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Easy Money, Easy Spending: Evidence from Commodity Export Windfalls*

Rabah Arezki[†] Hieu Nguyen[‡] Frederick van der Ploeg[§]

August 22, 2025

Abstract

When wealth or income rises suddenly, the propensity for that “easy money” to be directed towards unproductive use, “easy spending”, may rise. The cross-country relationship between conspicuous consumption and revenue windfalls is explored by estimating the response of demand for imports of luxury goods resulting from country-specific and plausibly exogenous variation in commodity export prices. The response of imports of luxury goods following a commodity export windfall is found to be bigger than that for non-luxury imports while there is substantial heterogeneity in the magnitude of the response between different categories of luxury import goods. The results also point to a significant increase in tourism from countries experiencing commodity export windfalls to the main luxury shopping destinations abroad. Countries that have higher inequality, weaker control of corruption or less democracy have significantly higher luxury import response following a commodity export windfall. This (luxury) import channel of the resource curse stems from the link between easy money and easy spending when weak mechanisms for resource allocation are in place.

JEL codes: Q33, E21, F14, D12, D73

Keywords: conspicuous consumption, commodity prices, institutions, resource curse.

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“My grandfather rode a camel, my father rode a camel, I ride a Mercedes, my son rides a Land Rover, and my grandson is going to ride a Land Rover... but my great-grandson is going to have to ride a camel again.”

The founder of Dubai, Sheikh Rashid

1 Introduction

When wealth or income suddenly increases colloquially referred to as “easy money”, this may be directed toward unproductive use referred to as “easy spending”. At the individual level, the psychology of easy money and its resulting effect on spending behavior stem from a combination of our brain’s reward system and social influences—including as a result of the “keeping up with the Joneses” effect. A large body of literature has investigated the behavior of lottery winners, including in their relationship to others showing how these winners end up spending their prize money (Grote and Matheson, 2013; Beetsma and Schotman, 2001). There is, however, little systematic evidence as to whether that “easy money, easy spending” conundrum is present at the macroeconomic level, which might be especially salient for commodity exporting economies which are subject to large price swings presenting these economies with large revenue windfalls.¹ The starting quote by the founder of Dubai illustrates that luxury spending is potentially an important channel of that “easy money, easy spending” conundrum. It also hints at the potential pitfalls from that phenomenon arising from the exhaustible nature of the underlying resource base on which the revenues are derived. Our aim is to systematically investigate the cross-country relationship between conspicuous consumption—that is the purchase of luxury goods or services for the purpose of displaying wealth— and (commodity) windfalls. To the extent of our knowledge, we are the first to do so.

The study of conspicuous consumption dates back at least to Veblen (1899) and Bourdieu (1979).² Interestingly, Veblen uses the phrase of conspicuous consumption to describe the behavior of the social class of “nouveau riche” who emerged during the second industrial revolution. Similarly, the commodity price super-cycle that started in the early 2000s appears to have disproportionately benefited the “nouveau riche” in commodity exporting economies which have engaged in conspicuous consumption. Anecdotal evidence from industry reports on global luxury trade places these commodity exporters at the center. The class of “nouveau riche” from commodity exporting countries whether from the Gulf countries, Africa or Central Asia is visible in luxury shopping destinations such as Champs-Élysées in Paris and New Bond Street in London. This is why

¹A related strand of the literature most prominently Robinson and Torvik (2005) has documented the presence of so-called “white elephants” including in the form of unproductive and large infrastructure projects of associated with costly maintenance costs.

²See Trigg (2001) for a review of the literature on conspicuous consumption. Duesenberry coined the term “bandwagon effect” arguing that one’s conspicuous consumption does not just depend on its absolute level consumption but the relative level to others. Bertrand and Morse (2016) document evidence of “trickle down consumption” that is the rise of income and consumption at the top of income distribution since the early 1980s induced households in the lower tiers of the distribution to consume a larger share of their income.

we aim to explore the cross-country relationship between conspicuous consumption and commodity terms of trade shocks by estimating the response of demand for imports of luxury goods resulting from plausibly exogenous variations in commodity export prices.

To do so, we have assembled data on luxury imports, where we define as luxury products those whose individual valuation is above a 40 percentile threshold for each relevant import categories of goods at the 6-digit HS codes using United Nations-COMTRADE data. Luxury imports constitute an important share of global trade, accounting for approximately 15% of global merchandise import in 2023 in our dataset.³ To estimate the relationship between commodity terms of trade shocks and luxury imports, we use the International Monetary Fund (IMF) Commodity Price Index (CPI). A casual look at the data suggests that the relationship is strong. For example, in Saudi Arabia an increase of 12.39 points in the Commodity Export Price Index in 2021⁴, according to our calculations, corresponded to a \$1.828 billion (14.9%) increase in luxury imports in the following year.

Our main empirical findings are as follows. First, the response of imports of luxury goods to a commodity export windfall is bigger than that for non-luxury imports. Second, there is substantial heterogeneity in the magnitude of the response across different categories of luxury import goods. Third, there is a significant increase in tourism from countries experiencing commodity export windfalls to countries where the main luxury shopping destinations are located. Fourth, countries that have higher inequality, weaker control of corruption or less democracy have significantly higher luxury import response following a commodity export windfall. Our finding thus highlight the relevance of the (luxury) import channel of the resource curse stemming from the link between easy money and easy spending in a context of weak and often hidden mechanisms for resource allocation.

Our results have implications for the so-called resource curse literature. The dependence of exports on natural resources leads to macroeconomic challenges.⁵ One is the excessive indebtedness of economies experiencing the bust of a resource boom.⁶ From a normative standpoint, economies subject to windfalls should invest domestically especially if they are capital scarce as pointed out in [Collier et al. \(2010\)](#) and [van der Ploeg and Venables \(2011\)](#). From that perspective, conspicuous consumption could thus be seen as wasteful but may result from a skewed allocation of revenue windfalls among the population. Another is the Dutch disease wherein a natural resource discovery or price increase of the exported resource is accompanied by an

³The production of luxury goods is concentrated in nine producer countries, namely France, Switzerland, the United States, China, the United Kingdom, India, Japan, Spain, and Italy (see [Faccioli et al. \(2023\)](#)).

⁴An increase in the Commodity Export Price Index means export prices rose by the same percentage relative to the 2012 base year.

⁵See [van der Ploeg \(2011\)](#) for a survey of the literature on the so-called resource curse highlighting poor institutions, lack of democracy, rent seeking and volatility as prime drivers of the curse other than the usual Dutch disease channel via appreciation of the real exchange rate and the associated losses from decline of the traded manufacturing sectors due to loss of learning by doing. [Torvik \(2001\)](#) shows that the Dutch disease is mitigated if there is learning by doing in the non-tradable sector and knowledge spillovers from the non-tradable to tradable sector.

⁶[Arezki et al. \(2017\)](#) explore the effect of news shocks in open economies using giant oil and gas discoveries, showing that economies experiencing giant discoveries borrow from the rest of the world well before extraction starts. See also [Arezki and Ismail \(2013\)](#) and references therein for discussions of the mixed empirical evidence in favor of the Dutch disease.

overvalued real exchange rate, which in turn shrinks the non-resource export sector. Most of the attention has so far been focused on the export channel of the resource curse. Yet, the import base is as large as the export base if not larger in many commodity exporting countries. There is no a priori reason to consider that the “import channel” of the resource curse is less powerful than the export channel. The literature has however been silent on the topic, although [Arezki et al. \(2025\)](#) documents the monopolization of imports in the context of resource dependent economies. We fill this gap in the literature by systematically exploring the link between commodity export windfalls and imports of luxury goods.

The remainder of the paper is organized as follows. [Section 2](#) presents the data and describes the empirical strategy. [Section 3](#) presents the main results for the effects of resource windfalls on luxury imports. [Section 4](#) explores how the granularity of luxury products affects these effects. [Section 5](#) discusses the role of income and institutional variables. [Section 6](#) looks at the response in luxury services. [Section 7](#) concludes.

2 Data and Empirical Framework

2.1 Data

Identifying luxury products

Our main source of data for luxury goods relies on the United Nations (UN) COMTRADE. Products are identified by a 6-digit Harmonized System (HS) code. For each product imported by a given country in a given year, we compute the value per unit weight. A given product at the 6-digit code level is identified as a luxury if it is in the top 40% of the highest average value per unit for every unit in which it is available, within a luxury category. The categorization of luxury goods follows [D’Arpizio et al. \(2024\)](#), a prominent industry report. The nine categories luxury goods are : *Apparels, Footwears, Headwears; Cosmetics; Fine Arts; Fine Wine and Spirits; Furnitures; Leather, Fur and Skins; Precious Stones and Jewelry; Vehicles; Watches.*

Because UN COMTRADE presents non-comparable unit weights within each category, we resort to ranking the computed value per unit for each of the aforementioned nine luxury categories within a year, for each unit of measure (there are twelve different units), and compute their percentiles. The choice of the 40% percent threshold may appear arbitrary but our main results presented in this paper are robust to using different thresholds to determining whether a good is of a luxury nature.⁷ For robustness, we also conduct similar procedures with 4-digit HS code (see [Appendix A](#)).

Bilateral flows of tourism and hospitality services

Our main source of data for bilateral tourism flows is the UN World Tourism Organization (UNWTO). The organization compiles and publishes an annual report on these flows. We use a variety of variables

⁷See [Appendix B](#) for examples of luxury products. The results using different thresholds are available upon request.

including tourist spending and the number of tourist-nights. Countries generally do not track the destination of outbound tourists, so bilateral tourism data is measured using the inflows to the destination country.

There are a few caveats to these data, however. Data are distributed in five-year blocks,⁸ with specific definitions provided for each country regarding data collection methods and criteria used to determine the origin of tourism flows. In addition, practices regarding data collection vary widely. Some countries track arrivals at borders, others at hotels; some count tourists, others visitors; and the determination of origin may either be based on nationality or on residence. Notwithstanding these caveats, the UNWTO allows us to investigate the outflows of tourism luxury hub destination originating from economies experiencing commodity windfalls.

Commodity windfalls

To capture commodity windfalls we use the the country-specific export commodity price index (CPI) obtained from the International Monetary Fund (IMF). The index covers 182 economies and the period from 1962 to 2023. The index reflects the income gains or losses a country experiences due to changes in world commodity export prices. The index is constructed by weighting the international prices of up to 45 individual commodities using country-specific trade data. Specifically, the index measures changes in country’s export commodity prices weighted by the respective shares of each commodity export in GDP. The index reflects how much a country benefits or loses from changes in global commodity export prices.

The index helps us analyze the impact of arguably exogenous variation in commodity price fluctuations on a country’s imports of luxury goods, particularly for countries heavily reliant on commodity exports or imports. The IMF uses both fixed and time-varying weights to construct the indices. Fixed weights are based on average trade flows over several decades, which is the one we use in this document to limit issues of endogeneity related to quantity of extracted commodity.⁹

2.2 Empirical framework

Here we present our empirical framework to test the relationship between revenue windfalls and conspicuous consumption. To estimate the dynamic response of imports of luxury goods resulting from fluctuations in commodity export prices, we employ the local-projection method introduced by [Jordà \(2005\)](#). We estimate an auto-regressive model with distributed lags:

$$y_{ict} = A(L) \times y_{ict-1} + B(L) \times \text{Price shock}_{it-1} + \alpha_i + \gamma_c + \mu_t + \epsilon_{ict}.$$

where the subscript i indicates the country, c refers to the category of luxury goods, and t indicates the year. The main dependent variable is the share of luxury import in total imports for category c in country i at time t . The main explanatory variable is the IMF’s Commodity Price Index, where individual commodities

⁸For example, the 2023 report covers data from 2018 to 2021.

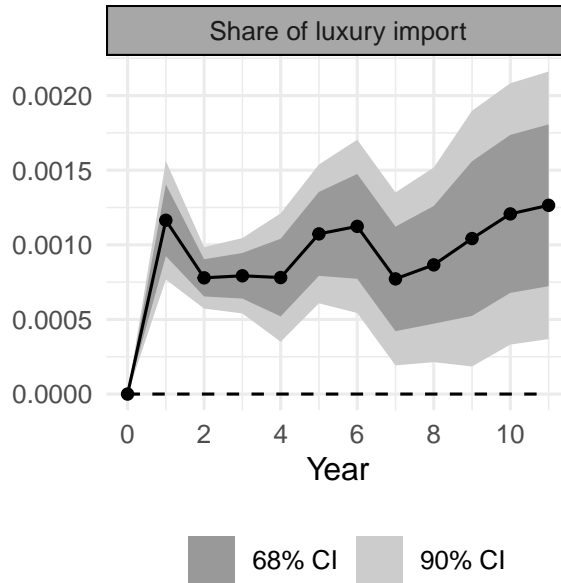
⁹The data and related research papers can be accessed on the [IMF website](#).

are weighted by their export-to-GDP ratio. Our specification includes fixed effects for each country, category and year. Robust standard errors are clustered at the regional level. This specification allows us to capture the cumulative effect of a commodity export price shock, which is given by $\frac{B(L)}{1-A(L)}$. This long-term effect is calculated from our estimates in Table 1.

3 Main results

To systematically test whether the response of luxury good imports to commodity windfalls is bigger than for non-luxury imports, we estimate the impulse response of the share of luxury imports over total imports. The response in Figure 1 shows a statistically significant and persistent positive effect of commodity price shocks on the share of luxury imports. Our calculations show that, on average, a unit increase in commodity export prices leads to approximately a 0.12% increase in the share of luxury goods in imports in the following year. An increase of one standard deviation in the CPI in our sample (3.24 points) corresponds to a 0.39% increase in the luxury share. For Saudi Arabia, a country whose exports consist mainly of oil, a standard deviation of 7.76 in the Commodity Export Price Index¹⁰ corresponds to a 0.93% increase in the luxury share of imports.

Figure 1: Responses of Luxury Shares in Imports to a Term-of-trade Shock



Note. This figure presents the impulse responses of the share of luxury goods in total good imports to a unit increase in the IMF's Commodity Price Index, where individual commodities are weighted by their export-to-GDP ratio. All import values used in the computation of the ratio are in current US dollars. The dots indicate point estimates. The dark and light gray areas denote 90% and 68% confidence intervals, respectively. Data are for 192 countries and 9 categories of goods between 1992-2023.

¹⁰An increase in the Commodity Export Price Index means export prices rose by the same percentage relative to the 2012 base year.

Columns (1)-(3) in Table 1 present the regression results using first only country fixed effects, then a combination of country and year fixed effects, and finally the full set of fixed effects (i.e., year, country, and categories of luxury products). Columns (2) and (3) show that the effect on the share of luxury imports stemming from commodity windfalls is positive and statistically significant. Column (3) is our preferred regression results. It implies that the long-term effect of one standard deviation in export commodity price shocks leads to 0.92% increase in the share of luxury imports. The effect of commodity windfalls on luxury imports is thus statistically and quantitatively significant and persistent over time.

Table 1: The Long-term Effects of Windfalls on Shares of Luxury Imports

Variables	(1)	(2)	(3)
	Share of luxury goods in imports		
Lagged share of luxury goods in imports	0.806*** (0.0279)	0.806*** (0.0276)	0.723*** (0.0187)
Lagged Commodity Export Price Index	0.000632* (0.000274)	0.000304* (0.000146)	0.000343* (0.000148)
Long-term effects	0.00327* (0.00180)	0.00157* (0.00084)	0.00124** (0.00057)
Constant	✓	✓	✓
Observations	36,329	36,329	36,329
R-squared	0.701	0.708	0.710
Country FE	✓	✓	✓
Year FE		✓	✓
Category FE			✓
Number of countries	174	174	174

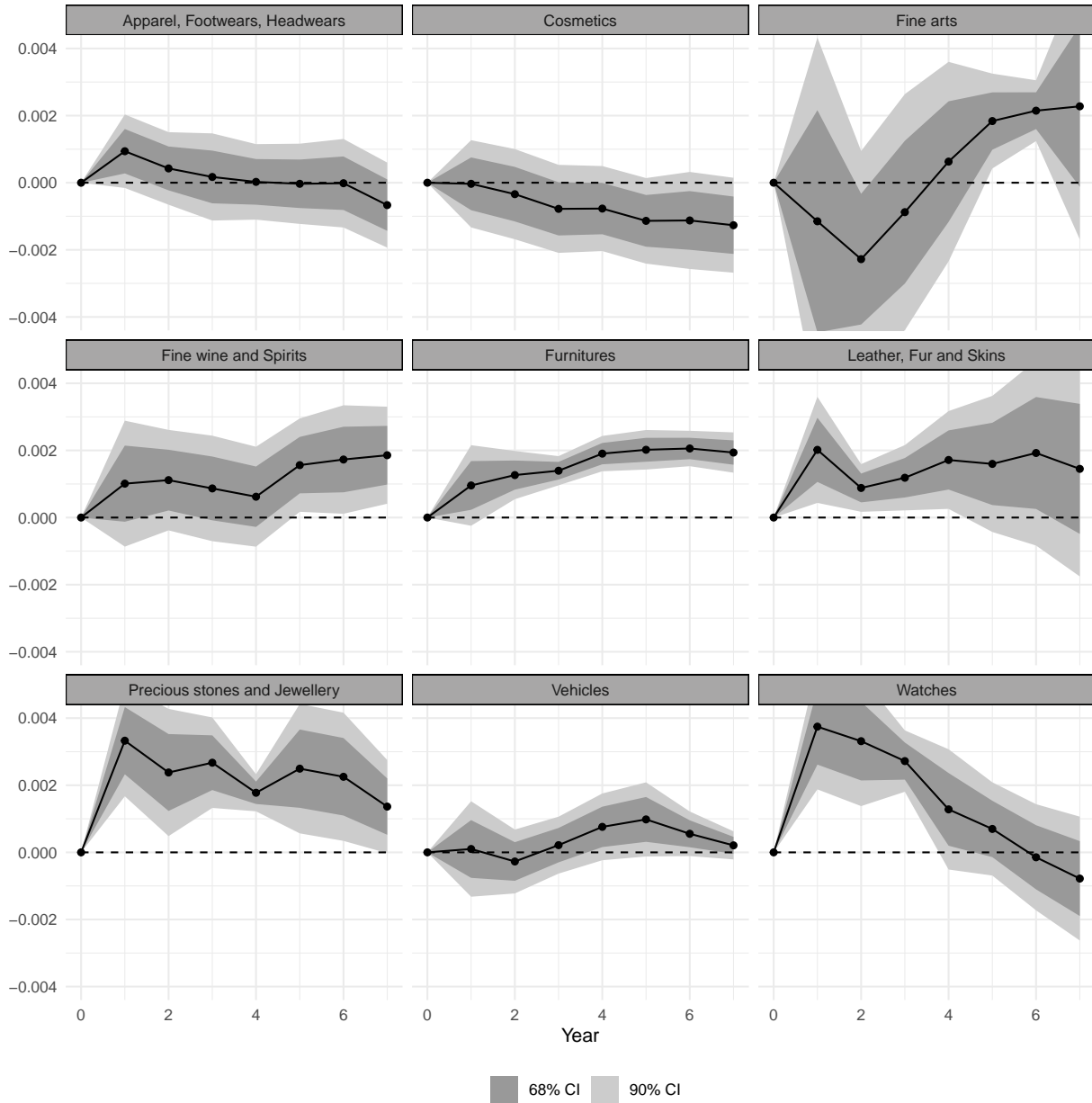
Note. This table presents the estimates of a distributed lag model of the share of luxury goods in import to a unit increase in the IMF's Commodity Price Index, where individual commodities are weighted by their export-to-GDP ratio. All import values used in the computation of the ratio are in current US dollars. Data are for 192 countries and 9 categories of goods between 1992-2023. Robust standard errors in parentheses clustered at the regional level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

4 Heterogeneous response along different luxury categories

Now, we explore the heterogeneity of the responses of luxury imports to commodity price shocks. We expect that the nine different types of imports of luxury products respond differently to commodity windfalls. Indeed, categories differ quite significantly including in their characteristics and hence in the underlying motive linked

to the purchase. For instance, the motives behind the purchase of precious stones, jewelry, vehicles, fine wines and arts, as well as watches may be related to conspicuous consumption as they are about investing and storing value. Instead, the motive behind buying apparels, cosmetics, leather, fur and skins may be even more conspicuous as these products do not constitute store of value.

Figure 2: Responses of Luxury Shares in Imports to a Term-of-trade Shock in each Luxury Categories



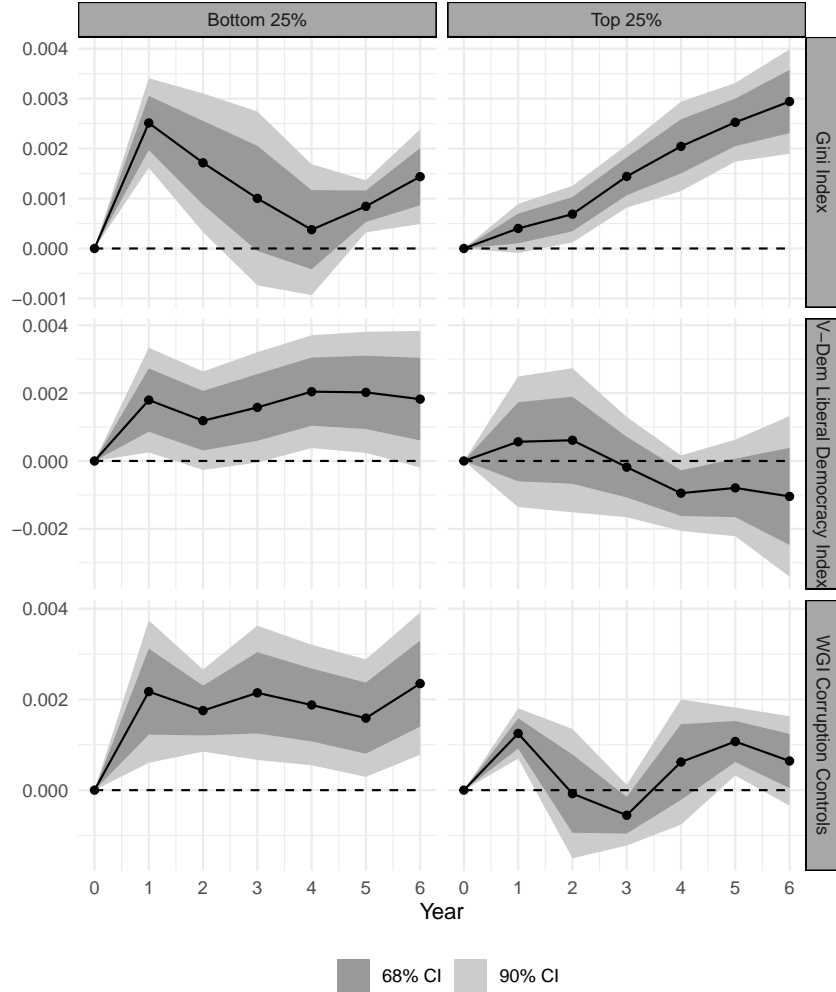
Note. This figure presents the impulse responses from the share of luxury goods in import to a unit increase in the IMF's Commodity Price Index, where individual commodities are weighted by their export-to-GDP ratio. All import values used in the computation of the ratio are in current US dollars. Dots indicate point estimates. The dark and light gray areas denote 90% and 68% confidence intervals, respectively. Data are for 192 countries between 1992-2023.

The difference in qualitative and quantitative responses to luxury imports between categories is ultimately an empirical question. The impulse response functions therefore presented in [Figure 2](#) show the marginal effects of a unit increase in the export-weighted CPI on the share of imports for each of the nine categories of luxury products over total imports. Overall, we observe that the strongest positive response of luxury imports is for the categories *Precious Stones and Jewelry*; *Watches*; *Leather, Fur and Skins*; and *Furnitures*. This suggests that the categories of luxury goods that have dual motives (conspicuous and investment/store of value) respond more to commodity windfalls than luxury products which are just conspicuous in nature. The two motives are, however, intrinsically linked. These results confirm that commodity windfalls drive the (relative) demand for luxury goods, but the effects are heterogeneous across categories of luxury goods.

5 Heterogeneity along income distributions and institutions

Beyond heterogeneity in the response of different categories of luxury goods, there could also be important dimensions of heterogeneity in the response of luxury imports across institutional characteristics linked to the economies subjected to commodity windfalls. We therefore explore whether differences in income and institutions across countries lead to heterogeneity in the response of luxury imports to commodity windfalls. Indeed, a skewed income distribution should lead to bigger response of luxury consumption at the aggregate level compared to a situation where incomes are more equally distributed. The top panels in [Figure 3](#) show the responses of shares of luxury imports classifying countries as bottom and top levels of inequality measured using the Gini coefficient. Across the board, a more pronounced level of inequality leads to bigger aggregate responses of luxury consumption following commodity windfalls. The middle and bottom panels in [Figure 3](#) show the role of institutional characteristics in shaping the response of luxury imports. Interestingly, we find stronger effect in less democratic countries (as measured by V-Dem Democracy Index) and countries with less corruption controls (as measured by the World Governance Indicator). Frictions in the allocation of resources in the form of shallow and weak institutions thus contribute to more conspicuous consumption following commodity windfalls. These results offer support for our main hypothesis that easy money leads to easy spending in countries with more unequal income distributions, weaker democracies and more corruption.

Figure 3: Responses of Luxury Shares in Imports to a Term-of-trade Shock in Institutional Extremes



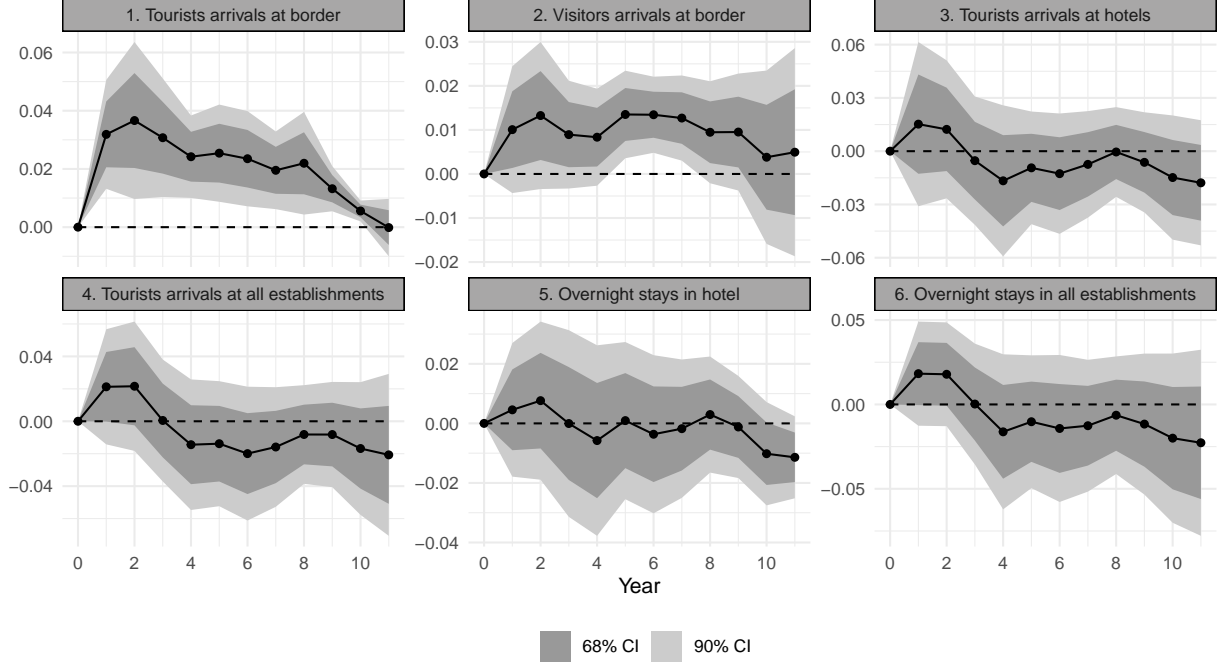
Note. This figure presents the impulse responses from the share of luxury goods in import to a unit increase in the IMF's Commodity Price Index, where individual commodities are weighted by their export-to-GDP ratio. All import values used in the computation of the ratio are in current US dollars. Dots indicate point estimates. Dark and light gray areas denote 90% and 68% confidence intervals, respectively. The sample is restricted to the bottom 25% (left) and top 25% (right) of countries with the highest levels of Gini Index (top), V-dem Liberal Democracy Index (middle), and the WGI's estimates for Control of Corruption (bottom). Data are for 192 countries and 9 categories of goods between 1992-2023.

6 Tourism and Hospitality in Luxury Hub Destinations

So far, we have focused on luxury imports as proxy for luxury consumption. But consumption of luxury goods also takes place outside of the borders of the country experiencing a commodity windfalls. We now investigate whether tourism to the main luxury hub destinations increase following commodity windfalls in the origin country. To test whether luxury consumption also happens outside the borders, we estimate the impulse response with tourism outflows toward the global luxury hubs. The top five luxury hubs in luxury sales, in

descending order, are France, Switzerland, the US, China, and the UK (Faccioli et al., 2023). Figure 4 offers support for the notion that the number of tourists and visitors in the main luxury tourism hubs statistically and significantly increases following a commodity windfalls in the source countries.

Figure 4: Responses of Tourism and Hospitality to a Term-of-trade Shock



Note. This figure presents the impulse responses of (1) log of the number of arrivals of non-resident tourists at national borders, (2) log of the number of arrivals of non-resident visitors at national borders, (3) log of the number of arrivals of non-resident tourists in hotels and similar establishments, (4) log of the number of arrivals of non-resident tourists in all types of accommodation establishments, (5) log of the number of overnight stays of non-resident tourists in hotels and similar establishments, and (6) log of the number of overnight stays of non-resident tourists in all types of accommodation establishments. These tourism flow indicators are restricted to the top five luxury hubs (France, Switzerland, the US, China, and the UK). The main explanatory variable is a unit increase in the IMF's Commodity Price Index, where individual commodities are weighted by their export-to-GDP ratio. Dots indicate point estimates. Dark and light gray areas denote 90% and 68% confidence intervals, respectively. Data are for 192 countries between 1992-2023.

When using measures regarding hospitality such as tourism arrivals at hotels and other establishments as dependent variables, impulse responses show an uptick in the years immediately following the commodity windfalls in the source countries. That said, the results are significant at the 90 percent confidence only for tourist arrivals at borders (panel 1), and significant at the 68 percent confidence levels for visitors arrivals at borders (panel 2), tourist arrivals at all establishments (panel 4), and overnight stays in all establishments (panel 6). This is probably due to the noise in the data which is likely more pronounced for hospitality services than for tourism inflows measured at the borders. Overall, these results confirm that countries experiencing commodity windfalls not only increase their imports of luxury goods but also consume travel and hospitality (presumably to consume luxury goods) in destinations which are global luxury hubs.

7 Conclusion

We have explored the link between conspicuous consumption and windfalls exploiting plausibly exogenous variation in income stemming from commodity export prices. Our findings are as follows. The response of imports of luxury goods following a commodity export windfall is more pronounced than non-luxury imports. There is substantial heterogeneity in the magnitude of the responses between different categories of luxury imports. There is also evidence for a significant increase in tourism outflows from countries experiencing commodity export windfalls to the main luxury shopping destinations abroad. Countries that have more inequality, have weaker control of corruption and are less democratic have significantly higher luxury import response following a commodity export windfall.

One prominent explanation of the resource curse is the Dutch disease that states that a resource windfall leads to an appreciation of the real exchange and a decline of the traded sector. This leads to loss in learning by doing and less cumulative causation in the traded sector, so that temporary shocks lead to permanent output losses ([van Wijnbergen, 1984](#)). In this paper, we depart we highlight a novel channel of the resource curse that focuses on the effect of the wealth bonanza on the imports of luxuries. If anything, this channel will attenuate standard Dutch disease effects. Instead, our channel stems from the “rules” of allocation of resource revenues leading to a relatively small group engaging in conspicuous consumption at the expense of current and future generations.

From a normative perspective, it could be argued instead that the wealth effect from commodity price terms of trade shock is an equilibrium phenomenon and is not sub-optimal per say. That said, the disproportionate bias toward spending toward consumption here conspicuous in nature rather than investment is the result of a friction in the way the windfall is allocated between individuals (elite versus non-elite groups) leading to suboptimal response to the aggregate wealth effect compared to case without friction. This calls for institutional reforms to ensure a fairer distribution of the commodity windfalls. Another policy option to help limit that apparent market failure of socially wasteful conspicuous consumption is implementing a Pigouvian tax to reduce conspicuous consumption.

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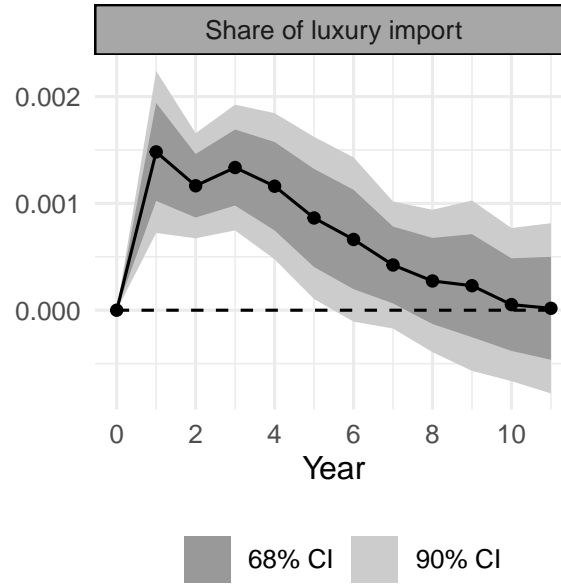
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Appendix A: Results using 4-digit HS

Here, we report the main results using a higher level of aggregation (HS4) of the data. They are in accordance with the main results in the paper.

Figure A-1: Responses of Luxury Shares in Imports to a Term-of-trade Shock at the HS4 level



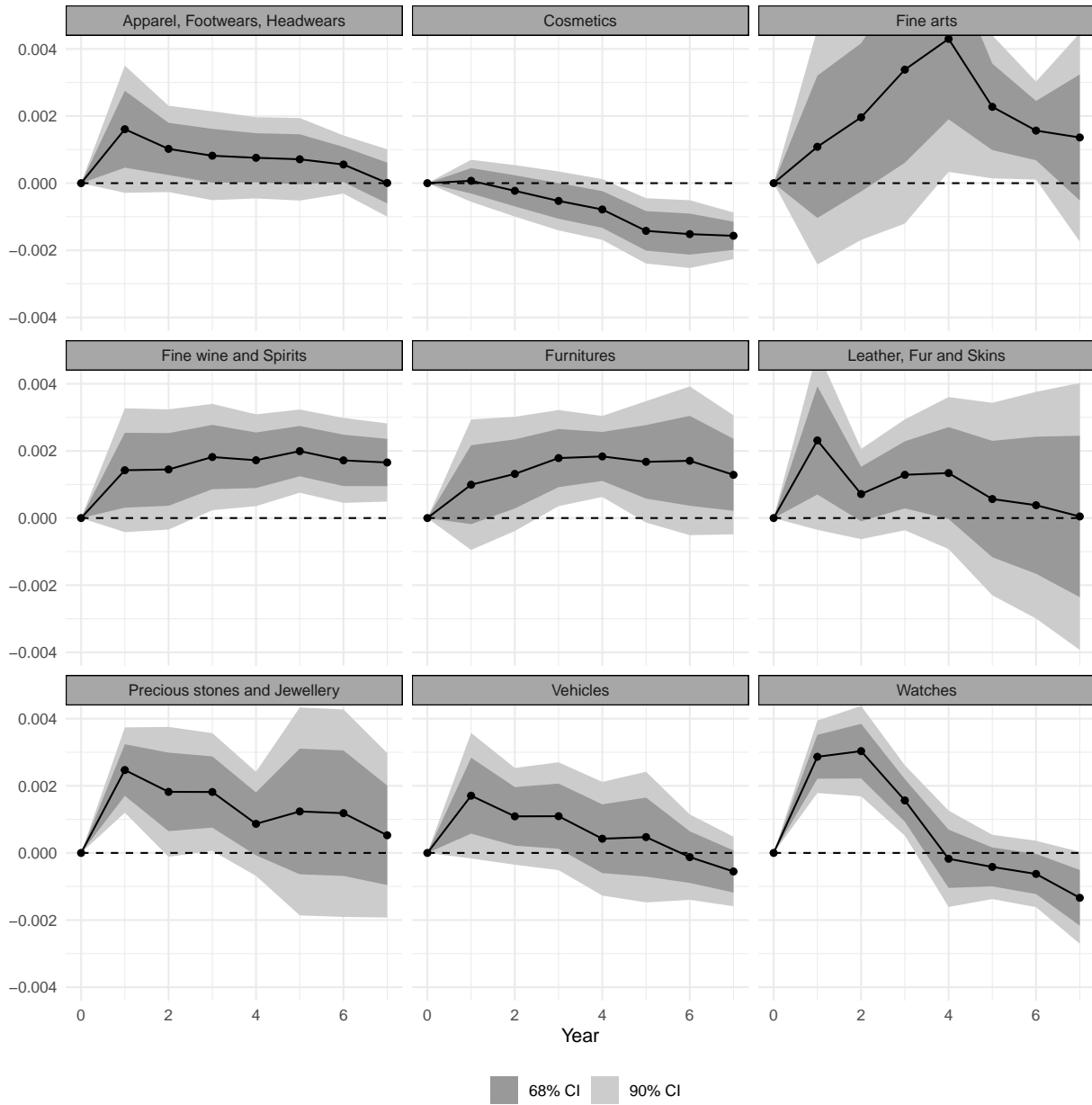
Note. This figure presents the impulse responses of the share of luxury goods in total good imports to a unit increase in the IMF's Commodity Price Index, where individual commodities are weighted by their export-to-GDP ratio. All import values used in the computation of the ratio are in current US dollars. The dots indicate point estimates. The dark and light gray areas denote 90% and 68% confidence intervals, respectively. Data are for 192 countries and 9 categories of goods between 1992-2023.

Table A-1: The Long-term Effects of Windfalls on Shares of Luxury Imports at the HS4 level

Variables	(1)	(2)	(3)
	Share of luxury goods in imports		
Lagged share of luxury goods in imports	0.813*** (0.0289)	0.814*** (0.0287)	0.737*** (0.0282)
Lagged Commodity Export Price Index	0.000423** (0.000143)	0.000270 (0.000179)	0.000358** (0.000145)
Long-term effects	0.00227** (0.00099)	0.00145* (0.00083)	0.00136*** (0.00049)
Constant	✓	✓	✓
Observations	36,329	36,329	36,329
R-squared	0.715	0.718	0.732
Country FE	✓	✓	✓
Year FE		✓	✓
Category FE			✓
Number of countries	174	174	174

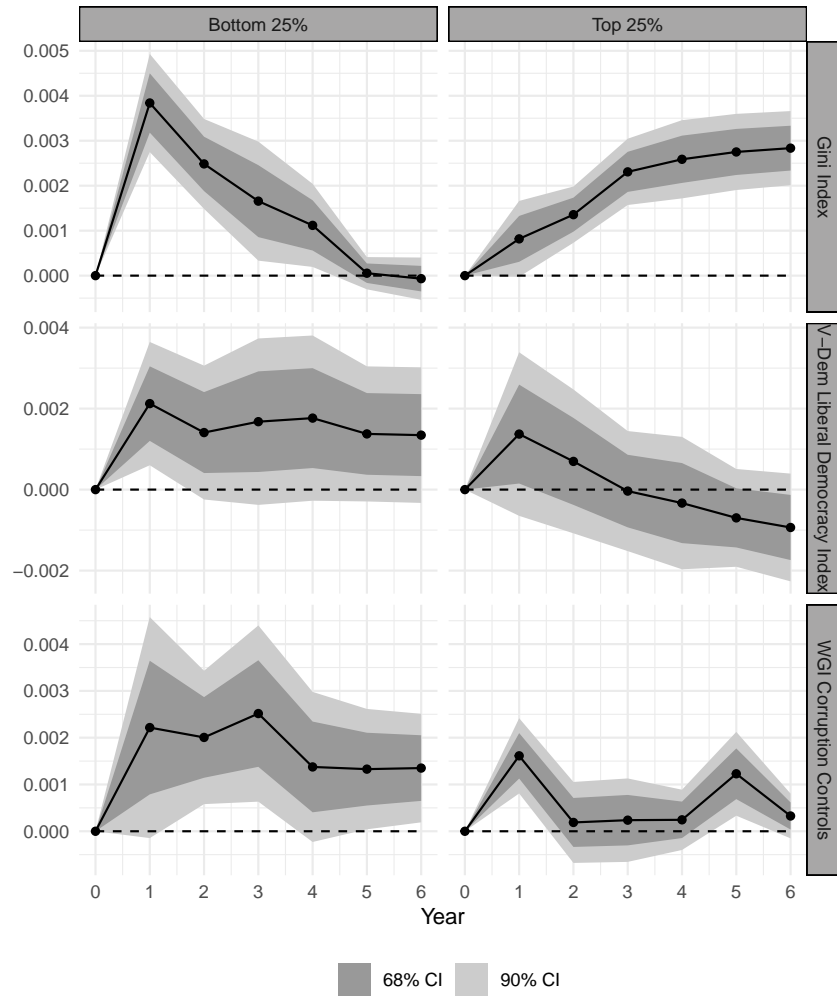
Note. This table presents the estimates of a distributed lag model of the share of luxury goods in import to a unit increase in the IMF's Commodity Price Index, where individual commodities are weighted by their export-to-GDP ratio. All import values used in the computation of the ratio are in current US dollars. Data are for 192 countries and 9 categories of goods between 1992-2023. Robust standard errors in parentheses clustered at the regional level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Figure A-2: Responses of Luxury Import Shares to a Term-of-trade Shock for each Luxury Categories at the HS4 level



Note. This figure presents the impulse responses from the share of luxury goods in import to a unit increase in the IMF's Commodity Price Index, where individual commodities are weighted by their export-to-GDP ratio. All import values used in the computation of the ratio are in current US dollars. Dots indicate point estimates. The dark and light gray areas denote 90% and 68% confidence intervals, respectively. Data are for 192 countries between 1992-2023.

Figure A-3: Responses of Luxury Shares in Imports to a Term-of-trade Shock in Institutional Extremes at the HS4 level



Note. This figure presents the impulse responses from the share of luxury goods in import to a unit increase in the IMF's Commodity Price Index, where individual commodities are weighted by their export-to-GDP ratio. All import values used in the computation of the ratio are in current US dollars. Dots indicate point estimates. Dark and light gray areas denote 90% and 68% confidence intervals, respectively. Data are for 192 countries between 1992-2023. The sample is restricted to the bottom 25% (left) and top 25% (right) of countries with the highest levels of Gini Index (top), V-dem Liberal Democracy Index (middle), and the WGI's estimates for Control of Corruption (bottom). Data are for 192 countries and 9 categories of goods between 1992-2023.

Appendix B: List of luxury products

Table B-1 reports the 6-digit HS codes that comprise our definition of luxury products.

Table B-1: Excerpts list of luxury products

Category	HS Codes and Descriptions
Fine arts	<p>970529 - Collections and collectors' pieces; of zoological, botanical, mineralogical, anatomical or palaeontological interest, other than human species, extinct or endangered species and parts thereof</p> <p>970539 - Collections and collectors' pieces; of numismatic interest, of an age not exceeding 100 years</p> <p>970310 - Sculptures and statuary; original, in any material, of an age exceeding 100 years</p> <p>...</p>
Apparel, Footwears, Headwears	<p>580126 - Fabrics; chenille, of cotton, other than fabrics of heading no. 5802 or 5806</p> <p>630619 - Tarpaulins, awnings and sunblinds; of textile materials other than synthetic fibres</p> <p>610432 - Jackets; women's or girls', of cotton, knitted or crocheted</p> <p>...</p>
Cosmetics	<p>330410 - Cosmetic and toilet preparations; lip make-up</p> <p>330491 - Cosmetic and toilet preparations; powders, whether or not compressed (excluding lip, eye, manicure or pedicure preparations)</p> <p>330710 - Perfumery, cosmetic or toilet preparations; pre-shave, shaving or after-shave preparations</p> <p>...</p>
Furnitures	<p>940569 - Luminaires; illuminated signs, illuminated name-plates and the like, designed for other than use solely with light-emitting diode (LED) light sources</p> <p>940549 - Luminaires and light fittings; electric, designed for other than use solely with light-emitting diode (LED) light sources</p> <p>940149 - Seats; convertible into beds of other than wood, other than garden seats or camping equipment</p> <p>...</p>
Precious stones and Jewellery	<p>711021 - Metals; palladium, unwrought or in powder form</p> <p>711041 - Metals; iridium, osmium, ruthenium, unwrought or in powder form</p> <p>711011 - Metals; platinum, unwrought or in powder form</p> <p>...</p>
Leather, Fur and Skins	<p>420310 - Apparel; articles of apparel, of leather or of composition leather</p> <p>430211 - Furskins; tanned or dressed, of mink, whole, with or without head, tail or paws, not assembled</p> <p>430310 - Furskin articles; apparel and clothing accessories</p> <p>...</p>
Vehicles	<p>870422 - Vehicles; with only compression-ignition internal combustion piston engine (diesel or semi-diesel), for transport of goods, (of a g.v.w. exceeding 5 tonnes but not exceeding 20 tonnes), n.e.c. in item no 8704.1</p> <p>870540 - Vehicles; concrete-mixer lorries</p> <p>871631 - Tanker trailers and tanker semi-trailers</p> <p>...</p>
Watches	<p>910599 - Clocks; (excluding those with watch movements and instrument panel clocks), other than alarm or wall clocks, other than electrically operated</p> <p>910221 - Wrist-watches; whether or not incorporating a stop-watch facility, with automatic winding</p> <p>911310 - Watch straps, watch bands, watch bracelets, and parts thereof; of precious metal or of metal clad with precious metal</p>
Fine wine and Spirits	<p>220429 - Wine; still, in containers holding more than 10 litres</p> <p>220422 - Wine; still, in containers holding more than 2 litres but not more than 10 litres</p> <p>220830 - Whiskies</p> <p>...</p>