hal says

A so so book. I had read "Richistan" by the same author and happened to pick this book up also. So we learn the rich are dwindling but making more than ever. And of the wide ups and downs that we have witnessed over the past several decades.

Beyond the stories of real life folks who experienced these rides not a great deal to learn here. Other than we can expect more of the same as we settle to a future of perpetual bust for many and ups and downs for the lucky few.

Nathan Glenn says

This was a great followup to Richistan which, besides telling interesting stories about the rich and those associated with them, shows how terrible financial habits of a few million millionaires messes with the economy, the government, and Americans in general.
High-beta refers to the fact that the wealth of the American wealth is very unstable and largely based on speculation. It is risky to depend on it since its value varies quickly and wildly.
Basically since the Reagan era a culture of showy spending has emerged among the wealthy. They spend and borrow, and borrow and borrow, and then the bubble bursts and they all lose everything. Millionaires are apparently created and destroyed at break-neck speed. When the bubble bursts, their spending goes through the floor, and since they pay most of the taxes the government then has way less money (and they don't do a good job of planning for it). All of the businesses and jobs that grew up around their lavish spending are then wiped away or very downsized.
Great reporting, great storytelling, and a very important issue discussed. There are some good lessons on provident living in here.

Ron Jensen says

I expected this to be a political bashing of the rich, but it was much different. It contained a lot of interesting, mostly sympathetic stories of rich people who lost everything, rich people who live conservatively, and people such as the jet plane repo men who make a good living off the fallen rich. The depiction of Aspen and the changes it has gone through was one of the most interesting parts of the book. The basic thesis, that the economy of the US and many other developed countries is dominated by the top 1% and subject to high volatility swings in spending, tax revenue, and financial markets, was interesting and not politically biased. Unfortunately, the author's suggestions on how to live with or mitigate the effects of income disparity were pretty weak.

Marcus says

This is a very interesting book with an intriguing central idea. The 1% and upper 0.1% of the USA have greatly increased their share of wealth in the US economy AND the volatility of that wealth. As a result, the up and downs of this small but increasingly wealthy segment of the economy may introduce more volatility into the overall economy. Mr. Frank uses numerous stories including that of Tim Blixeth and the time share king of Florida to illustrate his points. How their sudden expansion of wealth leads to huge household staff, multiple homes, private jets and signature building projects (Versailles); however, sudden decline in wealth leads to asset sales, staff firings and in some cases bankruptcy. Certainly the US economy has been very volatile over the past 15 years. This may not be the only cause, but I would not dismiss it as a contributing factor.

Chris says

Good book for understanding the changing character of wealth in the Western world. You can read this for the stories of the wealthy being stupid or to help understand the implications of high beta wealth. Although Frank identifies many of the problems high-beta wealth creates, he leaves more (but not all) to the reader when it comes to solutions.

Lynn says

The best part of this book is the stories of the ultra-rich who've lost tons of money, or as Frank named them in his previous book the members of Richistan. There's definitely a feeling of Schadenfreude that the reader gets upon hearing about all these poor wealthy folks who have to lay off their servants (poor *them*) and learn how to pump gas and clean house. Yet there are a few multimillionaires whom I like, such as Frank Anderson, who drives a five-year-old SUV and lives in a modest house with his wife and five kids. Good to know some folks have common sense.

Many statistics about the wealthy getting obscenely rich and losing great chunks of it and how this harms the world economy--Roaring Twenties, anyone? While I agree with many of Frank's points, he tends to repeat himself. The book feels padded. It would have made a much better essay.

Worth a read, though, just to feel smugly superior (and envious).

Melissa says

I've never read a non-fiction book, cover to cover, in one afternoon... until this book.

The very rich are not living frugally - they are consuming very conspicuously and borrowing a lot of money to do it. What that means is that they do much better than the 99% of us when times are good and they lose more when times are bad.

Most of us aren't going to cry if someone's 100 billion dollar net worth turns into 50 billion. But it does have repercussions for us - state tax coffers will be much less in a bad year than a good year. If a state spends tax revenue expecting the next year will be just as good, they may be in for a nasty surprise if the rich have a bad year and the taxes they pay decrease.

The author offers very little in the way of solution; more a warning that the situation is not likely to get better and very likely to create roller-coasters of revenue for the foreseeable future.

Incredibly interesting read!

Jorgen Peterson says

Mostly voyeurism

Nancy says

The High Beta Rich is more than a series of entertaining gossipy stories about the rise and fall of fortunes. But it isn't much more. Robert Frank touches on the problems of wealth concentration and an increasingly volatile boom/bust economy, but he doesn't offer hope for the future beyond quoting competing sound bites from a few politicians. I'd hoped for some sort of path away from more for the wealthy and less for everyone else.

Frank points out that there is quite a bit of turnover in the top 1% which many people will find encouraging. What struck me most was the fact that the top 1% now earns 22% of U.S. income, up for 9% in 1982. Folks in the top 5% may be taking turns popping into the top 1% but that does not comfort me at all if the rest of us are steadily getting a small and smaller cut of the economic pie.

Dawn says

It was an interesting read, I'll at least give it that.

It tells the stories of various members of the "High-Beta Rich". Back in the day, the mega wealthy were the most conservative of investors, so any dip in the market tended to affect them less (as a percentage). However, now the wealthy are getting rich through one-time liquidity events (selling off their large family business or cashing out in a humongous IPO) and with this huge influx of new wealth, they are buying and investing stupidly. As a result, the latest financial crisis hit the wealthy much harder (again, as a percentage).

I think the author intends for you to pity these people, but they are all so stupid that it's really hard to. They make a series of bad decision and now have to move out of their chateaus into their mansions! Not quite the same as being homeless and penniless, you know? Some of the folks he interviews seem completely self aware, but others are just ridiculous.

The author also makes a small foray into politics talking about how the fluctuations of the beta wealthy mean that we need to change our tax system to tax middle class and poor people more because their incomes/assets/investments are more stable. He doesn't go into depth about this at all, which is a waste. Don't mention it if you're not going to explain it. He also concludes with the trite observation that money doesn't buy happiness. Quite a let down in the end.

Caleb says

Good, not great, book about the increasingly volatile nature of the wealthy in America and how their spending habits and saving practices are actually worse than everyone else's not better. Frank writes about the wealthy for the WSJ and he takes a fair tone to this book which could be handled with either a condescending or fawning tone by the wrong writer. The main critique is that it feels like it was written by journalist who had more material than needed for an article but not quite enough to fill out a book, thus it even feels a bit padded at 200 pages. Nevertheless, a fast, interesting, if slightly disheartening read.

Everyday eBook says

Despite the tremendous attention surrounding the Occupy Wall Street demonstrations in downtown Manhattan, you might continue to scratch your head in beginning to figure out just what exactly these demonstrators want. In some instances, it’s a ‘perp walk’ from Wall Street, so their eyes can feast upon CEOs as they hit the ground, their golden parachutes crumpled in heaps beside the tents and trees in Zuccotti Park. Perhaps they want a public mea culpa of all the wrongdoing that’s undone our nation’s economy and a modest proposal to slowly bandage what’s been done. Whatever it is, one thing is clear: The ninety-nine percent has had it with the broken economic system and how those who broke it continue to live within a gilded community with little to no repercussions. This community of the top one percent lives in relative seclusion, with only the Kardashians and other reality stars on television offering a glimpse into the world of the rich. Is there a way past the security layer the one percent insulates themselves with?

In a new book, The High-Beta Rich, by Wall Street Journal columnist Robert Frank, we actually get a balanced, unvarnished look into just that. The lens is rarely trained upon those who’ve made the millions, but as Hunter S. Thompson used to say, “For every moment of triumph, for every instance of beauty, many souls must be trampled.” Some of those souls, indeed, do include the one percent. One couple, Tim and Edith Blixseth, were once able to “fly on their Gulfstream 550 to their French castle for dinner and return [to the U.S.A.] for breakfast and golf with Bill Gates.” The essence of their wealth was destroyed once the real estate bubble popped and they were forced into bankruptcy, had to lay off their estate staff of over one hundred, and lost the posh Yellowstone Club, a private resort in Montana that they once owned. We also get to meet Ken Cage, who’s made his living as of late repossessing yachts, private jets, and other luxury goods.

What these new American rich actually do with their riches has been dangerous not only to them, but to our economy. Mr. Frank’s book delves into the drastic highs and lows of the modern American rich that he calls “high beta,” which stems from financial language used to describe a stock that beats the market when the market rises, and breaks faster and farther when the market is down.