

Are the fluctuations in the consumption of beer, wine and spirits pro- or counter-cyclical? Empirical evidence from the Scandinavian countries using long-run time series data

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Abstract:

Traditionally, the Nordic countries have been characterized as spirits and beer consuming countries as these two beverages have been the far most popular alcoholic drinks through centuries. This has changed during the last couples of decades with wine consumption showing up with the highest growth rates concerning alcoholic beverages – also in the cases where the retail sales system is highly controlled by the state, i.e. Norway and Sweden. But a century ago the historical background was decades of relatively heavy drinking behaviour with spirit as the preferred beverage. The political answer to the alcohol-induced, widespread negative health effects and social problems was the introduction of a directly, state-controlled system concerning handling and sales of alcohol (only Norway and Sweden, not Denmark), high alcohol taxes and other regulations. Therefore, it might be expected that alcohol consumption - especially in the later part of the 19th Century and the beginning of the 20th Century - behaved in a counter-cyclical manner, i.e. heavy drinking during severe recessions characterized by harsh economic conditions. Relatively good statistical sources are available concerning alcohol consumption levels in the Scandinavian countries, especially for Norway where data for the specific beverages are published back to the 1850's. Using these long-run time series data for alcohol consumption levels the question of a counter-cyclical or pro-cyclical behaviour is addressed - with the business cycle measured as the GDP. The empirical findings are that generally, alcohol consumption behaves pro-cyclical, although most pronounced for the consumption of beer and wine.