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How to Spend It: Dividing the Fruits of Development in Asia

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Economic growth has been a common thread running through the history of many an East Asian nation. But preferences over spending the hard-earned money differ.

Hong Kong has one of the highest per capita incomes in the world.[1] But setting a foot in the city tells a contradictory story; behind the legendary Peninsula hotel, the city hosts suspicious establishments, the Chungking Mansions–called the "ghetto at the centre of the world," "a shock of otherworldly proportions,"[2] admittedly recently somewhat refurbished. While much remains to be done in the city's overall urban interface, the population *already* spends large sums on Louis Vuitton's costly bags.[3]

The contrast is even more pronounced in China, where the infrastructure is accident prone, and housing quality leaves much room for improvement. The Chinese have skipped several steps on the development ladder, and *already* purchase luxury goods. Indeed, when abroad, Chinese visitors' behaviour demonstrates that shopping in high-end *grand magasins* takes the lion's part of the budget, but luxury shopping is conspicuously not matched with luxury accommodation or dining.[4]

In South Korea, another of Asia's fast developers, the emphasis is on the ultra-modern. But traditional areas still exist, like the *Dongdaemun* market, where mass products are stacked side by side of one of the city's expensive department malls, *Shinsaege*–literally meaning "new world." Such contrasts are not only tolerated but even desired. It is a dynamic mix of East and West; the interfaces of fast-growing Asian nations indeed differ.

Then Japan differs again. It is not to say that it has lost its Asian face entirely. But prominent in Japan is the emphasis on quality. The Japanese, in areas like *Omote Sando*, continue to spend their hard-earned currency on luxury brands–with 44% of women known to possess a Louis Vuitton bag[5]–but they have accomplished a high niveau of life *beforehand*.

In brief, preferences matter. China–no matter how much money it earns–might never resemble Japan in the physical infrastructure's quality. If the money is spent prematurely on foreign goods–as they are *already* being spent–then growing per capita incomes may never be reflected in an urban interface commensurate with that of a developed nation.

Similarity in having money and being able to spend it–in a large proportion on luxury goods–matters. But what also matters is the underlying difference in preferences, and behind those preferences are differences in culture.

[1] Hong Kong comes 13th in the *CIA World Factbook*, with 45,900 USD per capita on a purchasing power parity (PPP) basis, thereby outperforming among others Switzerland, Australia and the Netherlands. See https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html (accessed January 30, 2012).

[2] A review of the book by Gordon Matthews: http://www.economist.com/node/21526300 (accessed January 30, 2012).

[3] The LVMH group, comprising such brands as for example Louis Vuitton, Givenchy and Donna Karan, accomplished 40% of its global sales in Asia. "Luxury Brands in China", KPMG, http://www.kpmg.com.cn/en/virtual_library/Consumer_markets/CM_Luxury_brand.pdf, p. 17 (accessed January 30, 2012).

[4] "A New Grand Tour," *The Economist,* December 2010, Special Christmas edition.

[5] According to a report by the Japan Market Resource Network: http://www.jmrn.com/UserFiles/File/DCLB_JMRN.pdf, October 2007 (accessed January 30, 2012).

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