

Bubbles at the time of financial turmoils

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Abstract

Demand for luxury goods tends to increase more than proportionally as income rises and to drop sharply during economic recessions. Anecdotal evidence suggests that Champagne producers may suffer during financial turmoils, even before the consequences spread from Wall Street to Main Street. For example, according to the Economist, during 2008 Champagne producers exported about 10% less than the year before. In this paper, controlling for a number of non-financial economic covariates, we explore whether financial crises matter for Champagne exports. We rely on a comprehensive panel data-set, which reports champagne exports in several OECD countries over the last 25 years and allows us to exploit a number of major financial crises and to include in the regression analysis country fixed effects.

Keywords: Financial crisis, luxury goods, exports.

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