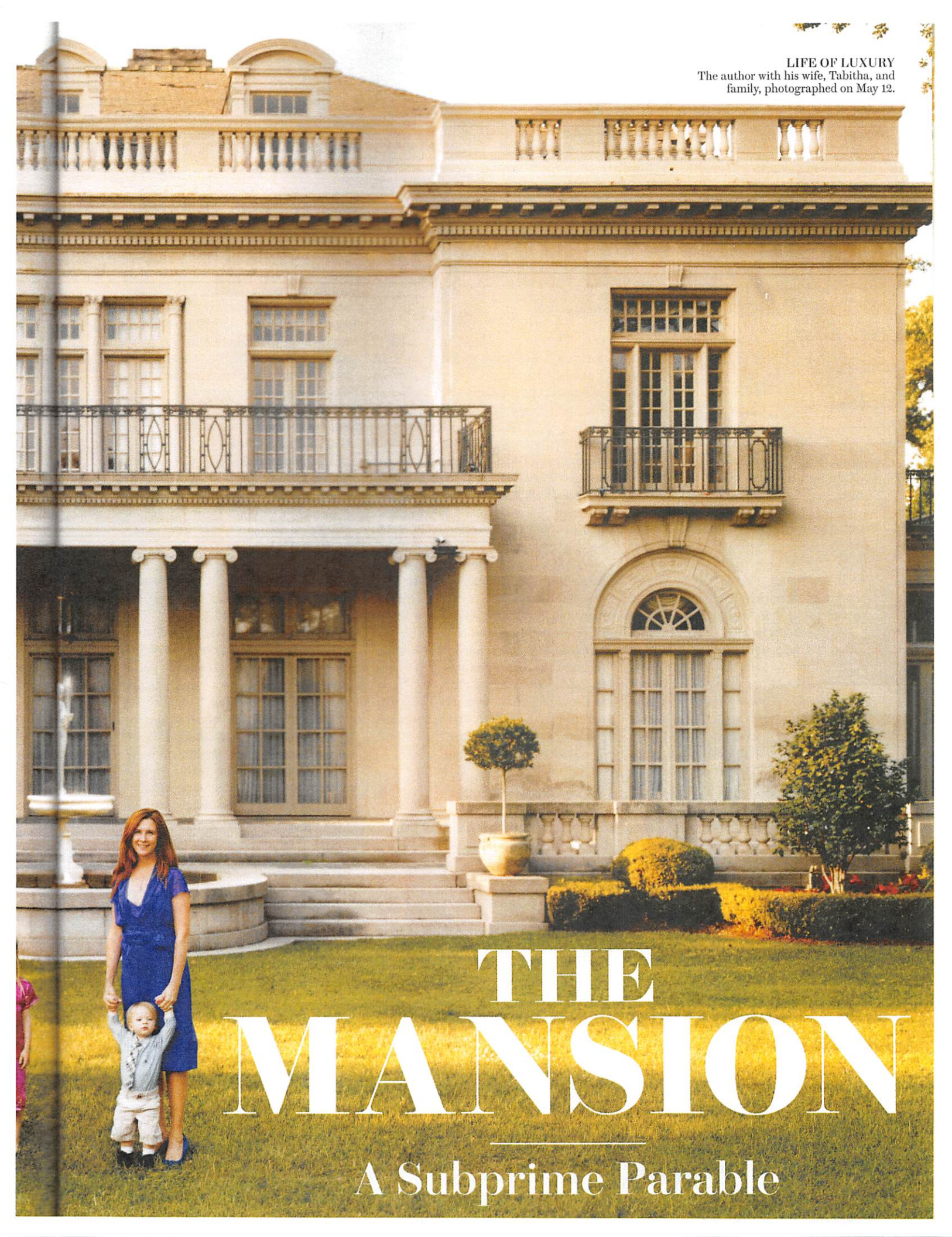


When **MICHAEL LEWIS** and his family
move into a house they can't afford, he gets
a taste of the new American nightmare

Photographs by **FRANÇOIS DISCHINGER**



LIFE OF LUXURY
The author with his wife, Tabitha, and
family, photographed on May 12.

THE MANSION

A Subprime Parable

I

was looking to return to New Orleans, where I'd grown up, to write a book. The move would uproot my wife and three children

from California, and I felt a little bad about that. They needed a place to live, but places to live in New Orleans are hard to find. Ever since Hurricane Katrina, the real estate market there has been in turmoil. Owners want to sell, buyers want to rent, and the result is a forest of FOR SALE signs and an army of workers commuting from great distances.

At the bottom of every real estate ad I saw was the name of the same agent. One woman ruled the market, it seemed, and her name was Eleanor Farnsworth. I called her and threw myself on her mercy. She thought my problem over and then said, "I only know of one place that would work

for you." She'd suggested it to Brad Pitt and Angelina Jolie, she said, before selling them their more modest place in the French Quarter.

That shouldn't have been a selling point; it should have been a warning. I should have asked the price. Instead, I asked the address.

As soon as I saw it, I knew it—the mansion. The most conspicuously grand house in New Orleans. As a child, I'd ridden my bike past it 2,000 times and always felt a tiny bit unnerved. It wasn't just a mansion; it seemed like the biggest mansion on the street with all the mansions, St. Charles Avenue, an object of fascination for the tourists on the clanging streetcars. But it was hard to imagine a human being standing beside it, much less living inside it, and as far as I could tell, none ever did. There was never any sign of life around it; it was just this awesome, silent pile of pale stone. The Frick Museum, but closed.

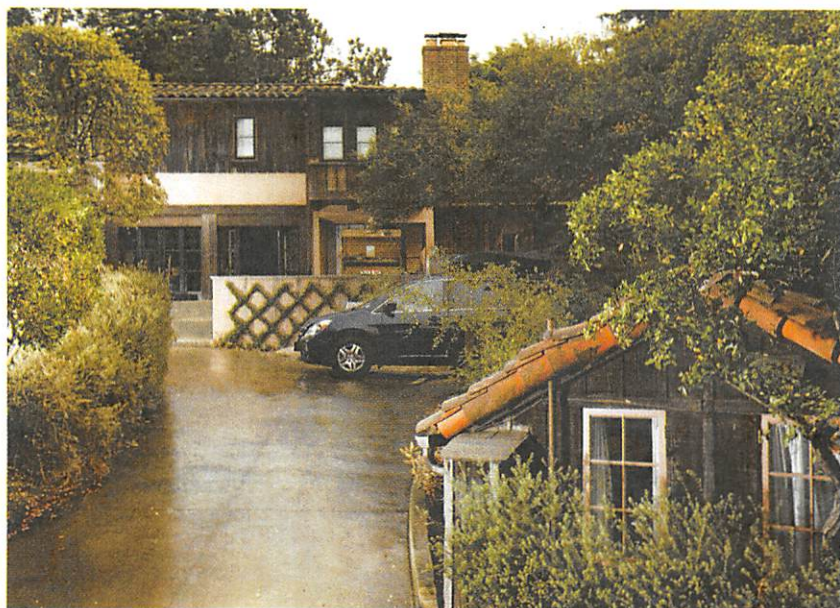
Inside, it was even more awesome than outside. It was as if the architect had set out to show just how much space he could persuade a rich man to waste. The entryway was a kind of ballroom, which gave way to a curved staircase, a replica of one in the Palace of Versailles. The living room wasn't a kind of ballroom; it *was* a ballroom, with \$80,000 worth of gold on the ceiling. The bedrooms were the size of giant living rooms. The changing rooms and closets and bathrooms were the size of bedrooms. There were two of everything that the rest of the world has one of: two dining rooms, two full kitchens, two half kitchens. Ten bathrooms and seven bedrooms.

I didn't ask the price—I was renting—so I didn't know that the last time it changed hands it had sold for close to \$7 million, and was now valued at \$10 million. I imagined how it would feel to live in such a place. What it wouldn't feel like, clearly, was anything close to being in the other houses in which I'd lived.

Upper middle class: That's how I've always thought of myself. Upper middle class is the class into which I was born, the class to which I was always told I belonged, and the class with which, until this moment, I'd never had a problem. Upper middle class is a sneaky designation, however. It's a way of saying "I'm well-off" without having to say "I'm rich," even if, by most standards, you are. Upper-middle-classness has allowed me to feel like I'm not only competing in the same financial league as most Americans—I'm winning! Playing in the middle class, I have enjoyed huge success.

In this house, I now glimpsed the problem with upper-middle-classness: It isn't really a class. It's a space between classes. The space may once have been bridgeable, but lately it's become a chasm. Middle-class people fantasize about travel upgrades; upper-class people can't imagine life without a jet. Middle-class people help their children with their homework so they'll have a

chance of getting into Princeton; upper-class people buy Princeton a new building. Middle-class people have homes; upper-class people have monuments. A man struggling to hold on to the illusion that he is upper middle class



BEFORE AND AFTER

LEFT: The Lewis home in Berkeley, California. **RIGHT:** Dixie and Quinn, then ages six and eight, in one of the two formal dining rooms in the family's temporary home on St. Charles Avenue.



PHOTOGRAPH BY JASOP HABANA FOR ELLERRE

We are a nation of financial imposters, poised to seize the first opportunity to live in houses we cannot afford.

has become like a character in a cartoon earthquake: He looks down and sees his feet being dragged ever farther apart by a quickly widening fissure. His legs stretch, then splay, and finally he plunges into the abyss.

This house, and everything it represents, stands on the more appealing side of the chasm. "It's perfect," I said.

Every few days, I googled the house and stared at it. Then a funny thing happened: It began to shrink. Sure it's big, I told myself, but houses come bigger. The White House, for instance. I told my wife and children only that I'd found a house with a swimming pool and enough bathrooms for everyone to have his or her own. Which is to say, they really had no idea what they were getting into. How could they? It didn't occur to them that not only would they have their own bathrooms, they'd need to decide before dinner which of the two dining rooms to eat in—and afterward, which of the three dishwashers to not put their dishes in. To believe it, and to grasp its full upper-class implications, they'd need to see it.

On the day we move in, we're all stuffed together, *Beverly Hills*-style, in a rented, dirty, gold Hyundai Sonata. For fun, as I drive up and

down St. Charles Avenue, I ask them to guess which of these improbably large houses is ours.

"That one?"

"No."

"That one!"

The exercise turns giddy. Each house is bigger than the last. The girls squeal in the backseat and press their noses against the windows, while their mother, in the front, does her best to remain calm. We pass in front of the mansion and they look right past it. The thing takes up an entire city block, and somehow they can't see it. It's too implausible. It's not a home. It's a mint.

We circle around the block and approach from the rear, the Sonata rolling up the long driveway and coming to a stop beneath the grand stone porte cochere. "This is our new house?" asks Quinn, age eight.

"This is our new house," I say.

She begins to hyperventilate.

"Omigodomigodomigod!"

My small children plunge from the rental car into the driveway. They leap up and down as if they've just won an N.B.A. championship. By the time we get inside, they're gasping. They sprint off to inspect their new home.

"There's another floor!"

"Daddy! There's an elevator!"

My children love me. They have a house with an elevator.

In all the public finger-pointing about the American real estate bust, surprisingly little attention has been paid to its origin. There's obviously a long list of people and ideas that can share in the blame: ratings agencies, mortgage brokers, big Wall Street firms, small Wall Street firms, Angelo Mozilo, Alan Greenspan. Every few weeks, the *New York Times* runs a piece exposing some new way in which a big Wall Street firm has exploited some poor or middle-class family. The rich people on Wall Street blame their bosses. The brokers at Merrill Lynch blame Stan O'Neal; the traders at Bear Stearns blame Jimmy Cayne. Everyone blames Countrywide. But all of this misses the point: However terrible the sins of the financial markets, they're merely a reflection of a cultural predisposition. To blame the people who lent the money for the real estate boom is like blaming the crack dealers for creating addicts.

Americans feel a deep urge to live in houses that are bigger than they can afford. This desire cuts so cleanly through the population that it touches just about everyone. It's the acceptable lust.

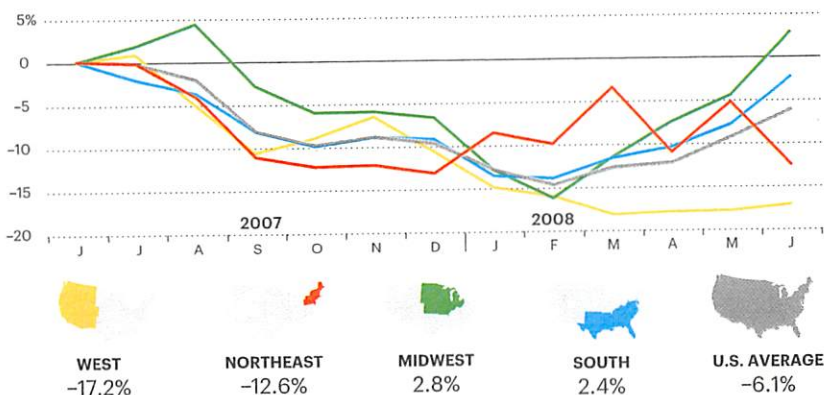
Consider, for example, the Garcias. On May 30, the *New York Times* ran a story about a couple, Lilia and Jesus Garcia, who were behind on their mortgage payments and in danger of losing their homes. The Garcias had a perfectly nice house near Stockton, California, that they bought in 2003 for 160 grand. Given their joint income of \$65,000, they could afford to borrow about \$160,000 against a home. But then, in 2006, they stumbled upon their dream house. The new property was in Linden, California, and, judging from its picture, had distinctly mansionlike qualities. Its price, \$535,000, was a stretch.

Then, of course, the market turned. The Garcias failed to make their mortgage payments and couldn't sell their



HOUSE POOR

Percent change in monthly regional house prices since June 2007



SOURCE: National Association of Realtors.

original house. They owed the bank about \$700,000 and were facing eviction. The mistake supposedly illustrated by the Garcias' predicament was that they held on to their former home in Stockton as an investment. The moral: Americans are in their current bind because too many of them saw houses as moneymaking opportunities.

But the real moral is that when a middle-class couple buys a house they can't afford, defaults on their mortgage, and then sits down to explain it to a reporter from the *New York Times*, they can be confident that he will overlook the reason for their financial distress: the peculiar willingness of Americans to risk it all for a house above their station. People who buy something they cannot afford usually hear a little voice warning them away or prodding them to feel guilty. But when the item in question is a house, all the signals in American life conspire to drown out the little voice. The tax code tells people like the Garcias that while their interest payments are now gargantuan relative to their income, they're deductible. Their friends tell them how impressed they are—and they mean it. Their family tells them that while theirs is indeed a big house, they have worked hard, and Americans who work hard deserve to own a dream house. Their kids love them for it.

Across America, some version of this drama has become a social norm. As of this spring, one in 11 mortgages was either past due—like Ed McMahon's \$4.8 million jumbo loan on his property—or in foreclosure, like Evander Holyfield's \$10 million Georgia estate. It's no good pretending that Americans didn't know they couldn't afford such properties, or that they were seduced into believing they could afford them by mendacious mortgage brokers or Wall Street traders. If they hadn't lusted after the bigger house, they never would have met the mortgage brokers in the first place. The money-lending business didn't create the American desire for unaffordable housing. It simply facilitated it.

It's this desire we must understand. More than any other possession, houses are what people use to say, "Look how well I'm doing!" Given the financial anxieties and indignities suffered by the American middle class, it's hardly surprising that a lower-middle-class child who grows up in a small house feels a

burning need to acquire a bigger one. The wonder is how an upper-middle-class child who grew up in a big and perfectly enviable house is inexorably drawn to a mansion.

When you move into a house you cannot afford, the first thing you notice is everything that you suddenly need—things that, before you arrived, you didn't even want. The dressing room was a microcosm of our mansion's ability to instruct. It wasn't a closet, but a room as big as the master bedroom we'd left behind in California. Even after my wife had stored her countless pairs of shoes, there was more than enough space for all of my stuff. Three weeks later, I noticed a door near the master-bedroom suite that I hadn't seen before; it was like a magical door that someone had carved into the wall while I slept. What could it be? I opened it to find...

LORD OF THE MANOR
Walker, age one, in the mansion's version of a nursery.

another huge dressing room! Inside, I could have fit every stitch of clothing I owned, three times over. It seemed weird to just leave it empty, but I didn't have anything left to put in it, so I closed the door and pretended the room wasn't there. But the thought occurred: Maybe I need more clothes.

The pool was another example. Because we moved in during the winter, we didn't pay that much attention to it at first. Had we bothered to dip our fingers in, we'd have discovered that it was not merely heated but was saltwater. It was a full six weeks before we really even noticed the pool house. Full bathroom, full kitchen, shiny new Viking range, and a fridge stuffed with 24 bottles of champagne. For a few weeks I felt that all of this was excessive. Then one day I became aware of the inconvenience of having to walk, dripping wet, from the pool back into the main house. This is what you need a pool house for—so you can make the transition from water to dry land without the trouble of walking the whole (continued on page 172)



Write to LETTERS@PORTFOLIO.COM.

Who Shot Motorola?

CONTINUED FROM PAGE 170

more profitable businesses. As C.E.O., Brown is following Icahn's instructions and preparing the split. In August, he hired Jha as co-C.E.O., with the intention that he would eventually be C.E.O. of the spun-off handset division.

During the summer, Motorola surprised analysts by announcing better-than-expected results. The businesses Zander cited as doing well, such as cable set-top boxes and units for FedEx drivers, posted single-digit growth. But the cell-phone division saw revenue drop 22 percent.

Many observers believe it will never regain its prominence if broken into pieces. Neither Galvin nor Zander would comment on Motorola's planned split, but both are known to be against it. "Motorola seems to be back on its heels," says Reed Hundt, former chairman of the Federal Communications Commission. "It's not good for America if Motorola doesn't do well."

SO WHO shot Motorola?

Chris Galvin may have botched his early years at the company, but he pulled things together and started a turnaround. Many liked and respected him, though no one I talked to suggested he was a superior manager. But maybe he didn't have a chance; he may have started too young. Just as he figured out how to do his job, the board ran out of patience.

Zander tried to do what the board hired

him to do. But he was apparently the wrong man for the job. Motorola's culture needed to be reinvigorated, but Zander pushed too hard too fast, which drove out talent and confused the workforce. He oversaw some successes, but ultimately more went wrong than right on his watch.

Still, much of the blame falls on the company's board of 2003. While believing it was doing its fiduciary duty, it caved to pressure from Wall Street and the media to try to produce positive and predictable quarterly numbers. It fired the wrong man at the wrong time and hired the wrong man at the wrong time. By taking action to change C.E.O.'s, the board made itself ultimately responsible for how that change turned out, and while Motorola's stock price alone is enough to show that the moves didn't turn out well, you could draw the same conclusion from virtually any quantifiable measure—sales, profits, number of employees.

ABOUT A YEAR after getting fired, Galvin, now 58, was visiting his father, Bob, 86, at his home in Barrington, Illinois. The two were on the front porch. Galvin's father has always been a man of few words—even fewer in his advanced years. The men talked about Motorola, and then Bob turned to Chris and said something like this: "I'm not going to let the board ruin the rest of my life, nor should you." Father and son shook hands and decided to start Harrison Street Capital. The company invests in real estate, such as student housing and marinas, and is trying to spearhead a makeover of the U.S. electrical grid. The Galvin family sold 99 percent of its Motorola holdings. "I reinvented myself,"

Galvin tells me. "Now life is better."

Since his departure from the company, Zander, 61, has been traveling and lecturing at schools, looking into startups to invest in, and deciding what to do next.

Motorola is hoping to reinvent itself too. Co-C.E.O. Jha faces a monumental task with the handset division. He has to drive a downtrodden workforce to create better products and get those products to market faster than the company's strong global competitors. One of Jha's first goals is to fix the software mess. (As the iPhone has proved, mobile communication has shifted toward what consumers can *do* with a phone, which is more about software than hardware.) Brown and Jha emphasize that the division has to change its ways. Instead of going after home runs like the Razr, it must push out a constant stream of solid, decent-selling phones. Motorola plans to release more than 30 new handsets during the second half of 2008. "We'll increase over that in 2009," Jha says. "The team is as energized as it's been in a while."

By the third quarter of 2009, the cell-phone division is supposed to be ready to be split or sold off. "That assumes the mobile devices improve with the necessary financial trajectory," says Brown, who seems overly fond of corporate lingo.

Finally, Jha says something telling: "There's only one way to make success infectious. We have to succeed in small places and build on it by delivering, in a grinding way, small successes and meeting expectations."

That may be true. It's also nothing like the big-swinging, audacious Motorola of the past 80 years. ©

The Mansion: A Subprime Parable

CONTINUED FROM PAGE 141

15 yards back into the house and climbing a long flight of stairs to the giant dressing room. From that moment on, it seemed to me terribly inconvenient to *not* have a pool house. How on earth did people with pools, but no special house adjacent to them, cope?

The problems posed by the mansion were different from the problems posed by most other houses. How to locate loved ones, for instance. There's been no room inside any home I'd ever lived in from which, if I yelled at the top of my lungs, I couldn't be heard in every other room. The mansion required a new approach to human communications. Standing inside the mansion and scream-

ing at the top of your lungs, you knew for certain that your voice wasn't reaching at least half the house. If you wanted to find someone, you could run around the house, but that took ages and presupposed that the other person was not similarly wandering in the void. A trek up the Himalayan staircases quickly became the subject of an elaborate cost-benefit analysis. How badly do I really want to find my six-year-old daughter? How much does my one-year-old son's diaper really need to be changed? After a while, it seemed only natural to my wife to begin with the assumption that her husband could not be found. Even when she knew for a fact that I was somewhere in the house, she'd begin her search with a phone call. She'd call my cell when I was two flights up and she'd call my cell when I was a room away. One afternoon she called my cell 20 minutes after I had come home with our

three children and had gone looking for her to take them off my hands.

"Where are you?" she asked.

"I'm in the house taking care of the kids," I said, a little indignantly.

"Well, you can't be watching them very closely," she said, "because I'm in the house taking care of the kids."

Even though you couldn't find anybody, all sorts of people could find you. People stumbled into other people's spaces and terrified them. The house was so vast that the sound waves that normally precede the arrival of a living creature got lost. And so while there was, in theory, a great deal of privacy, there was, in practice, none. The mansion came with a gardener, a pool man, a caretaker, and a housekeeper. Any one of these people might turn up anyplace, anytime. The housekeeper, a sweet woman, came twice a week. She developed a habit of turn-

ing up over my right shoulder without warning and, as I stared helplessly at my computer screen, booming, "How's that book of yours coming along?!"

"Ah!" I'd yell, and leap out of my chair.

"Always writing, writing, writing!" she'd say with a laugh. (Writing in the mansion never ceased to be inherently comical.)

Money was another problem. It was suddenly going out faster than it was coming in. When I'd finally gotten around to asking the real estate agent what the mansion cost to rent, she'd said—in the most offhand tone, as if it were the least important thing about the house—"I'll have to see, but I think it's around 13." Thirteen. The extra digits are just assumed. One reason is that no one can bring themselves to actually utter the sentence: "Your rent will be \$13,000 a month."

Thirteen thousand dollars a month is not the rent I was raised to pay. When I let it slip to my mother what I'd be paying, she just said, "Oh, Michael," in exactly the same tone she'd have used if I'd informed her that I'd just run over the neighbor with a truck or been diagnosed with pancreatic cancer. Thirteen thousand dollars a month might be a record rent in New Orleans, but it was really just the ante.

We'd been there only three weeks when the first bills arrived. Utilities were \$2,700. That turned out not to include water, which was another \$1,000. Think of it: \$1,000 a month for water you don't drink. (The drinking water came in truckloads from a spring-water company.) How did we use so much water? you might reasonably ask. The answer is, we didn't. The mansion did. The pool, the fountains, the sprinklers that came on in the wee hours to keep the great lawn lush and green—all were suddenly necessary. So, it turned out, was cable, at \$800 a month. Who was I to argue? I wasn't even entirely sure how many televisions we had. Nine, at least. I thought I'd found the last of them when, two months after we'd arrived, I opened a cabinet and found another.

Walking into the mansion after school one day, my younger daughter, Dixie, asked, "Daddy, what's a Daddy Warbucks?" She'd caught a ride with a new friend's babysitter, who didn't know where we lived. Instead of giving the babysitter directions, the friend's mother had just said, "They live in the Daddy Warbucks house."

THE FIRST REQUEST FOR MONEY came exactly 11 days after we arrived. A former schoolmate was calling on behalf of our high school; its fundraising department had somehow learned that I'd not only moved back to town but had moved into the mansion. My old school friend had

a number in mind, somewhere between \$25,000 and \$100,000. Two days later, we had another old friend to dinner and—in hopes that she'd spread the word—I spoke of my amazement that anyone thought we could fork over 100 grand on a whim. "It's funny you should say that," she said. She'd just spoken with the director of a New Orleans museum, who had also heard we'd moved into the mansion. "He's trying to figure out the best way to approach you," she said.

We'd become an engineering problem.

Late one night the doorbell rings. There on our great stone porch is a man, obviously down on his luck, doing his best to appear subservient.

"I was just wondering if you have anything," he asks.

"Have anything?" I ask back.

"Some work that might be done, you know."

It's a feudal exchange right out of the 11th century. Vassal calling on lord with the mutual understanding that lord owes vassal employment. The only thing missing is the offer of a freshly slaughtered rabbit.

A COUPLE OF MONTHS into our stay, we all sit in the formal dining room, under the gilded ceiling and the crystal chandelier, eating packaged tortellini off paper plates. We are Cuban peasants in late 1959 who have just moved into a Havana mansion on the heels of the rich owner, who has fled in terror from the revolution. Dixie, then five, blurts out, "I hate it when people say, 'Oh, I love your house,' because then I have to say, 'It's not my house.'" To which Quinn adds, "Yeah, I hate it when people say, 'You must be rich.'"

This was new. My children had taken to their new splendor like ducks to water. They'd see the St. Charles streetcar rolling past, and the tourists gawking and pointing at their new house, and their first reaction was not to cringe but to perform. They'd throw on their most princesslike dresses and run out front and dance around the malfunctioning marble fountain, pissing water in all the wrong directions, and wave to the commoners. One morning, as Quinn descended the staircases, overdressed for school, she announced, "I need to look good. I'm the girl who lives in the mansion."

But after a few months, the charm of pretending to be something they know they are not is wearing off.

There's a moment in the life of every American child when it dawns on him or her that the divvying up of material spoils is neither arbitrary nor a matter of personal choice, that money is a tool used by

grownups to order and rank themselves, and that the easiest way to establish those rankings is through their houses. At first, everyone's house appears more or less the same; at any rate, you don't spend much time dwelling on the differences. But then, one day, someone's house is either so much humbler or so much grander than anything you've ever seen that you realize: A house is not just a house. It's one of the tools people use to rank me.

Children are basically communists. Seeing other children's material prosperity, they follow their first instinct, which isn't to understand it or stew about it. It's to ask for some of it—to get invited to the mansion. As far as I knew, my children had never given much thought to what their house said about them and their place in the world. They'd been friends with rich kids and poor kids, without dwelling on the differences. That had just changed.

I resist the urge to explain how their misery might be good training for grown-up American life; how we are, quite obviously, a nation of financial imposters, poised to seize the first opportunity to live in houses we cannot afford; and how, if they want to fit in, they'll need to learn to handle the stress. They will have to learn these important lessons for themselves.

Instead, I turn my attention to survival. The mansion was not satisfied with making us uneasy. It wanted us out. It preferred us to leave quietly, without a fuss. But if we didn't, it was prepared to get violent.

The first inkling of this came one lazy Sunday afternoon. I was fathering my one-year-old son by teaching him how best to watch an N.B.A. game—which is to say, in high-def with surround sound. Our bliss was disrupted by the cry of a small child. It was muted, as if someone were calling out from inside the walls. It was from inside the walls. Our girls, with their 10-year-old cousin, were trapped inside the elevator, which had mysteriously jolted to a stop. I tried to yank the metal gate off its hinges to get into the shaft, but failed. It wouldn't have mattered anyway, as they were between floors. For a good 20 minutes, I grunted and groaned and sweated and pretended that this wasn't anything I couldn't handle. Then I called the caretaker, who gave me the number of the man who had made the elevator work in the first place. By some miracle, he was around and willing to drive the 20 miles from his home to ours on a Sunday. Two hours later, the girls, sobbing melodramatically, were sprung. The elevator man turned to me and said, "I'm surprised you let them in there."

"Why?"

"She didn't tell you about the cat?"

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No one told me about the cat that had been riding up in the elevator with its billionaire owner. As they ascended, the cat had jumped out of the owner's arms and stuck its head out of the metal gate. Its head had been chopped off.

I shut down the elevator.

A few days later, the phone rang. "We want to let you know that we received a message from the equipment-supervision device on your control panel," said the voice on the other end of the line. The what on the what? The mansion, I learned, was equipped with tiny cameras that enabled it, in effect, to watch its inhabitants. One of these, apparently, had malfunctioned. I went into the basement, found the video-control panel, and yanked out as many plugs as I could find.

The next afternoon, the house felt chilly. I hunted down the many thermostats and turned them back up, from the 68 degrees to which they'd somehow plummeted, to 72. The house ignored the request; no matter what I did, it remained at exactly 68 degrees. My skin became the world's most sensitive thermometer, an expert on the state of being 69 degrees, because the moment the house would reach that temperature, all hell would break loose—one, then another, and then a third of the massive air-conditioning units that sat outside would begin to purr. Every now and again, I'd feel a brief tingle of warmth, a premonition of climate change, but that moment was always followed by the roar of engines and a correction.

The day after I tried to change the mansion's temperature, early in the morning, the alarm went off. Then the phone rang: It was the alarm company, wanting to know our password. I gave it to them. "I'm sorry, we don't have that as a password," said the lady on the other end of the phone, and then, as I begged and pleaded ("No, please, no! Let me try again!"), she quickly hung up.

Moments later, two squad cars with lights flashing sped into our driveway. Four police officers leapt out and banged on the front door. The mansion had phoned the cops at exactly the moment I appeared most shockingly arrestable: wearing only underpants and a T-shirt, hair sticking up in six different directions, and without a trace of evidence that I belonged there. I grabbed Dixie ("Daddy, I don't want to go! What if they

arrest me too?") and pulled her close to me, as a kind of human shield.

"Sir, we're responding to an alarm signal."

"It was obviously a mistake. Sorry to trouble you."

Silence.

"We're just renting the place."

The police drove away, more slowly than they'd arrived. But obviously they weren't the problem. The house had a mind of its own, like one of those old horses you find at dude ranches. You begin with the assumption that you are in control of the beast. Then you try to guide it as much as two feet off the assigned path, and it resists and takes control of the steering. You are left feeling ashamed of whatever cowboy pretense you had to begin with.

I investigated the history of our property. It was built in 1912 by an entrepreneur named E.V. Benjamin, whose son, raised in the mansion, became eccentric enough for a small group of interested residents of New Orleans to create a gathering called the Benjamin Club, whose sole purpose was to swap stories about him. The house then moved into the hands of another very rich man, J. Edgar Monroe, who had made the bulk of his fortune from taking over the Canal Bank. When the bank was closed by the federal government during the Great Depression, he had himself appointed the bank's liquidator, repaid its shareholders, and then bought up a huge chunk of the leftover shares for pennies.

Monroe went on to buy not only this house but also Rosecliffe, the Newport mansion used in the filming of *The Great Gatsby*. He was famous for telling anyone who would listen how much money he had given away to charity. After he donated a music building to Loyola University New Orleans, he insisted that the school mount a plaque on one of its walls with an inscription he wrote:

J. EDGAR MONROE HAS DONATED TO CONSTRUCTION OF THIS BUILDING \$1,000,000.00 (ONE MILLION) IN CASH. MY SECRETARY HAS STRONGLY URGED ME TO MAKE A PLAQUE OF THIS DONATION SO THAT THE STUDENTS OF THE MUSIC SCHOOL AND THE PUBLIC WILL KNOW OF THIS GIFT. FATHER CARTER, PRESIDENT OF LOYOLA UNIVERSITY, ACKNOWLEDGED RECEIPT OF FOUR \$250,000.00 CHECKS, OR \$1,000,000.00. MR. MONROE HAS GIVEN OVER ONE HUNDRED MILLION DOLLARS (\$100,000,000.00) TO ORGANIZED CHARITY OF WHICH THE LARGEST SHARE WAS GIVEN TO LOYOLA UNIVERSITY.

When Monroe's wife, Louise, died in 1989, the old man wrote her obituary. It opened with a paragraph or two about the deceased, but then quickly moved on to detail her husband's incredible generosity. "Mr. Monroe is still living and is 92 years of age," he wrote. "He has been very generous and has given over one hundred million dollars to organized charity..." and so on. He too died in the house a few years later.

Until the mid-1990s, the house had been owned by men who could comfortably afford it. They didn't need the house to prove how rich they were; everyone knew how rich they were. The moment the house became troubled was the moment someone who couldn't afford it moved in—a man who was using it to slake his own thirst for status. He was a lawyer.

Lawyers are upper middle class. But this lawyer grabbed the saddle horn of magnificence and hung on for dear life—until the day in 2004 when he was bucked off. There in the dust he lay, exposed—in the New Orleans *Times-Picayune*—for defrauding his law partners. His firm defended big companies from class-action suits. To make the kind of money he needed to live in this house, the poor guy had resorted to allegedly cutting secret deals with plaintiffs' lawyers. He reportedly gave up his law license to avoid being formally charged.

The mansion made him do it: That's what I thought when I heard the story. As sordid as his behavior was, I'm incapable of feeling toward him anything but sympathy. He wanted this mansion, he bought this mansion, and then he discovered that the mansion owned him.

The next owner was a woman. She'd grown up middle class in New Orleans, and in her youth had driven past the mansion and fantasized about owning it. Then she'd married an oil-and-gas billionaire who gave her the house as a surprise for her birthday.

The billionaire's wife proceeded to spare no expense in redoing it exactly as she wanted. She spent \$250,000 on gold to touch up the gilt fringe of the moldings and the ceiling medallions. I spoke with the interior decorator she hired. It was this man who grasped the inappropriateness of a mere lawyer owning this house. "They tried to shrink it," he said to me one day. "They painted the walls taupe; they had canopies over the beds to make a room within the room. They tried to make it homey." The billionaire's wife succeeded in undoing that. The taupe returned to white, the canopies fell, and the gilding on the ceiling soon gleamed

like new. Several million dollars later, she had the mansion looking as she wanted it to look, which was more or less like Versailles. Luckily for her, birthday presents are not community property, because by the time she was finished touching up the house, her husband was divesting himself of her. No matter what the settlement came to, the property belonged to her outright. But she was not happy.

And neither was her mansion. When we moved in, she'd been trying to sell it for the \$10 million or so she had put into it. Characteristically, the house was refusing to give her the money back. It resented people trying to sell it, just as it was beginning to resent people who can't afford it.

Now it was expressing that resentment. It committed an act which, for a New Orleans house in summer, is tantamount to eviction. All by itself, with the temperature outside rising into the low 90s, it shut down its air-conditioning. I do not mean that any of its 11 air-conditioning units broke. A broken unit can be repaired. The repairmen came and went, shaking their heads. There was nothing they could see that was wrong with even one of the mansion's massive air compressors. The problem was deep inside the walls, perhaps in the wiring.

The ballroom, interestingly, was still 68 degrees, but the bedrooms were now 83. The house not only had microclimates, but also a unifying theme. The grand public spaces continued to be pleasant and comfortable, as if the mansion, in chasing us out, had no interest in sullyng its public reputation. Only its putatively private spaces—bedrooms, bathrooms—were uninhabitable. Amazingly, it could be 83 degrees and humid in one room and 68 and dry in another—on the same floor. For the first time inside a house, it occurred to me that it might rain.

And so we fled, back to where we'd come from: the upper middle class. Obviously this presents new problems. Even as my children grew weary of pretending they were richer than they are, they became accustomed to living as the rich do. On the way back to California, my wife drove Quinn, who'd just turned nine, across the Southwest and then up the coast. They came to Hearst Castle and stopped to take the guided tour. A few minutes into it, as they stood in one of William Randolph Hearst's many bedrooms, the guide asked if anyone had a question. My child raised her hand. The guide smiled indulgently and called on her.

"Why," Quinn asked, "is it so small?" ©

Taking on the *Times*

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document that he said was the authorization of a loan for him to start his own real estate venture. The suit alleges that "in tendering the two-page document to Margie, Raymond turned the first page behind the second page so that essentially only signature lines were showing." Margie was in her garden with a newborn baby in her arms; she signed the document without reading it, according to the suit. Jay's consent was also obtained. (Margie sought to include Jay in the suit, which describes him as an "incapacitated person." In John's biography, Jay is described as suffering "developmental problems" in childhood.) By 2006, when Margie sued, H.M.C. had grown into a giant, managing more than \$20 billion in investments for pension funds, endowments, and individual investors outside the family.

In a filing in response to his sister's claims, Raymond argues that their father supported Raymond's plan and that Margie knowingly agreed to the creation of the new company. The response further states that Margie was the recipient of \$5 million in distributions over the past 23

years as a result of the arrangement. Margie declines to discuss the litigation or address her relationship with her brother.

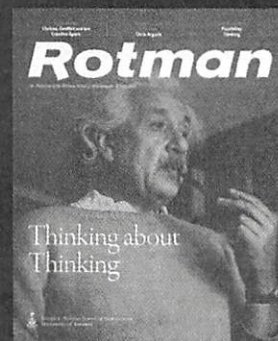
"I'm sorry," Wita says, when asked about the strife between Margie and Raymond. "It is too bad. But things like that happen, particularly in families that have...a good amount of wealth." Raymond declined to comment on the lawsuit, but Harbert Management's executive vice president—a strapping Alabamian named Bill Lucas—made himself available. During a conversation in his office overlooking downtown Birmingham, Lucas describes the lawsuit as "a minor nuisance" and says the company thinks it is "absolutely without merit." Then, as I'm getting ready to leave, he asks, "Ever read the Bible?" He suggests I check out the first chapter of James in the New Testament. Later, I do. It's about perseverance in the face of trying times.

IN 2000, in the midst of reinventing his family's firm, Raymond Harbert decided to start a hedge fund and began sniffing around Wall Street for potential managers. He found Philip Falcone, a 46-year-old former professional hockey player who looks vaguely like John Lennon in an expensive suit. A Harvard graduate and one of nine siblings who grew up in

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