

BOOK AND FILM REVIEWS

Mike Veseth: *Wine Wars II*

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This short book, with just 202 pages of text, is an update of the author's 2011 book, *Wine Wars*. Written for a general audience, it is an entertaining economic analysis of the modern wine industry and its history. Two confessions: I have not read the earlier book, and so I cannot say how much one who had read that book would gain from reading the new one. Nor had I come across Veseth's blog, wineeconomist.com, but after sampling from it, I suspect a regular follower of his blog will have already encountered some of the material in this book.

Looking back over the past several decades of the market for wine, Veseth, an emeritus professor of international political economy at the University of Puget Sound, builds the main part of the book around three themes: globalization of the wine market; branding; and what he calls the “revenge of the terroirists,” by which he means efforts of local producers worldwide to preserve distinct local wines. One could think of the latter two themes as two dimensions of product differentiation.

Although wine drinkers tend to favor wines produced in their own country or region, standard economics implies that the increased availability of wines from around the world (“globalization”) has increased consumer welfare. This seems true in the U.S., which suffered from effects of Prohibition for several decades after its end, including restrictions on distribution in many states and the lingering effects of the poor quality, illegal wine available during Prohibition. It also seems true elsewhere in the world.

At the end of World War II, many countries produced some wine, but relative to today less wine was traded internationally. World production was heavily concentrated in France, Italy, and Spain, and that era's greater trade restrictions and higher transportation costs dampened demand for imported wine. Veseth documents the massive changes in the global market wine since then. To illustrate the change, he employs the term “wine wall” for the shelf space devoted to wine in many U.S. supermarkets. He notes that his local supermarket in Tacoma, Washington, displays around 1,500 different wines, many of them imported, a greater variety than any other product department in the market.

Veseth asserts that the past several decades have seen an increase in the mean quality of wines and greater availability of different varietals at different price points, which is undoubtedly true, but he nonetheless fears that the future could bring commodification of wine and also greater concentration on certain varietals and certain quality levels, thereby diminishing choice. Although it is clear why a wine producer with some degree of protection would not welcome greater competition, it is less clear why Veseth is only willing to give two cheers for the greater choice and higher quality brought about by globalization.

His fear appears to be not only a reduction in the variety of wines available from commodification but also an increase in concentration among both producers and distributors of wine, presumably leading to higher markups, although he does not spell out that latter point. Indeed, these fears seem echoed in the subtitle of the book, *The Global Battle for the Soul of Wine*. How likely Veseth's fears will come to pass is an open question, but they have not done so to date, as he amply documents. What would change in the future to cause his fears to be realized in a material way is not completely clear to this reviewer. To borrow an anecdote from another industry, the growth of fast food hamburger chains as well as other franchise restaurant chains has not driven local restaurants from the market—and in many of them one can even find a burger on the menu, albeit at higher prices than at a fast food outlet. In other words, some degree of commodification can co-exist with product variety.

The last section of the book comments on the future of the wine industry. Veseth devotes a chapter of this section to the risks the industry faces from climate change, pointing out that grapes traditionally grown in certain regions will not flourish as temperatures rise in those regions. Although his description of these risks is both clear and reasonable, a substantial part of the chapter is devoted to the industry's efforts to reduce its carbon footprint. Although that is surely a worthy goal, the wine industry is not a major source of greenhouse gas emissions. This part of the book seems more directed to industry participants than to the general reader.

In sum, this is a highly readable book, full of interesting details about the wine industry's evolution in the 20th and 21st centuries, one which prods the reader to ponder how the industry will evolve over the next few decades.