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I want to submit an abstract for:

Conference Presentation

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Keywords

Relative Champagne Cost

Research Question

How have relative champagne prices in New York City evolved between 1935 through 2016?

Methods

Time Series and Cross-Sectional Analysis

Results

The number of hours of work required to buy a bottle of non-vintage and vintage champagne in New York City between 1935 through 2016.

Abstract

This paper examines the evolution of champagne prices in New York City relative to CPI and disposable income between 1935 through 2016. The analysis goes beyond a nominal price analysis and 'real price' analysis - of adjusting nominal prices for inflation. The price analysis in this paper examines how many hours of work someone must do in order to generate the income necessary to walk into a store in New York City and buy either an "entry-level" non-vintage bottle (750ml) of champagne, or a premium "vintage" bottle (750ml) of champagne.

Champagne is a traditional wine producing region where the production process has changed minimally since the turn of the 20th century. The Comité Interprofessionnel du vin de Champagne (CIVC) regulates the raw materials, production processes, and labeling of all bottles that bear the name "Champagne." Many of the CIVC's regulations have had no change during the period being examined: 1935 through 2016. Today, in 2016 champagne grapes must be harvested by hand just as they were in 1935.

Non-vintage champagne continues to account for the majority of bottles produced in Champagne by volume and by financial value, making them the bread and butter among champagne brands. A combination of weather variation and changes of winemaker practices results in vintage variation of the same wine over multiple years. A brand's non-vintage champagne seeks to minimize these changes and maintain a consistency that customers expect and demand. The premium vintage champagne has far greater variation between vintages. A vintage wine is not produced every year. Vintage champagne is produced when the wine from a specific harvest is particularly good. The frequency at which a vintage champagne is produced has increased between 1935 and 2016, and vintage production remains approximately 5% of champagne produced by volume. All of this is to say that a bottle of either "entry level" non-vintage, or "premium" vintage champagne is an example of a product that has had continued demand with minimal changes over a long-term time horizon.

This paper attempts to minimize the number of assumptions used when converting the value of a specific currency at a specific time at a specific place. Prices for bottles of champagne are calculated in nominal US Dollars specific to a given year. Taxes are applied using the nominal rates of that year. The data point generated is expressed as number of hours of work required to buy a bottle of champagne. An hour of work performed in 1935 is the same as an hour of work performed in 2016, for example. It is more translatable and understandable both prospectively

and retrospectively.

The experience of an hour of work, both subjectively and objectively is a near universal unit of measurement that is easily comprehensible. For this reason, it is used in this paper to describe the relative price of champagne in New York City for any given point in time between 1935 and 2016. Although individual perception of time vary greatly as does individual life expectancy historically and geography, one hour as the basic unit of work is a constant.

Disposable income is calculated by subtracting current taxes from the wages that are earned. The taxes that are included in this paper are local New York City income tax, New York State income tax, Social Security tax, Medicare Tax, Disability Tax and Federal Income Tax. In this paper, we make use of the local and state income tax deduction, from the income that is subject to federal income tax. By incorporating these taxes and a significant deduction this paper offers a baseline that can and should be further refined by researchers. On the consumption side this paper applies New York City and New York State sales tax which is added to the retail price of the wines.

All computation and or descriptions will be quantified in terms of hours of work necessary for the purchase per bottle of entry level or premium champagne. This paper is framed in the context of after tax income instead of historical nominal prices that are adjusted for inflation. Calculations using disposable income shall be used. The income data source used comes from the Federal Reserve of St. Louis. Real disposable Income is defined as Total Personal Income minus personal current taxes. To obtain the real disposable income for each year we examine wages and taxes. In the United States income from wages can be taxed at the city or municipal level, state level and the federal level. Historical tax information comes from the Tax Foundation.

The process for calculating real disposable income follows: city and state income taxes are taxed first, and the local taxes are then subtracted from the wages that are taxed at the federal level. In addition, social security, disability, and medicare taxes are also included in the calculation of real disposable income. The provenance of this data is the Social Security Administration. Two additional taxes are imposed on the consumption component of a bottle of champagne; New York City and New York State sales tax that is collected by the retailer at the point of sale.

Sherry - Lehmann is one of top wine stores in New York City and has been so since it opened in 1934, shortly after Prohibition ended. Sherry - Lehmann has played an instrumental role introducing many wines to New York City, including the iconic Dom Pérignon among others. Additionally, Sherry - Lehmann has been printing a sales catalog of their wines since 1935.

These catalogs provide the most consistent nominal price information available. By using a single high quality data source that does not include 'fire sale' or closeout prices on champagne the reliability of the Sherry - Lehmann catalog price points is representative of actual real world prices. In addition, because of the high volume of sales and the high quality of wines that are offered Sherry - Lehmann must have sufficiently large inventory to satisfy customer demands. Therefore, small quantities that might sell out quickly are typically not offered. As current CEO Chris Adams, has stated on Sherry - Lehmann's website, the foundation of its long-term success has been and continues to be "service, service, and service."

This paper examines the evolution of relative champagne prices in New York City using the number of hours of work required to buy an "entry-level" non-vintage bottle (750ml) of champagne, or a premium "vintage" bottle (750ml) of champagne between 1935 though 2016. These results are calculated by the juxtaposition of disposable income and the total cost of a bottle of champagne each year.