2015, D. Desjeux, Chinese Consumption (draft)

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Consumption in China has basically followed the same trend as in the United States in the 1920s and Europe during the *Trente Glorieuses*, the years of reconstruction and consumer development that followed the World War II, just before the 1973 oil crisis. This has resulted in strategic government intervention to ensure the best conditions for consumer development in China, in the growth of a middle class that drives this consumption, and in the establishment of seven major consumer markets between 1980 and 2013: mobility, energy, luxury goods, body care, home furnishings, and products for children and for senior citizens. The latter market is rapidly expanding due to the marked aging of the Chinese population: those over 65 will increase from 27% of the population in 2015 to 37% in 2040, promising an accompanying services market.

All this has not been without strain. The Chinese demand for consumer goods has led to a strong demand for raw materials, energy, and proteins in the world market. This demand is a source of economic, political, ecological and military tension, as was the case in 2010 and 2011 of military tensions with the Japan over the supply of rare earth minerals necessary to manufacture the new communications technologies.

A fast-growing Chinese middle class but with limited buying power

Chinese economic growth and the lifestyle transformations between 1980 and 2012 have, from a macro-social point of view, followed a process very similar to that of postwar Western economy, even though its political system is completely different from Western-style democracies. The infrastructure implemented has fostered the development of the mobility of individuals, goods, and information, which are required for the development of mass consumption. Due to this greater mobility, cities are growing grow, and with them the need for more housing, cars, and retail sales, with Carrefour from France, Tesco from Great Britain, and Wal-Mart from the United States.

The moment seems propitious for consumption to develop, as the Chinese middle class is expanding. In 2012, it comprised approximately 400 million people, including 130 million in the upper middle class, with an income ranging from $5,000 to $30,000 per year. The lower middle class includeds 270 million new consumers, with income between $3000 and $5000. It is the urban middle class that sustains the Chinese domestic consumption.

However, the development of consumption in China has run into two problems: the limited effectiveness of the social protection system and consumer credit. Since 2008, the government has begun implementing a system of social protection. However this system is still very unequal, providing more benefits for employees of large companies, officials, and certain urban trades. Peasants, migrant workers, and many small business employees are not really affected by this welfare state. In fact, the lack of social protection system means that Chinese families have a very high savings rate, representing about 25% of their income; most prefer to save for their retirement and against the risks of diseases rather than using all their income. A large proportion of Chinese still prefer to seek credit for consumption with their networks of family and friends, which is cheaper and safer than borrowing from banks, but not always as available.

Social inequalities and luxury consumer goods

Today China includes 200 billionaires and about 1,000,000 millionaires (in euros). The most numerous are in Beijing, Guangzhou, and Shanghai, the three major cities of the East Coast, but there are also fortunes being made in Henan and Sichuan, areas located more to the West. Their consumption of luxury goods focuses to a large extent on products related to the body, such as perfumes, clothing, and alcoholic beverages, as well as products related to accessorizing the presentation of self, with bags, shoes, jewelry, and watches. French brands such as Chanel, Louis Vuitton, and Dior are popular with Chinese millionaires and the upper middle class.

Consumption in the process of diversification

Even though its percentage of the GDP is in relative decline, domestic consumption is growing. The automobile market should attain 20 million vehicles manufactured in China by the end of 2013, compared to 600,000 in 2000. It is shifting from a luxury car market to a greater proportion of popular vehicles, thanks to the production of Chinese brands.

In housing, products that require electric power are increasing; the use of appliances in the kitchen is booming, with refrigerators, washing machines, rice cookers, microwaves, and dish sterilizers. Certain appliances, however, such as ovens and vacuum cleaners, are not showing rapid expansion. The living room is where most televisions, computers, video games, phones, Internet devices, and various battery chargers can be found, with a certain number used in the bedroom. The bathroom is less connected to the boom in electronics, but it has been significantly modernized by the upper middle class. Bathtubs are still rare, remaining luxury items.

The body care and makeup markets exploded in the mid-1990s. Today both Western and Chinese brands offer a complete range of beauty products, with particular importance given to skin-whitening products. Makeup is also a good revealer of social distinctions, as Chinese women invest differing amounts of time and money caring for different parts of the body, including their faces, hair, hands, and feet. How the body is presented is a very ambivalent subject in China. It is an object of transgression, of pleasure, of constraint, of power, of concern, and of social distinction. It can be used to track the invisible mutations that run through Chinese society.

The food market is also changing, with the development of large-scale distribution. For fresh produce, some vegetables and fruits are still sold in bulk, but much is now sold in cellophane packaging. In some supermarkets it is possible to find prepared dishes, of particular interest to couples in their 30s, whether they have a child or not, who both work and have little time to spend in the kitchen, unlike their parents. The demand for milk and yogurt has exploded since 2005. Supermarket shelves also offer imported wines from France, Australia, Italy, and Chile, and also traditional Chinese alcohols and wines such as the Great Wall label. Consumption in supermarket is a good monitor of the effects of globalization.

Another large new market is education for the only child, particularly the growing offer of private, for-tuition schools. School competition has become more and more intense, and middle-class families seek to give their children as many advantages as possible to help them later enter the best Chinese and American universities. Children's rooms and living rooms are full of toys destined for a one-child market.

Sustainable and alternative energy, including solar panels and electric cars, is also an emerging market.

Conclusion

Overall, absolute poverty in China has decreased dramatically over the past 30 years. A Chinese middle class has emerged, and a rich ruling class has developed. This all adds up to a transformation of patterns of life and consumption, at the cost of an increase in social inequalities. The Gini coefficient rose from 0.41 to nearly 0.5 in urban areas from 2006 to 2009 (Aglietta p. 287).

This means that dealing with consumption should not be limited to psychological analysis of the consumer; consumption is also a means of analyzing the constraints of family interplay, political systems, the market, lifestyles, and geopolitics. Understanding Chinese consumption means understanding its effects on everyone's daily life, especially in Western countries.

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