

STEFANO CASTRIOTA: *Wine Economics*. MIT Press, Cambridge, Massachusetts, 2020, 320 pp., ISBN: 978-0262044677 (hardcover), \$55.

When it comes to the study of the economics of wine, Stefano Castriota has compiled a comprehensive and interdisciplinary exploration of the world wine market and its social implications in his newly revised *Wine Economics*. Originally published in Italian, this recently released edition by The MIT Press investigates the production, distribution, and consumption of wine and the growing subfield of wine economics with a focus on English-speaking countries of the New World, particularly that found in the United States.

While academic in methodology, Castriota's manuscript should find an extended readership across a wider and willing public as a heuristic for an increasingly complicated subject and crowded field. Drawing on an extensive review of literature from economic policy, management, finance, medicine and law, *Wine Economics* offers essential insights into the global wine market supported by extensive data sets and Castriota's thorough research and analyses.

As mentioned in the Foreword by American Association of Wine Economists' president Orley Ashenfelter, "Castriota has provided the reader with a look at the general nature of the subject of wine economics but with an eye to its applicability in matters of public policy." To be sure, over the course of eight exploratory chapters, Castriota closely examines governmental regulation across world wine markets to unveil how industry directives impact trade associations, business organizations, and even influence the experiences and perceptions of wine consumers across social and international borders.

Starting with a historical perspective of world wine markets and concluding with a strategy to grow effective winemaking sectors and cultures across the globe, the book is divided into two segments: part one looks at mechanisms involved in the operation of the global wine arena while part two examines market regulation by public authorities.

In the initial chapter, Castriota explores production, consumption, and export in world wine markets, followed by a detailed explanation of the so-called "wine war" between New and Old World countries beginning with the "Paris judgment" of 1976 through the present day. With a litany of graphs, charts and statistics, and an exhaustive overview of the global wine market, this critical background could easily function as a stand-alone article and serves as an important foundation for the remainder of the book and the promotion of his forthcoming policy arguments. Chapter Two exhibits an overview of wine consumption with an interesting and perhaps unexpected concentration on alcohol abuse and negative health and social consequences that affect the quality and price of wine.

Chapters Three, Four, and Five turn to firm profitability, types of wine companies, and finance, respectively. Castriota fairly argues that wine market structure

determines competition and influences profitability by recruiting Porter's Five Forces Model to evidence his assessment. He continues with an in-depth analysis of the many varied companies and strata that apprise the wine business and discusses organizational and institutional objectives that drive people in their work and contribute to local economies. Finally, to conclude part one of his book focusing on world wine market functioning, Castriota proffers detailed financial information and strategic guidance to hedge risk for expected return on investment of individual wine bottles and shares of wine companies listed on the stock exchange.

Chapter Six ushers in segment two of the book, measures taken by public authorities to regulate the market and correct failures, by illustrating the concept of asymmetric information, which Castriota defines as "when traders do not have all the same (complete) information in a transaction that can give rise to two different situations: adverse selection and moral hazard" (p. 163). Here, Castriota highlights possible solutions for these market failures and emphasizes the fundamental differences between Old and New World wine sectors.

The penultimate chapter revisits the earlier theme of alcohol abuse and its consequences on drinkers and society at large. Drawing on medical literature, this section discusses economic and social externalities and subsequent policies and prevention campaigns adopted across countries due to the production and consumption of wine, including an international exploration of the prohibition of alcohol over the past century. Finally, Chapter Eight investigates the socioeconomic context and political and public intervention to shape the regulation of agricultural supply and market control by examining laws in Europe and the United States.

Ultimately, six economic policy conclusions are identified to survive the "wine war" outlined in Chapter One and discussed throughout the book: (1) quality of products, (2) changes to the tax system, (3) marketing and a clear wine classification system, (4) competition and support to small wineries, (5) economies of scale and competitive prices, and (6) promotion of the wine culture among consumers. Through acknowledgment and deliberate recognition of these variables, Castriota posits both Old World and New World wine companies can leverage their competitiveness to ensure the promotion of open and efficient wine markets that emphasize the protection of public health.

It takes frank determination and diligence to craft a tome such as Stefano Castriota's 309-page *Wine Economics*; the level of research and advanced expertise that Castriota demonstrates through his substantial scholarship mark him as a leading authority in the field. Already a success with home audiences when published as *Economie del Vino* in his native Italy, this iteration of his work is an essential and immediate resource for any wine economics professional, scholar, or student. Rich in concrete qualitative detail and abundant quantitative evidence, *Wine Economics* aims to encourage the spread and study of the economics of wine. Indeed, through this meticulous and impressive offering, Stefano Castriota has provided the necessary material and knowledge for established members of the discipline as

well as newcomers to advance the subject, the reputation, and the world of wine economics.

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