

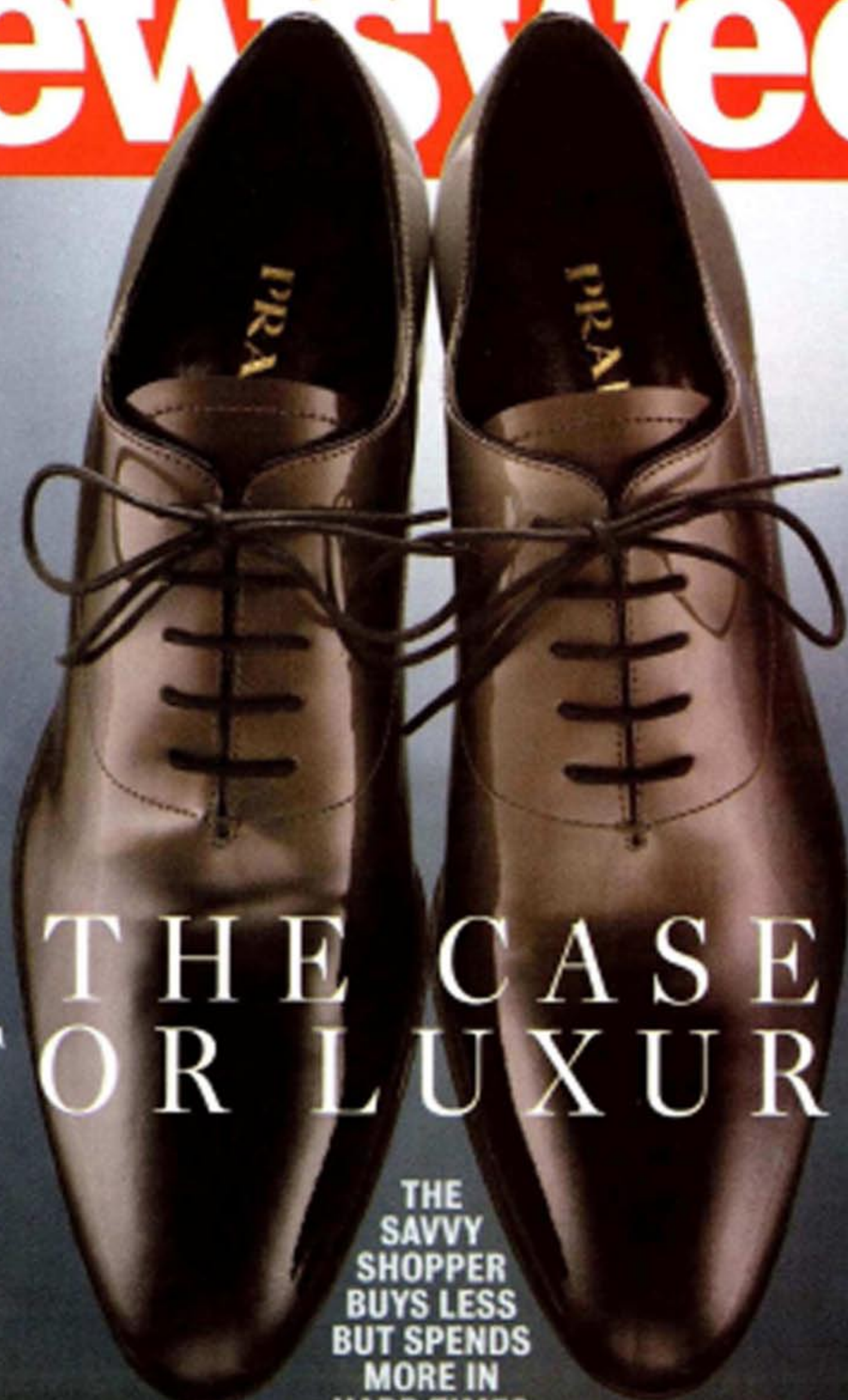
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SPECIAL DOUBLE ISSUE

# Newsweek



## THE CASE FOR LUXURY

THE  
SAVVY  
SHOPPER  
BUYS LESS  
BUT SPENDS  
MORE IN  
HARD TIMES

BY JONATHAN TEPPERMAN

PHOTOGRAPH BY STEPHEN LEWIS — JEFF COMBES/AGE

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Let me be very clear—I'm not proud of such excess. It is unseemly at the best of times. It makes me sound like a dandy with more money than sense (that may be true, but bear with me). During a recession, such indulgence is even less forgivable—not to mention unsustainable. Indeed, the economic meltdown has prompted some serious rethinking of my buying habits. And what I've realized after careful study is that the best path back to thrift is simple. Spend more. It's a time-tested strategy for beating a recession; it works for a huge range of goods and services. And signs are that savvy consumers are already doing just that.

Like any good analyst, I based my conclusion on careful research of the primary source: my wardrobe. The first thing I noticed was how few clothes I actually wear. Maybe a dozen shirts. Four suits. One killer blazer. A single, beloved pair of jeans. I also realized—and this is key—that the Chosen Few tend to be some of the most expensive clothes I own. Though my shirts run the gamut from cheap (the Gap) to midrange (Thomas Pink) to expensive, the two I love the most come from a small boutique in New York's Nolita called *Seize sur Vingt*, and cost about three times those I rarely touch. Ditto the cashmere Etro blazer. Among the suits, my favorite is a made-to-measure number in chalk-striped blue flannel. And on cold days, I always add a velvet-collared overcoat I

picked up at a frighteningly high price in London six years ago. You get the picture.

These garments have been trying to send me a message. Since I can't afford to be a one-man retail stimulus program, I need to start shopping the way I dress: avoiding cheap junk in favor of a few expensive but high-quality items. It's how people have historically spent their money during tough periods. According to the U.S. Bureau of Economic Analysis, at the peak of the Great Depression in 1930, Americans spent a full 24 percent of their income on clothing and shoes alone, and 76 percent on necessities (also including food and housing). Last year, by contrast, they spent 13 percent on clothing and 50 percent on necessities. Of course, in the old days there was no such thing as disposable clothes—the astoundingly cheap garments pioneered by brands like France's Tati and Britain's Topshop—so people had no choice. But now as incomes drop, old habits are reasserting themselves.

People are trading excess for excellence, superficiality for substance. Consider the numbers. In the U.S., retail and food sales fell almost 10 percent in December and 2 percent more in January. Yet while trendy or midrange clothes chains like Saks Fifth Avenue are hurting, ultraclassics with reputations for quality are still going strong: LVMH, which owns Louis Vuitton, charted 4 percent growth for 2008, while Hermès hit 8 percent. Gavin Davis, a spokesman for Savile Row Bespoke, a cooperative of 12 London tailors,

says the group has reported a steady rise in sales over the past few months, in what he calls a "flight to quality." Experts predict this kind of growth will continue. "The sense from the shop floor is that it's lower frequency, higher value," says James Lawson, a market consultant with Ledbury Research.

The trend is similar in other sectors. In the home-furnishings market, while cheap chains like Linens 'n Things and Bombay Company have gone bust, high-end and custom manufacturers are still enjoying robust sales. Incanto Group, an Italian maker of high-end, top-quality furniture, says sales increased by 30 percent in January and February of this year. John Hart, chief creative officer for Kohl Interiors, which owns the U.S. brand Bakers Furniture, maintains that the luxury-furniture market "held up very well through the fourth quarter [of last year], when the full impact of the financial crisis was really hitting." Analysts cite a similar phenomenon in real estate, where the strongest sales are in classic, high-value properties located in always-popular places like New York's Upper East Side or Idaho's ski resorts. And the Federation of the Swiss Watch Industry reported in January that the only category to boost exports since the beginning of 2008 was silver- and gold-plated pieces. People are "shopping more strategically," says Pam Danziger, CEO of Unity Marketing. This means avoiding all things trendy in favor of durable, traditional goods.

The reason is simple: quality pays.