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Expert Comment

Coddling capital: Second-generation conditions to attract and retain the super-rich

Diego Avanzini

DOC RESEARCH INSTITUTE

Dialogue of Civilizations Research Institute gGmbH
Französische Straße 23
10117 Berlin
Germany
+49 30 209677900
info@doc-research.org

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Executive summary

The 'club' of the super-rich is increasing worldwide and has the power to change city skylines, prompt legal framework adjustments, and shape the political and economic landscape of many countries. Decisions of the super-rich involve where to live, where to invest, and how to allocate their wealth. Their demands include tranquillity, safety, and an appropriate environment in which to grow their family and fortune.

Some countries are taking the lead in preparing to attract the super-rich (and part of their wealth). Receiving countries and cities are offering powerful passports in exchange for various investments (i.e., migration investment programmes); special tax treatment; secure environments for one's wealth and family; access to high-quality education, healthcare, and cultural and entertainment activities; private airports and docks; and the possibility of 'socialising with similar people'.

Countries are benefiting from foreign direct investment and a renewed society with exemplary services that appeal to the super-rich and are available to other nationals. The wealthy engage in philanthropic activities, contribute capital to improve entrepreneurial ecosystems, and boost property markets, which may benefit domestic economies. However, these benefits come at the cost of social inequality; countries may be delineated into first- and second-class citizens along with – according to some analysts – a non-negligible threat to democracy.

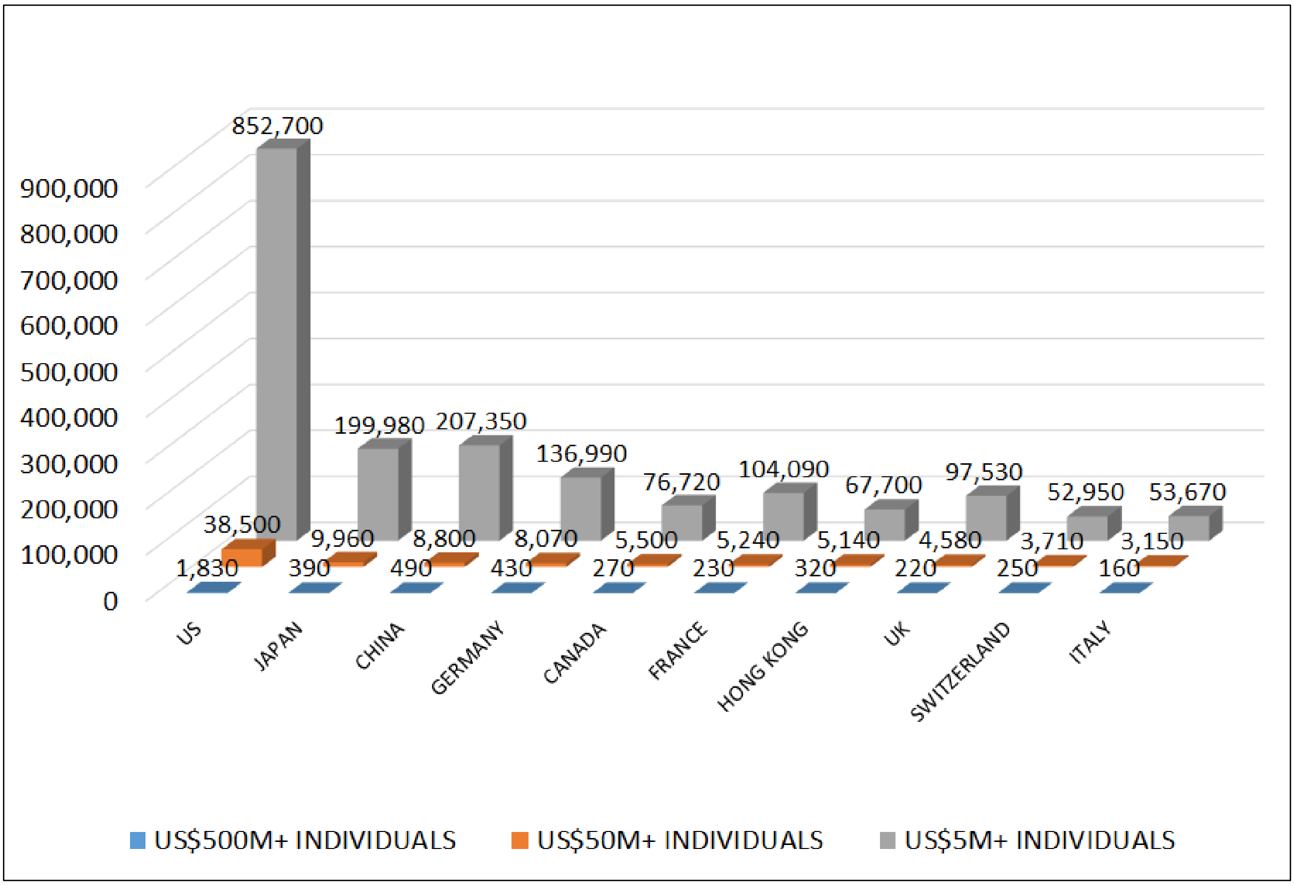
Although the super-rich are receiving these and other benefits, they still struggle for more. Second-generation conditions to attract the wealthy include new technologies and cybersecurity to protect transactions, private information, and relevant assets. The super-rich also demand political and economic stability, often opposing populism and strongly preferring the rule of law. Airports for their private jets, safe places to keep and enjoy their private luxury collections, and attractive philanthropic activities are similarly essential to making them feel 'at home'.

Some highlights of the super-rich

Although the super-rich appear to comprise an exclusive club with sophisticated (and occasionally peculiar) tastes and rare demands, an unassailable conclusion is that they live among us and are becoming a more influential factor in shifting city skylines, legal frameworks, and the political and economic landscape of many countries. Indeed, this ‘club’ is growing rapidly: while the world population increased by about 6% in 2012–2017, the millionaires ‘next door’, as dubbed by Stanley and Danko (1997), grew more than eight-fold during the same period. According to Knight Frank (2018), the phenomenon also holds for higher-wealth tiers: the multi-millionaire population increased by 20%, the ultra-wealthy population by 18%, and demi-billionaires by 14%. This expansion of the wealthy population was also accompanied by growing wealth that climbed steadily during the same period, amounting to a 52% increase in millionaires overall (Capgemini, 2018).

Contrary to general belief, the wealthy can be found everywhere, and they are moving fast (Stanley & Stanley Fallaw, 2018). Advanced economies remain the most common residencies for the super-rich, as shown in Figure 1. Nevertheless, the ultimate paradises include small countries and territories offering preferential treatment for the super-rich, such as Hong Kong, Guernsey, Monaco, Lichtenstein, Cyprus, Malta, Saint Kitts and Nevis, Antigua and Barbuda, Saint Lucia, and Grenada, among others. Many of these new destinations attract the wealthy due to flexible tax regimes, increased passport power, and other advantages to be discussed in the following sections.

Figure 1. Where are they? Distribution of the super-rich in 2017



Note: The top ten countries with high proportions of UHNWIs in the world in 2017. The legend defines proportions of the wealthy population by wealth band, excluding second-home owners.

Source: Knight Frank (2018) statistical appendix.

What do the super-rich need?

The super-rich do not differ from other people when making decisions, but they do exert a unique level of economic impact. Similar to many of us, their decisions involve where to live, where to invest, and how to allocate their wealth among available assets (Solimano, 2018a). While notions of where to invest and how to allocate investments have been actively studied, the question of how the wealthy choose where to live requires more insight.

As indicated in Figure 1, although traditional countries and cities attract a high number of HNWIs, it is more difficult to determine which factors pull the super-rich to other destinations such as smaller countries. Like most of us, the super-rich seek tranquillity, safety, and an appropriate environment in which to grow their family and fortune. Ideally, they would stay where they grew up and built their fortune. Unfortunately, various factors influence their decisions to leave their home countries, transforming them into a highly mobile group always looking for better places to settle down (Solimano, 2014).

Potentially, the most important demand of the wealthy is security. The term must be understood from a broad perspective, encompassing personal and family safety, protection of wealth and property rights, a strong preference for privacy and confidentiality, and a stable rule of law to guarantee these desirable features over time. The super-rich spend considerable amounts of money securing their property, lowering their profile (especially for their children), and keeping their businesses out of the public eye. Most of what is known about them is the result of carefully arranged opportunities to highlight philanthropic and altruistic activities, cultural meetings, and unique events intended for a 'select' group, which draws an invisible line to separate these individuals from the rest.

HNWIs also worry about practical matters of everyday life, such as high-quality health services or educational opportunities for their children. Their needs include access to strong communication and transportation services, cultural and entertainment activities, and other amenities comparable to those found in top cities around the world (Knight Frank, 2018). Although flying a private jet to a cosmopolitan centre (e.g., London, Paris, or New York) is not unusual, having the opportunity to satisfy the most common demands in the 'neighbourhood' is important.

Another problem often faced by the super-rich is the hiring of servants. According to UBS (2017), the wealthy struggle to find dutiful, reliable servants. Servants are not only a pillar of wealthy families' lives but also an aspect they would prefer not to deal with for a while. However, according to their answers to the UBS study, they spend a substantial amount of time searching for servants, evaluating them, and ultimately complaining about their pitfalls. After all, servants clean the super-rich's clothes, serve their meals, take care of their children, and are an active part of their lives. Recruiting a good team is as important as having a good law office attending to the wealthy's legal affairs (especially given that the head of the family is often on the move for business and pleasure).

Whereas most people worry about making ends meet, UHNWIs engage in exhausting activities to invest, retain, and increase their financial holdings (Godfrey, 2014; Jermyn, 2017). Having money (and keeping it) is a full-time job that includes eliciting high-quality accountancy, law, and investment advice; searching for the most favourable tax deals, spending money in the best way; processing extensive information and making decisions; and avoiding storytellers in the search for funding. International investment banks, private investment offices, and family offices offer such services (Cole, 2017). Nevertheless, according to a 2008study by Boston College's Center on Wealth and Philanthropy, trustfulness is still a major concern. Mistrusting those who work for UHNWIs translates into the wealthy spending extra time supervising helpers' work, redundancy in crucial services such as asset allocation advice or tax treatment of benefits, and an uncomfortable feeling that wealth is at risk (Anderson, 2016; Frank, 2011; Higuera, 2016; Vincent, 2017).

Although having an intimate circle may help, turning to family and friends is not necessarily promising for the super-rich. Wood (2011) pointed out that the super-rich possess a deep-seated fear that family and friends will take advantage of their situation and spend money outside of reasonable limits. In fact, the wealthy may feel as though they live in a sea of conspiracies to seize their money (Godfrey, 2014; Little, 2011).

A different aspect with which the wealthy are concerned is how they spend their money. This issue involves maintaining a certain standard of living, which may include particular tastes such as private jets, super-yachts, beach escapades, or shopping tours in cosmopolitan centres. Spending decisions also involve complex considerations such as the acquisition of wine, artwork, and other luxury goods that serve dual functions as personal treasures and investment opportunities. Concerns around expenditure can extend to keeping pace when socialising with super-rich who are wealthier or like to showcase the power of their money, obliging aspirants to spend more than usual to keep close to this elite circle.

Furthermore, making decisions about how to spend money involves deciding how much to donate toward charitable activities and to whom. Philanthro-capitalism, as dubbed by Freeland (2012), has become a key part of the super-rich business for various reasons: tax benefits, social pressure (especially from 'peers'), and ultimately, social awareness. However, philanthropic expenditure must be well directed to cause real impact (socially and in the media). UHNWIs can choose to embark on their own philanthropic endeavours, such as George Soros (Open Society Foundation), Bill Gates (Bill & Melinda Gates Foundation), Warren Buffet (Buffet Foundation), or Mark Zuckerberg (Chan Zuckerberg Initiative) among others. Alternatively, the ultra-rich may join philanthro-capitalists through donations and public appearances to support ongoing projects.

A final remark regarding the needs of the super-rich concerns worldwide mobility. Satisfying specific demands and pursuing business all over the globe have converted the wealthy into global citizens who need to move freely from country to country, virtually without borders. This can be achieved with a powerful passport, featuring visa-free access to the highest number of countries (even better if the passport or residency permit allows skipping the line!). Although multi-millionaires, especially from less developed countries, crave powerful passports and nationalities (Knight Frank, 2018), several countries have implemented by-investment programmes to attract the super-rich in exchange for residency or citizenship that improves their mobility.

Creating a 'cosy' place for super-rich families

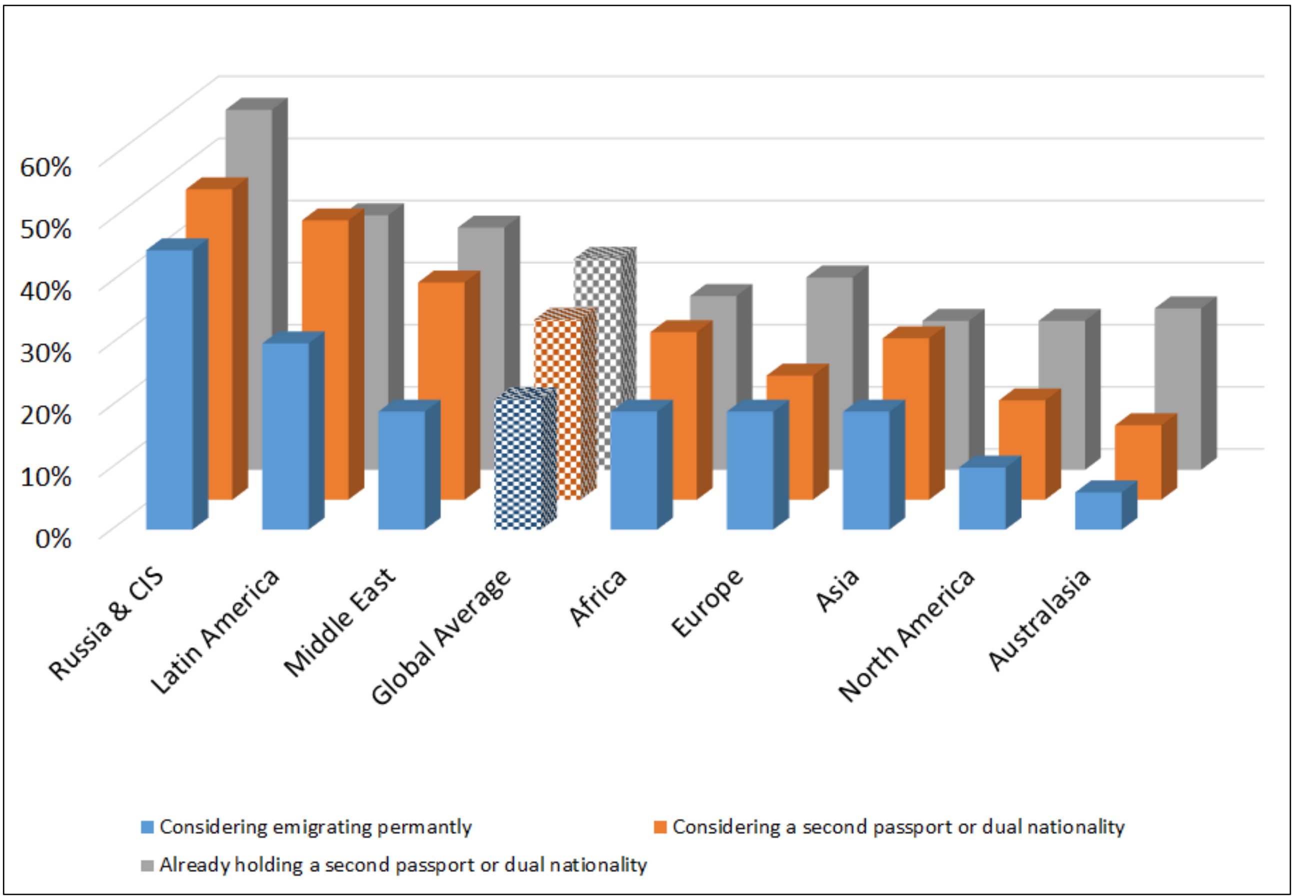
When a country (or a particular city) cannot offer the features discussed above, the super-rich start to look for a new place in the world. According to Solimano (2018a), the wealthy on the move are driven by at least one of the following purposes: searching for new business opportunities, enlarging their scope of work, escaping tumultuous circumstances, or taking advantage of preferential tax treatment. Yet what motivates the super-rich to leave their home countries includes many other factors worth studying.

Many countries have identified such situations as opportunities to attract the wealthy (and their money). However, converting a country or city to ‘a super-rich magnet’ requires deep knowledge of the dos and don’ts that can attract multi-millionaires’ attention. For countries interested in cultivating a pleasant environment to host the super-rich and their families, here are some highlights.

The first point to consider is that capital and people move in different ways. On one hand, investable capital is highly mobile and does not require the presence of investors to take over a market. Having access to financial hubs such as London, New York, Singapore, Hong Kong, Frankfurt, Zurich, Tokyo, or Chicago is important and can be solved through investment banks subsidiaries, family office representatives, and hiring exclusive financial advisors who work in mainstream financial centres. Wealthy families, on the other hand, make decisions about moving based on a long list of needs as mentioned earlier. The most common include safety concerns (i.e., personal and wealth security); privacy and confidentiality concerns; accessibility to recognised locations to enjoy museums, artistic expression, and other recreational and cultural environments; educational and health services; and exclusive venues and events where they can engage, interact, and socialise with their ‘peers’.

A powerful passport is one of the more important pull factors for the wealthy. As shown in Figure 2, more than 30% of multi-millionaires surveyed by Knight Frank stated that they already hold or are considering acquiring a second passport or nationality. A powerful passport provides access to financial hubs and entertainment centres, better living standards, and opportunities to join the fellow wealthy.

Figure 2. Citizenship and residence trends among UHNWIs (2018)



Source: Knight Frank (2018), based on The Wealth Report Attitudes Survey 2018.

Figure 2 also highlights that the super-rich from emerging economies in Latin America, Russia and the Commonwealth of Independent Countries, and the Middle East are more concerned about global access. Table 1 elucidates this trend, as economies with the highest growth in the super-rich population and wealth are underdeveloped countries with little access to the rest of the world. Thus, a multi-millionaire from Bangladesh has limited opportunities to access more important cosmopolitan centres of the world because of the low value of his/her nationality and passport power.

Table 1. Top ten fastest-growing ultra-HNW countries and international status (2012–2017)

Country	Ultra-HNW Growth (2012-2017, CAGR*)	Passport Power (2018)				Quality of Nationality Index (2017)
		Passport Power (visa-free score)	Visa-free	Visa on arrival	Visa required	
Bangladesh	17.3%	44	18	26	154	21.4
China	13.4%	75	28	47	123	41.4
Vietnam	12.7%	57	21	36	141	24.6
Kenya	11.7%	72	39	33	126	24.6
India	10.7%	66	25	41	132	29.3
Hong Kong	9.3%	149	115	34	49	45.5
Ireland	9.1%	163	118	45	35	79.0
Israel	8.6%	145	104	41	53	45.1
Pakistan	8.4%	35	8	27	163	17.9
United States	8.1%	164	116	48	34	69.4

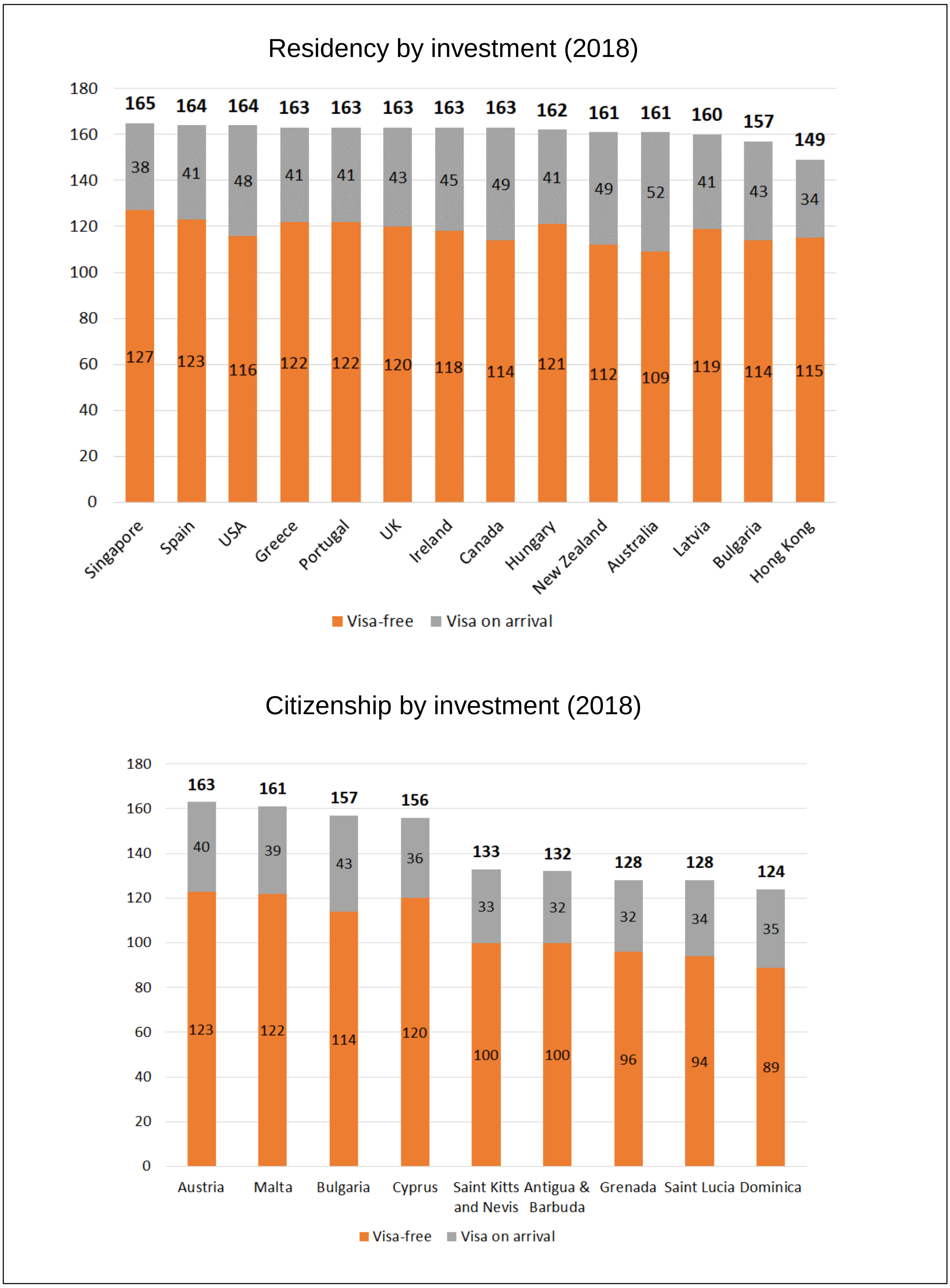
Note: CAGR stands for compound annual growth rate. Passport Power reports the number of countries per visa scheme, totalling 198 countries and administrative jurisdictions that issue their own passports. As a measure, Passport Power refers to the sum of visa-free and visa-on-arrival requirements. Quality of Nationality Index measures different aspects of the nationality (not only the country) based on domestic and external indicators.

Source: Wealth-X (2018), The Passport Index (2018), and Henley & Partners - Kochenov (2017).

The solution to this problem has given rise to the so-called 'global market of nationalities' (Henley & Partners–Kochenov, 2016). Becker (2011) proposed selling citizenship as a radical solution to the immigration problem. Put simply, the Jus Pecuniae enunciated by Stern (2011) implies legal arrangements that allow HNWIs to apply for a residency permit or citizenship based on a predefined pecuniary contribution for the receiving country. The application process is shorter and easier than conventional applications to favour the arrival of well-endowed investors and their families. Recent studies have assessed the extent of these by-investment programmes as well as alternative regimes in assigning residency and citizenship benefits (Ochel, 2001; Sumption & Hooper, 2014; Surak, 2016; Stadlmair, 2018).

Henley & Partners–Kochenov (2016) measured the market for nationalities using its Quality of Nationality Index, which accounts for various features countries offer to attract the wealthy. The top panel of Figure 3 indicates the passport power of main countries offering residency-by-investment programmes consisting of monetary contributions to the domestic economy in exchange for obtaining a permanent residency card at an expedited rate compared to traditional applications. According to Arton Capital (2018a), a firm dedicated to helping the super-rich acquire a second residency or citizenship, the benefits include business and tax advantages, greater potential to obtain citizenship, improved life standards (e.g., security and education), and global mobility. In addition, as displayed in the bottom panel of Figure 3, some countries provide an opportunity to file for a second passport directly through their citizenship-by-investment programmes. In this case, the country offers the wealthy and their families a second citizenship and passport in exchange for investment, but without requiring investors to put their lives on hold (Arton Capital, 2018b).

Figure 3. Passport Power for countries offering by-investment programmes:

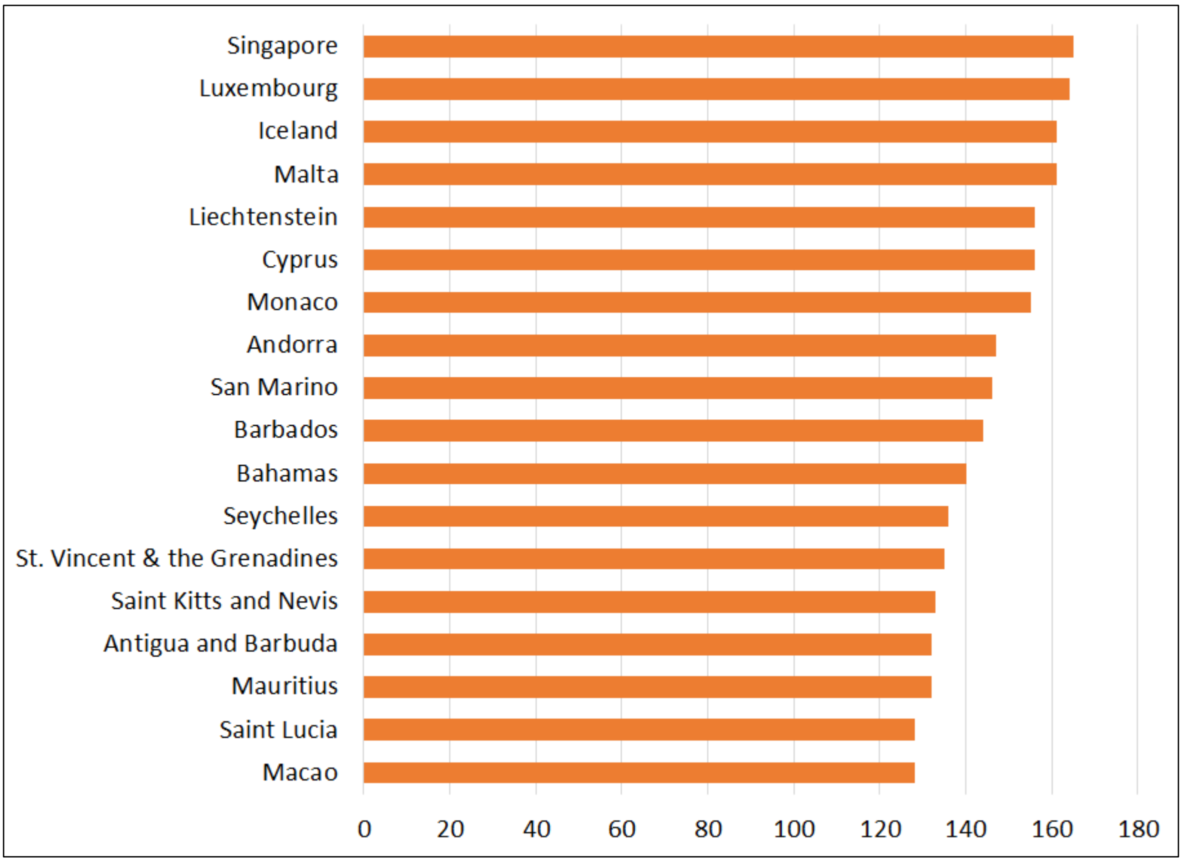


Note: Passport Power reports the number of countries per visa scheme, totalling 198 countries and administrative jurisdictions that issue their own passports. As a measure, Passport Power refers to the sum of visa-free and visa-on-arrival requirements (bold labels on top of columns).

Source: The Passport Index (2018) and Henley & Partners Passport Index (2018), select countries.

Beyond the usual, more attractive destinations, evidence suggests that new destination countries are emerging as preferred places for the wealthy to settle down. Figure 4 shows some of these new destinations and their passport power – one of the key attractors. In addition to a powerful passport, such countries offer sunny, private beaches; highly secure neighbourhoods; improved health and education facilities; large docks for super-yachts and facilities to operate private jets; and flights to nearly every top destination in the world.

Figure 4. Passport Power of new destinations among the wealthy



Note: Passport Power reports the number of countries per visa scheme, totalling 198 countries and administrative jurisdictions that issue their own passports. As a measure, Passport Power refers to the sum of visa-free and visa-on-arrival requirements (bold labels on top of columns).
Source: The Passport Index (2018).

In addition to a powerful passport and high living standards, countries need to offer innovative communication services that allow easy access to financial hubs, cultural cities, and entertainment centres. Table 2 lists the most common private-flight routes. In the United States, flights between New York and Washington, DC exemplify the financial–political connection the wealthy must convey. Washington, DC's Dulles Airport is reliable and less crowded than New York's JFK Airport, offering an international hub that enables the super-rich to connect easily to the rest of the world. Conversely, the Los Angeles–Las Vegas route is mainly intended for entertainment purposes. On the European front, the Paris–Geneva route links luxurious lifestyle and financial and investment centres with a global range. The London–Paris route serves a similar purpose. By contrast, the Nice–Moscow route is an example of the wealthy's high demand for shifting to year-round summer beaches from time to time.

Table 2. Most popular routes for private flights (2017)

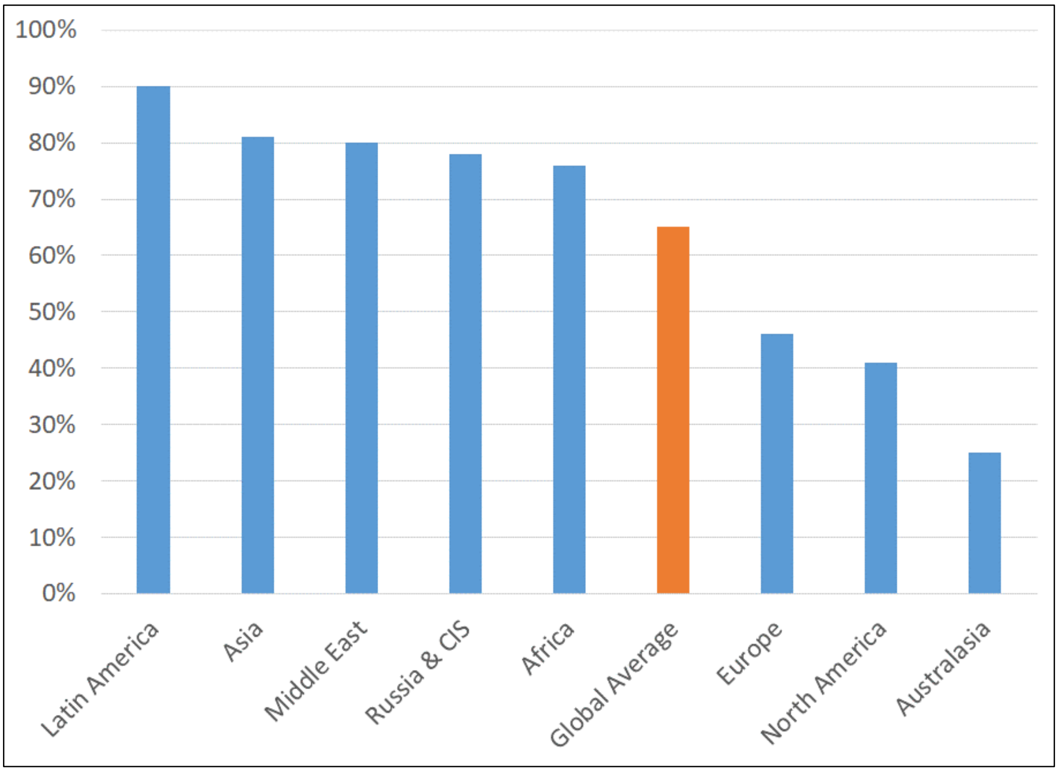
Ranking	Route	Number of flights
1	New York Teterboro - Washington Dulles	5,106
2	LA Van Nuys - McCarran Las Vegas	4,753
8	Paris Le Bourget - Geneva Cointrin	3,084
17	Nice Côte D'Azur - Moscow Vnukovo	1,949
32	London Luton - Paris Le Bourget	1,476

Source: Knight Frank (2018), based on data from WINGX.

Primarily, the wealthy move among certain destinations around the world in order to meet 'peers' and make contacts, stay abreast of business opportunities, and share their time and interests with like-minded people. Moreover, it is certainly easier if a gala or golf tournament takes place close to home; in this case, the super-rich have opportunities to interact, meet 'alike' people, and establish a sort of super-rich 'club'. According to Wood (2011), one factor with which the super-rich struggle is the fear of being ostracised and excluded from mainstream social events.

Another aspect that attracts the super-rich is the opportunity to raise a healthy, educated family; this feature often underpins the super-rich's decisions to move from African and Middle Eastern countries. Figure 5 reveals education as an important motivator behind the super-rich moving to more developed countries.

Figure 5. Wealthy families sending their children to study abroad (2018)



Source: Knight Frank (2018) statistical appendix.

Complementing these findings, Table 3 lists wealthy families' most likely destinations by home region. The United States and United Kingdom are preferred destinations for the super-rich from nearly all regions; the remaining top destinations belong to countries that possess a cultural or idiomatic link with one another (e.g., Asia and Australia or Singapore; Latin America and Spain or Mexico; and the Middle East and United Arab Emirates).

Table 3. Most likely destination countries for super-rich on the move (2017)

Ranking	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia & CIS	Global Average
1	Australia	US	UK	UK	US	UK	US	Switzerland	UK
2	UK	Australia	US	US	UK	US		UK	US
3	US	Canada	Australia	Switzerland	Spain	Canada	UK	Monaco	Australia
4	Canada	UK	Singapore	Spain	Canada	Switzerland	Canada	Italy	Switzerland
5	South Africa	Singapore	New Zealand	Portugal	Mexico	UAE	Ireland	Cyprus	Canada

Note: CIS stands for Commonwealth of Independent States.
Source: The Attitudes Survey (Knight Frank, 2018).

A final strong attractor for multi-millionaires is the host country's institutional arrangement. As many super-rich on the move hail from distressed countries, finding a politically and economically stable environment is a powerful driver when choosing a country of residence. According to Knight Frank (2018), the super-rich prefer to avoid turbulent countries where the rule of law is not granted. In particular, the wealthy enjoy the benefits of a democratic environment, respect for the law, and collegiality with enthusiastic investors. Therefore, the super-rich expect to move to a country with a receptive business environment, strong privacy protection and confidentiality policies, and preferential tax treatment.

In summarising the pull factors that attract the super-rich, the wealthiest cities can unveil some useful information as shown in Table 4. After all, the super-rich prefer cities and countries with high living standards, high levels of wealth conducive to associating with similar others, promising investment opportunities, and a bright future. Although the super-rich's preferred cities remain largely classic, some newer destinations are becoming increasingly attractive (e.g., Singapore, Shanghai, and Hong Kong), partially shifting the focus from popular cities in the United States and Europe.

Table 4. Top wealthy cities (2018)

Overall		Wealth		Investment		Lifestyle		Future	
1	New York	1	New York	1	New York	1	New York	1	New York
2	London	2	Los Angeles	2	London	2	San Francisco	=2	London
3	San Francisco	3	Hong Kong	3	Hong Kong	=3	Chicago	=2	Tokyo
4	Los Angeles	4	London	4	San Francisco	=3	Singapore	4	Los Angeles
=5	Chicago	5	San Francisco	5	Los Angeles	5	London	5	Paris
=5	Singapore	6	Chicago	14	Paris	6	Tokyo	6	San Francisco
7	Paris	7	Singapore	15	Singapore	7	Paris	8	Chicago
8	Tokyo	10	Tokyo	18	Chicago	10	Hong Kong	10	Singapore
9	Hong Kong	13	Paris	21	Shangai	12	Los Angeles	15	Shangai
18	Shangai	29	Shangai	22	Tokyo	23	Shangai	25	Hong Kong

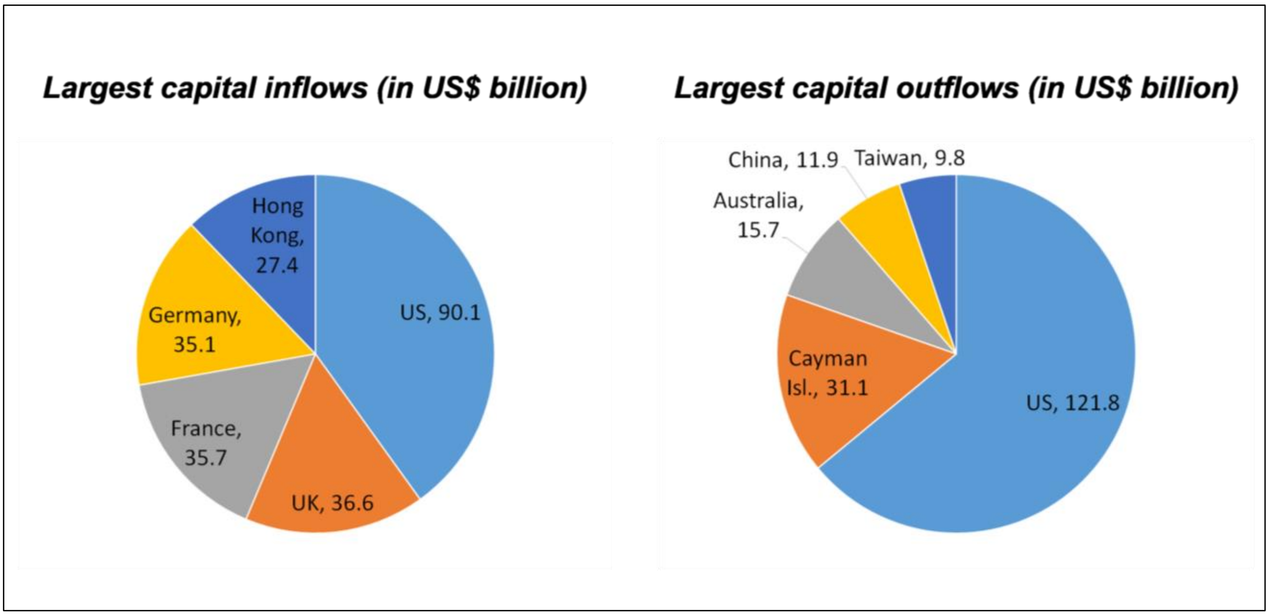
Source: Knight Frank (2018) City Wealth Index, select cities.

The *quid pro quo* case for receiving countries and cities

A noteworthy aspect of the wealthy's mobility – and countries' and cities' efforts to attract them – is what they contribute to these countries in return for preferential treatment. According to Arton Capital (2018a, b), the main benefit for receiving countries is the attraction of much-needed foreign direct investment that can be used to fund economic or cultural projects. While this benefit is arguably important, other pros and cons emerge upon closer examination.

When the super-rich and their families move to a new territory, it is interesting to consider how much of their capital moves with them. Recent evidence based on data from the Bank for International Settlements and published by Knight Frank (2018) indicated that the United States, China, and Australia lead gross and net outflows. In fact, the United States is losing ground as capital is diverted to more capital-friendly environments. Credit Suisse (2018a, b) has stressed the role of capital outflows from Brazil and Argentina, which weaken Latin America's wealth share. On the other hand, the United Kingdom, France, Germany, and Hong Kong appear to be larger attractors of migrating capital, as displayed in Figure 6.

Figure 6. Money on the move: Top five countries by capital in- and outflow in 2017



Source: Knight Frank (2018) based on own research and statistics from the Bank for International Settlements.

In practical terms, these trends suggest that although the super-rich may be moving to the United States or the United Kingdom, their wealth has its own itinerary. Thus, countries implementing residency and citizenship via investment programmes tend to establish well-defined investment thresholds and types to generate economic and social impacts. According to Sumption and Hooper (2014), there are two types of investment programmes: those based on private-sector transactions and those based on investor–government transactions.

In the case of private transactions, requirements include investing in productive activities (e.g., in the United States, starting a business with at least ten full-time employees as required by the American EB-5 visa application) or buying/building a private property (e.g., Portugal's Golden Residence Permit Programme). While this form of foreign direct investment is often welcomed in receiving countries, the investment's final destination may not be as desired. Occasionally, immigration-by-investment policies do not align with business or employment promotion programmes, and the incoming capital flows may lead to less desirable economic sectors or less attractive activities for public policy.

Regarding the investment-in-properties alternative, the final effects remain unclear. Although boosting a depressed property market through commercial and residential real estate resale or construction can help the economy, rising property prices and the accumulation of empty high-end private properties can compromise locals' well-being (Florida, 2018). Atkinson (2015) contributed to this discussion by reviewing the case of London, where changes to housing affordability are rife and threaten residents' standard of living. Florida (2017) also pointed out a super-rich-arrival-related threat to creativity in receiving cities; he studied the cases of London and New York, where higher property prices are displacing the traditional creative class from the heart of cities. This pattern is also linked to the strengthening of cities such as Singapore, Hong Kong, Tokyo, and Shanghai as financial centres (Gärtner, 2013) along with disregard for more creative, illustrated activities.

On the other hand, investor–government transactions – namely contributions to public expenditure – can vary from country to country and include buying public debt bonds, making one-off contributions to hurricane relief, or contributing to economic development funds (Knight Frank, 2018). While contributions received via this scheme are easier to control, some drawbacks arise regarding the adequacy or sustainability of governmental expenditure financed by these means, the redirecting of funding that could be invested in more productive activities, and ultimately, the political links and influence that can be constructed through these contributions. Overall, transparency issues and inefficient governmental expenditure could undermine the outcomes of these programmes.

Once the problem of incentive alignment is solved, another aspect of immigration related to investment programmes involves determining the type of benefit to offer (i.e., residency permit or citizenship). Countries tend to offer residency at the first stage, whereas citizenship benefits are reserved for well-established immigrants. Table 5 presents the most attractive residency-by-investment programmes in 2018. Residency generally requires global immigrants to spend time in a given country (usually at least 180 days per year) with subsequent benefits for the economy.

Table 5. Top residence-by-investment programmes (2018)

Country Program	Passport Power	Quality of Nationality	Minimum Capital Requirement	Time Frame to Obtain the Benefit
Portugal	163	12th	USD 250,000	3 to 8 months
Malta	161	23rd	USD 630,000	4 to 6 months
Thailand	79	101st	USD 15,000	Less than 1 month
United Kingdom	163	13th	USD 2.6 million	Less than 2 months
United States	164	27th	USD 500,000	12 to 18 months
Switzerland	163	9th	Annual lump-sum tax payment of between USD 150,000 and USD 1 million dependent on the canton of residence	2 to 6 months
Canada	163	33rd	USD 600,000	24 to 48 months
Cyprus	156	24th	USD 350,000	2 months

Note: Passport Power reports the number of countries per visa scheme, totalizing 198 countries and administrative jurisdictions that issue their own passports. As a measure, Passport Power refers to the sum of visa-free and visa-on-arrival requirements. Quality of Nationality Index measures different aspects of the nationality (not only the country) based on domestic and external indicators.

Source: H&P-Kochenov (2018) and The Passport Index (2018).

Other countries, especially smaller ones in the Caribbean and Mediterranean regions, have engaged in citizenship-by-investment programmes with a clear objective of attracting capital without the requirement of living in the country. Table 6 lists the most appealing programmes for 2018 with accompanying investment thresholds and passport power. The idea behind these programmes is to provide a second nationality and passport to the super-rich and their families to facilitate world travel. In most cases, residency is not required; the deal functions as an exchange of nationality for money.

Table 6. Top citizenship-by-investment programmes (2018)

Country Program	Passport Power	Quality of Nationality	Minimum Capital Requirement	Time Frame to Obtain the Benefit
Malta	161	23rd	USD 1.15 million	12 months
Cyprus	156	24th	USD 2.3 million	6 months
Austria	163	10th	USD 9.2 million	24 to 36 months
Antigua & Barbuda	132	56th	USD 100,000	3 to 4 months
Grenada	128	67th	USD 150,000	3 to 4 months
St. Kitts and Nevis	133	58th	USD 150,000	3 to 4 months
St. Lucia	128	67th	USD 100,000	3 to 4 months
Moldova	112	73rd	USD 100,000	3 months

Note: Passport Power reports the number of countries per visa scheme, totalizing 198 countries and administrative jurisdictions that issue their own passports. As a measure, Passport Power refers to the sum of visa-free and visa-on-arrival requirements. Quality of Nationality Index measures different aspects of the nationality (not only the country) based on domestic and external indicators.

Source: H&P-Kochenov (2018) and The Passport Index (2018).

Apparently, more advanced economies tend to use residency as a condition for citizenship eligibility. There are good reasons to implement this prerequisite. First, having HNWIs in the neighbourhood more or less permanently may encourage the creation or improvement of schools and universities, strengthening of security and communication services, deployment of high-end healthcare centres, and development of better shopping and entertainment facilities. In addition, the wealthy may opt to support such endeavours in exchange for having their names on a façade. By contrast, countries that cannot offer appealing infrastructure may encounter difficulties attracting the super-rich. Moreover, given that building adequate infrastructure involves long-term planning, attracting the wealthy is not simply a matter of offering visas in exchange for money. New immigrants' consumption may raise prices and shape consumption trends, generating an overall negative effect on domestic goods consumption.

Although having the super-rich in the neighbourhood may seem to be a 'win-win' situation, a more profound problem can arise: attracting the wealthy in exchange for investment implicitly implies worse conditions for non-super-rich immigrants, who may be deterred from applying for residency or citizenship. According to Solimano (2018b), this unequal situation translates to greater economic inequality between and within countries. In fact, some authors have asserted that such effects also carry ethical and moral implications, especially when humanitarian reasons might be the primary drivers of migration (e.g., Carens, 2015).

Waldenström (2017) also stated that housing greater proportions of the super-rich can lead to higher levels of inequality. This increasing inequality suggests growing social polarisation, which, according to Townsend (2002), shifts attention to particular segments of the population. Therefore, highly focused social policies may be crafted to address this situation, following a traditional approach to alleviate social gaps. The government does not necessarily implement these social policies by itself but through non-governmental organisations that, paradoxically, are financed by the super-rich. Hence, the wealthy 'support' social efforts to overcome social polarisation that they are igniting to a certain degree. Moreover, highly targeted social policies may in fact prove detrimental to democracy, given the political arena they promote through populist measures (Moffitt, 2016). Such features encompass an unintended political result for the super-rich seeking more stable political and economic environments.

Returning to the advantages, a second benefit of having the super-rich next door is the 'peer effect'. Most super-rich are self-made multi-millionaires likely to favour entrepreneurship and provide venture capital, who continually demand better legal frameworks (especially regarding private property rights and confidentiality). This context can be encouraging for domestic stakeholders to develop new businesses and connect with other entrepreneurs.

However, some spillover (e.g., fostering innovative industries or transferring knowledge to receiving countries) is less clear as a result of the wealthy's mobility. Foreign direct investment has long been associated with the possibility of potentiating countries' productivity and pathways to growth, but evidence is not conclusive on this matter. Aghion, Akcigit, Bergeaud, Blundell, and Hémous (2018) recently found that although countries favouring innovation are good places to develop a super-rich elite, the other-way relation is unclear. In other words, innovative countries offer room to rising wealthy elites (i.e., top incomes), but these effects are less influential in areas with more intense lobbying activities; that is, if economic actors can influence political decisions, innovation can be stifled and spillover to the rest of the economy can dissipate.

Additionally, to make locations more attractive to the wealthy, countries must gather a critical mass of super-rich so the wealthy do not feel alone. Essentially, countries should encourage the creation of super-rich 'clubs' to fulfil demands for socialisation and 'peer' interaction. However, from a social point of view, this situation highlights the economic and social differences that the arrival of the super-rich generates in a society. As stated by Atkinson, Parker, and Burrows (2017), such situations can give rise to a 'dual' city, with money and power as a key variable for segmentation. Thus, rising inequality in cities and countries represents a darker side of the incoming super-rich, and there exists a certain sentiment about this unequal situation that should make the wealthy question how long everyday citizens will tolerate it.

There is a final noteworthy aspect regarding differential treatment reserved for the super-rich and their families. Beyond the exceptional deal to acquire residency or citizenship, the wealthy demand other exclusive benefits, including changes to the legal framework to favour capital mobility, special tax treatment (including 'tax haven' arrangements), avoidance of international information obligations around investment structure and quantity, and privacy and confidentiality rules that strengthen the wealthy's 'invisibility'. Nevertheless, enactment of these amendments has been interpreted as a pervasive threat to democracy. The wealthy require unique treatment based on their economic capacity, violating the 'equality before the law' principle. Some critical authors have even gone so far as to deem this differential treatment unethical.

Perceived inequality before the law, coupled with the super-rich's undeniable economic power, poses a major challenge to receiving societies. Threats and benefits mix in an intriguing way that society is generally unprepared to fully understand. As a result, views range from stating that countries should strive to attract the wealthy and their capital (Freund, 2016) to placing obstacles to the wealthy's arrival to preserve a national identity and domestic way of doing things (Luzkow, 2018; McQuaig & Brooks, 2014; Sayer, 2014). Who is right? The answer to this question is under discussion and will likely remain so for some time.

What is next? Increasing attraction through second-generation conditions

As the wealthy are presented with a growing array of potential destinations, the relevant question is What can countries do to enrich their offer and attract the wealthy? As discussed earlier, even when the benefits of having the super-rich in the neighbourhood seem nebulous, many countries are finding attracting and retaining the wealthy to be a viable, interesting alternative, especially if countries that are lagging behind need an economic boost.

Nevertheless, for a country to be in the spotlight requires advance preparation to attend to the new demands of the super-rich. These second-generation conditions distinguish two types of demands: wealth-related and personal. Wealth-related demands represent new fundamentals for engaging in international business and finance, thereby ensuring the 'Long live the King'! ambition.

The first aspect to consider, according to Knight Frank (2018), consists of new technologies and cyber-security. These are key aspects that will help protect transactions and private information in an era where money is mostly digital (including the possibility to invest in cryptocurrency). Reliable, redundant, highly secured systems to facilitate financial transactions and interactions, relying on high-quality, non-interrupted communications with the rest of the world comprise the core of current business agenda. This development is accompanied by a strong preference for privacy protection, especially around assets and their structure. Moreover, multi-millionaires demand preferential treatment regarding asset allocation and profit information in a world where most countries are tightening capital controls as governments are engaged in a crusade to monitor money and wealth movements worldwide (Knight Frank, 2018).

A second factor to consider relates to political and economic stability. Although fortunes may flourish in tumultuous environments, keeping money and promoting its steady growth requires relatively stable political and economic milieus. As reported in Knight Frank's (2018) Attitudes Survey, a main concern of the wealthy is the threat of populism. These preferences emerge even though many wealthy individuals have grown their fortunes amidst such political conditions. Nevertheless, despite the ability of populism to increase fortunes in the short term, the changing nature of this ideology can jeopardise wealth maintenance and growth in the long term. Instead, the wealthy prefer more stable democratic regimes in which they are not exposed to a populist government. For them, democracy is associated with a well-established property right scheme guaranteeing private property protection and, eventually, prosecution of unintended losses.

In addition to these demands, the super-rich must strengthen their business. On one hand, this need requires expert knowledge on several fronts, including expert advisement in wealth management, planning the transfer of wealth to new generations, and bringing in new business that elicits better profits. The major investment banks (e.g., Merrill Lynch, 2018b; Deutsche Bank, 2018; Goldman Sachs, 2018) have highlighted the importance of taking more risks to improve profits after a relatively calm, low-profit time span. Nevertheless, these institutions also underscore the need for highly trained professionals to support the new business structure. Moreover, this trend will likely be sustained as family offices are slowly replaced by more sophisticated financial advisors.

On the other hand, a strong business strategy feeds on market contacts. Extending the power of wealth beyond borders and economic activities calls for expert support and linkages to markets and opportunities. Family offices are not enough to keep a business going; thus, many families are passing on the role of business seekers to expert agents who have the connections and contacts to approach new endeavours more quickly. For wealthy individuals seeking better profits and who are comfortable assuming higher risk, more aggressive financial advisement has become preferable as of late.

Regarding personal demands, the super-rich expect to find a place to settle down with their families where they can live their lives the 'Richie Rich' way; however, this is not easy to satisfy. First, the wealthy have a strong need for mobility. Moving for business or pleasure requires reliable private airports and available docks to park private jets and super-yachts. A sustained, transversal tendency to own private jets and super-yachts has emerged in recent years (Knight Frank, 2018); for example, in 2017 the super-rich owned more than 21,400 private jets and 1,300 super-yachts over 40 metres. Simply moving via air brings a high demand for airports considering that in 2017, the United States and Europe reported combined activity of more than 2.5 million private flights; see Table 7 for details. Thus, airports are open doors to the world for the super-rich to quickly access political, financial, and entertainment centres.

Table 7. Total private-flight departures (2017)

	United States	Europe
Flight departures		
Number of flights	2.05 millions	513,893
Annual change 2016-2017	Up 4.8%	Up 4.7%
Flight Type		
Private ownership	62%	40%
Charter	27%	51%
Fractional ownership	11%	9%

Source: Knight Frank (2018), based on data from WINGX and JETNET.

Another important aspect of the multi-millionaire lifestyle is how the wealthy spend their time and money outside of business, especially in terms of relating to local culture. The wealthy enjoy associating with ‘alike’ people to alleviate homesickness, which requires a culturally diverse landscape. Moreover, the wealthy have funds to support myriad forms of cultural expression, making them a suitable market for interchanging cultural goods and activities as well as reinforcing aspects of their home culture. An example of such engagement with cultural activities is the wealthy’s active participation in the art market (McAndrew, 2018).

The super-rich also engage in philanthropic activities. Deciding how much to spend, for which charitable foundations and programmes, and the degree of public exposure they hope to achieve with these donations are central features of such family decisions. Some activities are intended to showcase their social sensitivity, economic power, or pursuit of altruistic aims. In any case, these decisions are crucial in establishing a family profile in their environment and must be taken seriously, especially when the wealthy also have economic impact through tax exemptions or deductions.

Lately, the super-rich have demanded safe places to keep their private luxury collections. Collections may vary from traditional art and antiques to well-endowed wine cellars, sports cars or rare vehicles, and horses. However, according to a special report in

Knight Frank (2018), luxury collections are more valuable if they can be enjoyed in the privacy of one's home. This characteristic classifies the super-rich into distinct groups with unique needs. There are investors, who are more interested in luxury goods as a means of retaining and increasing wealth by reselling them. For these wealthy individuals, free ports are a preferred place given goods are always 'in transit' and unaffected by custom duties in most countries. There are also wealthy collectors, engaged in collecting unique pieces to enjoy their luxury collections in private. Safe homes and offices are a basic need for this group, as is expansive real estate on which to display their collections. Finally, there is the 'showy' segment of the super-rich, often composed of newly wealthy persons who seek to separate themselves from others by demonstrating their spending capacity through their collections. In any case, having access to luxury collections and enjoying them constitutes a new and relevant demand among UHNWIs. Therefore, addressing these new demands may give countries and cities better opportunities to become new homes to the super-rich. The remaining question is, would you like to have the super-rich next door?

Diego Avanzini

Senior Research Fellow at the International Center for Globalization and Development (CIGLOB), Chile.

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