Socio-Economic Review, 2018, Vol. 16, No. 3, 479–498
doi: 10.1093/ser/mwx060
Advance Access Publication Date: 28 December 2017
Article
OXFORD

Article by an MPIfG researcher
Elizabeth Carter: For What it's Worth: The Political Construction of Quality in French and Italian Wine Markets. In: Socio-Economic Review 16(3), 479-498 (2018). Oxford University Press
The original publication is available at the publisher's web site: https://doi.org/10.1093/ser/mwx060

Article

For what it's worth: the political construction of quality in French and Italian wine markets

Elizabeth Carter*

University of New Hampshire, Durham New Hampshire, USA

**Correspondence: elizabeth.carter@unh.edu*

Abstract

At the heart of political organization, we find weak and atomized individuals who aggregate their power to challenge concentrated power. Wine politics show us that within market economies we find the same political movements. Markets, like politics, consist of institutions that differentially embed, codify and distribute power. In the case of France, small, individually weak wine producers became powerful in the aggregate; unified French grape growers came together to force a deal with the economically dominant wine merchants. Their joint political power was institutionalized in power-sharing, state-backed corporatist producer organizations. In contrast, small Italian producers failed to cooperate systematically and aggregate their power. Stronger organization enabled the construction of an institutional comparative advantage and higher prices for regulated French *terroir* wines. Economic sociologists claim markets are 'socially embedded'. This article demonstrates markets are 'politically embedded': French market dominance results from effective power sharing mechanisms across the supply chain.

Key words: regulation, production networks, organizations, consumers, power, trust

JEL classification: L1 market structure, firm strategy, and market performance; L2 firm objectives, organization, and behavior; D2 production and organizations

1. Introduction

Since the 1970s, the global wine market has undergone dramatic transformations. This was the first time that it appeared probable that the singular French dominance of the quality wine market might be threatened by international competitors. California wines beat top Bordeaux in blind tastings in the 1976 Judgment of Paris (Taber, 2006), and Italian wines began receiving global recognition for their high-quality 'SuperTuscan' table wines. These

© The Author(s) 2017. Published by Oxford University Press and the Society for the Advancement of Socio-Economics. All rights reserved. For Permissions, please email: journals.permissions@oup.com

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

turning points were accompanied by three other important trends—the rapid decline of wine consumption in traditional wine consuming countries, the European Union's attempt to actively decrease the number of vineyards to stabilize table wine prices via the Common Agricultural Policy (CAP), and the increase in the 'New World' quality and volume of wines produced and consumed. Indeed, a recurring story in today's wine world is the anticipated diminished significance of French wines specifically and 'Old World' wines broadly.

On paper, the French and Italian quality wine markets share the same strict geographic regulation. Quality Italian DOC regulation (*denominazione di origine controllata*, introduced in 1963) was directly modeled on the successful French AOC regulation (*appellation d'origine contrôlée*, introduced in 1935). Both claim to protect *terroir*, or a delimited area with a distinct cultural heritage and geographic characteristics. The regulations link geographic areas with specific rules of production, including allowable grape varieties, maximum yields and grape growing methods. These production standards are determined by the producers themselves, and they theoretically act as a *de facto* quality indicator, where the protected place names—such as Champagne, Bordeaux or Barolo—should serve as a shared brand. Yet despite sharing the same strict production regulation and similar attributes—such as similar production volumes and a long history of wine production—the wine markets in the two countries look dissimilar. Notably, French wine producers maintain a stranglehold at the highest end of the market. In fact, French producers both earn more than twice of their Italian counterparts for a bottle of regulated quality wine (ANI International/European Commission, 2012) and face relatively inelastic demand as compared to Italian and other national producers (www.wineaustralia.com).

This article investigates the mechanisms underlying the mystery of French dominance. It suggests that their market dominance is a matter not of inherent French *terroir* superiority, but rather of a superior method of political organization, specifically how producers coordinate the problem of supply chain asymmetries. Specifically, French market dominance is the result of how producers used specific political advantages to respond to supply chain issues and construct robust market advantages. This article will demonstrate this claim by comparing and contrasting three variables: producer mobilization, state legitimacy and perception of common goals. Variation among these three political factors provided French producers with distinct organizational advantages, enabling them to solve market failures, create the perception of market differentiation and construct an idea of 'innate' quality which protected their markets. Relying on extensive personal interviews and comparative market data, this article will demonstrate two points. First, we find superior market outcomes when producers can organize to solve endemic market failures, namely informational and power asymmetries. Second, we observe effective supply chain dynamics in political and economic environments in which actors perceive compromise with other rival producers as advantageous. The evidence indicates that markets are 'politically embedded' and that market institutions ultimately reflect the ability or failure of actors to come together to address collective market failures.

2. Information and power: previous literature on quality signaling, supply chain structure and producer organization

Producers face two principal issues in a market context: the problems of information and power asymmetries. *Informational asymmetries* occur when either the buyer or seller has

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

more information on the product than then other party; a seller nearly always has more information on a product's quality than a buyer. This is the dynamic George Akerloff describes in his 'Market for Lemons': if sellers are unable to reliably convey quality to buyers, prices converge on a low-quality price as higher quality products are kept off the market (1970). Market *power asymmetries* arise when a few powerful buyers push down prices for interchangeable sellers. If left unaddressed, either the informational or the power asymmetry can lead to the collapse of differentiated quality production.

The idea of information asymmetries has a particular significance in quality markets. Unlike 'typical' product markets, quality markets compete on product differentiation conveyed by market signals, rather than by price (Karpik, 2010). These signals are socially constructed (Zhao, 2005; Fourcade, 2012), and small, real qualitative differences in these markets can be associated with vast price differences (Karpik, 2010; Rössel and Beckert, 2012). These signals can include classifications (Zhao, 2005; Karpik, 2010; Fourcade, 2012), moral values appeal (such as 'green production', 'fair trade', etc.), product accessibility and other factors (Boltanski and Thévenot, 2006; Eymard-Duvernay, 2007; Diaz-Bone, 2009) including price itself (White, 1985–2002). These signals match differentiated products with consumer identity, such as environmental, traditional or local (Bourdieu, 1984; Diaz-Bone, 2009).

Convention theorists consider these quality signals to be shared, intersubjective social frames through which producers indicate quality, norms, and standards to one another and to consumers. Convention theorists develop upon Harrison White's initial insight that producers signal quality in part through by situating themselves at price points near similar producers (2002), positing quality conventions as cultural logics that enable producers to coordinate to collectively produce market goods. These conventions are routinized principles for the organization of production, created by repeated behavior of producers, to serve as a response to uncertainty and reflecting the culture and values embedded in networked relationships. In other words, conventions are collective schemata for the perception of quality (Boltanski and Thévenot, 2006; Eymard-Duvernay, 2007; Diaz-Bone, 2009). The role of the consumer in this model is passive, consistent with Bourdieu's homology theory, or the notion that consumers seek quality cultural goods that 'go together' (homologous) with their identity because they are situated in roughly the same social spaces as the cultural product. Therefore, producers meet demand without expressly having to seek it: 'the supply always exerts an effect of symbolic imposition' (Bourdieu, 1984, p. 227). Consumption then reflects and interacts with values established by producers. Convention theory elucidates the market mechanisms that arise to address information asymmetries by focusing on the repeated norms and behaviors linking similar producers. The weakness of this approach is that it is static and apolitical, with no mechanism to explain either market change or the source of these conventions.

Gary Gereffi introduces the notion of supply chain power to the conversation on producer dynamics. Gereffi (1999) describes two types of producer linkages in a supply chain: producer-driven and buyer-driven. Producer-driven systems are characterized by high barriers to entry for the inputs of production, whereas buyer-driven systems are highly competitive commodity chains controlled farther down the production chain by branded manufacturers and retailers. In producer-driven markets, producers resist or create demand rather than following it, whereas buyer-driven markets are highly competitive, and producers respond to market signals and compete on price rather than differentiation.

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

According to Gereffi, producer-driven products are perceived as special and thus are less vulnerable to the challenge of near substitutes due to high barriers to entry for input factors. The producer-driven market parallels the quality markets described by convention theorists. Gereffi complements convention theory by linking producer supply chain dynamics to differentiated quality markets. In markets where power rests with retailers, or where there are few barriers to entry for input factors, producers have less ability to protect and differentiate their product.

Gereffi outlines a relationship between producer linkages and the level of market protection, whereas convention theorists describe the impact of producer dynamics on the construction of quality norms. Yet both of these approaches fail to explain why some producers find themselves in these differentiated quality markets while others are relegated to more competitive, less differentiated mass markets. Specifically, they omit political dynamics and political organization from the model; they explain what markets may look like when market failures are addressed, but not who solves these failures or under what conditions. Additionally, power dynamics are omitted from the analysis both within and across supply chains. These failures must be addressed for the aforementioned signaling mechanisms to thrive in quality markets.

Neil Fligstein's analysis of the role of politics in constructing market protection begins to address this gap. Fligstein (2002) posits that barriers to entry are politically constructed in an effort to seek stability by fending off market challengers and secure firm survival. He argues that incumbent firms capitalize on political incentives to protect their market advantage, and then challenger firms attempt to compete on this terrain. Market evolution then resembles political evolution, as incumbents repeatedly attempt to protect their markets, and market organization resembles political organization. States provide the incentives to organize and, once producers are organized, states can provide institutional support and legitimacy for producer groups. These political incentives shape how producers organize to create 'stable worlds' of economic competition.

Though Fligstein does not use the expression 'political embeddedness',[1] his argument illustrates the definition provided by Zukin and DiMaggio: 'the manner in which economic institutions and decisions are shaped by a struggle for power that involves economic actors and nonmarket institutions, particularly state and social classes' (1990, p. 16). Fligstein's (1996) framework informs the current analysis, but my exploration of politics and of political embeddedness diverges from his on some critical points. If markets are politics, what is the relationship between political attributes, producer organization and quality production? And the question of how political advantages actually shape market institutions and thus market outcomes goes largely unanswered. Fligstein argues that markets are social situations that can only come into being when an array of state attributes exist, including property rights, governance structures, currency, rule of law and rules of exchange. I refine and challenge his theory and operationalize the idea of political embeddedness, introducing three

1 The term political embeddedness can be found elsewhere in economic sociological literature, principally in studies of Chinese political economy (Michelson; 2007; Liu and Halliday; 2011; Haveman *et al.*, 2017). In these works, the term consistently bears a greater resemblance to Zukin and DiMaggio's idea of structural embeddedness, or 'the structured social connections that shape economic exchange', than to political embeddedness. This is in part due to the unique relationship between the Chinese state, society and market.

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

variables which support the emergence of institutionalized cooperation and compromise: strong producer groups, the perception of state legitimacy and the idea of a shared or common interest. Divergence on these political variables explains why French producers were able to organize into institutions, I argue, and establish the differentiated market space described by Gereffi and the convention theorists. Thus, the pages that follow seek to systematically link economic sociology with political science and elucidate which political advantages producers rely upon to create and defend quality markets.

I argue that French producers dominate Italian producers at the high end of the market due to their divergent political capacities to resolve market asymmetries and thus construct effective market institutions. Producer mobilization and subsequent bargains shape producer incentives, giving rise to different clustered ideas of quality, manners of production, pricing and quality signals as indicated by convention theorists. In other words, politics creates the foundation upon which market behavior rests. I specify three variables (political incentives) which French producers had but their Italian counterparts did not. Producer politicization refers to the history of producer organization, voting rights and market specialization. State legitimacy includes the perceived legitimacy of the state as a quality guarantor, the perceived autonomy of the state from captured interests and the perceived levels of clientelism. Finally, our cases vary in the producers' ability to unite behind a shared objective. French producers had some history of branding wine with geographic origin and a limited number of quality producers. Under these circumstances, producers were able to unite together behind the idea of *terroir* to create stable markets and exclude challengers. Italy, a quality market challenger with virtually no notion of *terroir*, lacked a strong shared historical idea to unite producers.

These three political attributes enabled French producers to construct effective producer organizational structures, which protected input suppliers and enabled French producers to both define and protect a definition of quality. Italian producers tried to copy the French model, but they were faced with a different set of political attributes. Variation in these three factors provided French producers with organizational and thus market advantages, enabling them to address market failures, create the perception of market differentiation and construct an idea of 'innate' quality which protected their markets. The political regulation evolved to fit the strengths of French producers and the French state, and not the strengths of their Italian counterparts. As a result, the formally identical regulation failed to guarantee quality (information problem) or to shift production incentives (market power) in the Italian case, leaving Italian producers in a more competitive, buyer-driven marketplace.

My findings are the result of extensive personal interviews, and they do not describe a linear recipe to the construction of high value-added markets. Rather, they explore the interplay between producer mobilization, power asymmetries and rules for value, linking political analysis to the sociological discussion. I begin with a brief description of my data and methods, followed by a comparison of the French and Italian wine markets. The third section, and the heart of the article, considers the relationship between politics, organizational outcomes and production strategies in each of my two cases.

3. Data and methods

I obtained the qualitative data for this project through 148 semi-structured interviews, normally ranging between one and two hours in duration. I conducted these interviews with an

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

array of experts, producers and policy makers, across the high and low ends of the French and Italian wine sectors, in a total of 11 wine producing regions. My interview subjects included the following: grape growers; wine merchants; wine promoters; cooperative directors; geographically-based appellation organizers at the local, regional and national levels; wine journalists; wine historians; wine economists and wine lawyers. Topics covered during the course of an interview varied by the professional position of the interview subject, but the principal topics investigated included the following: Local producer group politics, national regulatory legitimacy and politics, notions of quality production, ideas on trust and competition with other producers, and current market challenges. Interviews were transcribed, and results were categorized by topic and analyzed.

In France, I conducted interviews in Champagne, Burgundy, Bordeaux, Languedoc and Paris over three visits totaling 15 months. In Italy, I conducted interviews in Sicily, Tuscany, Piedmont, Puglia, Lazio, the Veneto and Emilia-Romagna. These interviews were also conducted over three visits, this time totaling six months. I triangularized my research via interviews with producers, political organizers and wine lobbyists in both the USA (California and Oregon) and Germany (Rhineland-Palatinate); as well as with actors from luxury manufacturing in France and Italy (producers, professors, and instructors at French and Italian fashion/luxury technical schools; lobbying firms; producer organizations; and lawyers from elite luxury houses). Finally, secondary data was collected through available sources during my stay at INRA (Montpellier, France) and visits to ISMEA (Rome, Italy) while I was a scholar at Collegio Carlo Alberto (University of Turin). In addition to these data sources, I relied heavily on export data collected by the Wine Economics Research Centre at the University of Adelaide.

4. A comparison of the French and Italian wine markets

French and Italian producers continue to dominate wine production in terms of volume and price. In 2014, France led global production with 47 million hectoliters, and Italy came in second with 45 million (OIV, 2015). In 2014, French wine exports totaled €7.7 billion, and Italian wine exports totaled €5 billion (OIV, 2015). However, there is an important distinction between these dominant producers: Italian and French wine has similar per unit prices for both table wines and lightly regulated 'protected geographic indicator' wines, but significant value differences conferred by regulated quality wine. France's *appellation d'origine contrôlée* (AOC) wines average €5.20 per liter (€6.72 if one includes Champagne), whereas Italian *denominazione di origine controllata* (DOC) and *denominazione di origine controllata e garantita* (DOCG) average €3.14 per liter (ANI International/European Commission, 2012).

These Protected Designation of Origin (PDO) wines require that a minimum of 85 percent of grapes come from a given geographic area, impose yield restrictions, and guarantee producer-determined production rules (including allowable grape varieties). France accounts for 35% of European PDO (AOC) wine production and 54% of European sales value, whereas Italy, its closest competitor, produces 20% of PGO (DOC/DOCG) sales volume and 4% of its value. In all, 82% of French wine value is captured by regulated AOC wine producers, while Italy's regulated DOC and DOCG wines capture only 47% of Italy's wine market value (ISMEA, 2008b,p. 219). French AOC production accounts for 58% of annual French wine volume. While there are over 360 DOCs in Italy, many have annual production

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

volumes of zero, as the value gained by the DOC mark is less than the per-bottle fee incurred to apply the DOC sticker (personal interview, Corrado and Odorici, 2010). And DOC production is concentrated: fewer than 100 DOCs account for over 80% of DOC output (Corrado and Odorici, 2009).

Consumption patterns also vary between our two cases. For French consumers, wine origin is the primary determinant of wine purchases (d'Hauteville and Sirieix, 2007). The best-selling wine in each Italian wine region is a local wine (ISMEA, 2008*b*), and the most important factor shaping Italian wine purchasing decisions is 'wine tasted previously' (Casini *et al.*, 2009). Wine guides and celebrity wine makers have an increasingly pivotal role in relaying quality to consumers in the Italian context (Corrado and Odorici, 2009). Thus, consumers in the two countries rely on different indicators to guarantee quality—French producers and consumer rely on a shared geographic brand as conveyed by the AOC label (d'Hauteville and Sirieix, 2007), whereas Italian producers and consumers rely principally on direct experience of brands, 'wines tasted previously' and wine guides (ISMEA, 2008*b*; Casini *et al.*, 2009). The AOC functions as a quality guarantee in the French case, but it fails to function as a quality guarantee for Italian producers.

5. Market failures in the supply chain

Quality markets are predicated on the ability of producers to guarantee the quality of their product. This is true not only at the point of sale, but also for transactions throughout the supply chain. The case of the wine supply chain brings this idea to light. Here, grape growers have knowledge of the quality of their grapes. But wine merchants—who purchase grapes and convert them into wine—struggle to reliably verify the quality of large quantities of grapes. Meanwhile, growers have little incentive to cultivate grapes with high production costs unless they can reliably convey product quality and secure a fair price. If wine merchants are unable to guarantee quality and growers are unable to secure prices for differentiated production, growers may try to augment their earnings by altering their production strategies. For example, they may choose to plant higher yielding, lower quality varieties; to increase grape yields (known to decrease grape quality) and plant too densely; to prune and pick carelessly; or to keep quality grapes for personal consumption and sell the remainder to the merchant. This information asymmetry needs to be resolved to maintain incentives for quality grape production.

While an information asymmetry may benefit growers, wine merchants can possess a *power asymmetry* in the absence of institutionalized cooperation. Often a region will have a very small number of wine merchants and hundreds of growers. The merchant sets the price, and the grower has little choice but to accept that price, even if the price is below production costs. This puts downward price pressure on growers, who may again be forced to skimp on quality. This structure is similar to labor markets where there is abundant and fragmented labor and few firms, and prices and skill for labor remains low. Both informational and power asymmetries undermine quality production. Producers ultimately choose how to address these asymmetries both within the supply chain and at the final point of sale. The mix of political and market-based solutions is not equally available to producers in all contexts, yet how one balances these asymmetries has significant implications for a producer's ability to construct the idea of product differentiation.

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

6. French wine: the politics of value construction

6.1 The political advantages of French wine producers

French wine regulation developed as producers sought to create market barriers to guard against an increasingly competitive market, building upon preexisting political capacities and constructing a specific, protected idea of quality production. In addition to having a small, scattered cadre of quality producers in Bordeaux, Champagne and Burgundy, French producers had political tools which enabled them to expand this brand recognition to protect nearby producers who struggled to compete with lower-priced grapes from Southern France, Algeria and Italy.

The first political advantage 20th-century French producers had over their Italian counterparts was a history of producer politicization, notably a history of producer organization, political rights and a common identity. French producers have a history of politicization and organization dating from the mid- to late 19th century (Loubère, 1978; Simpson, 2011). For example, the *societé des viticulteurs de France* became an important contact between many local wine organizations and the wine group within parliament prior to the creation of protective geographic regulation (Loubère, 1978, p. 354), and growers and merchants had a history of local institutionalized cooperation dating from the late 19th century. Unlike their Italian counterparts, French producers were often landowning peasants with the right to vote and the ability to apply political pressure; and they frequently specialized in grape production, whereas their Italian counterparts tended toward polyculture farming. The role of specialized production meant first that French producers had an identity as a '*vignernon*' (grape grower), and secondly, that when grape prices collapsed, the livelihood of these producers was acutely impacted. Both of these factors increased the likelihood of political action.

Second, regional French producers shared a common interest: protecting the connection between French wine area names and the idea of quality wine. An idea of '*terroir*' existed in French quality wine making: that soil characteristics, weather and certain growing practices led to superior wine production. French wines have dominated the quality market since the 17th century, when European aristocrats exhibited preferences for certain Champagnes, Burgundies and Bordeaux. Though only a handful of producers in these regions made quality wines, table wine producers benefitted from the geographic name recognition generated by quality producers.

A third political advantage of French wine producers is the history of a strong centralized French state and of centralized quality regulation. The state had the bureaucratic capacity to intervene in attempts to influence production outcomes, and in the interwar period, such intervention was commonplace. Further, the French state has played a significant role in regulating quality production dating from the 17th century (Shonfield, 1965, p. 79), constructing centralized, state-backed definitions of quality. Quality was determined by the Sun King, regulated by his finance minister Colbert, and the King's taste would be replicated by his court and through the social hierarchy. Consumers demonstrated their sophistication by converging on the king's definition of quality (Elias, 1978). State strength influenced producers in two ways: first, wine merchants knew that if they did not address the politically powerful growers, the state would intervene, potentially damaging their markets. Secondly, the history of centralized state quality regulation influenced what structures might resonate

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

with producers and consumers as legitimate, as well as how producers conceptualized of how to protect their markets from competitors.

These three factors shaped how producers organized to protect their markets during the economic crisis of the early 20th century. Price fluctuations in the late 19th century increasingly politicized growers and led merchants to seek out new, cheaper grape suppliers and brand these extraterritorial grapes with the names of known French regions. Growers viewed this as 'fraud' and blamed wine merchants for sustained depressed grape prices, leading to recurring grower riots in the first decades of the 20th century. After initially relying on state intervention to repress the riots, Champagne merchants took active steps to achieve political peace with growers to keep the French state at bay and limit their ability to 'destroy' a quality market, as they appeared to be doing through their increased intervention in the Bordeaux market (Kladstrup and Kladstrup, 2010).

Champagne merchants saw a political opportunity: if merchants only bought 'Champagne' grapes from producers within a clearly defined area, growers would follow detailed production instructions, including: allowable grape varieties, yield limits, planting standards and pruning standards, among others. These grapes—and only these grapes—can be used to make Champagne wines, thus guaranteeing that all Champagne grapes adhere to certain quality standards and production limits. Essentially, growers receive access to a type of monopoly over Champagne grape production in exchange for assuring merchants that grapes are of a certain quality level. Thus, *terroir* is constructed of two components: geographic origin and 'know-how'. The first component protects growers (solving the power asymmetry) and the second component protects merchants (solving the information asymmetry). This model was soon adopted by Bordeaux producers, who abandoned their state-led market intervention in favor of the producer-led Champagne model. Other regions soon followed suit.

6.2 The mechanics and consequences of French producer politics

The state-backed regulation codifies production agreements reached by unionized local production actors. The structure works as follows: the grower-merchant council (the interprofessional council) serves as a local regulatory body uniting these actors under a geographic brand. The council splits power equally between growers and merchants. The growers are organized into *syndicats* (unions), and within the *syndicat*, each grower has one vote, regardless of output. Membership in the *syndicat* is mandatory for AOC growers. The elected leaders of the *syndicat* share power and have an equal number of positions as the merchants' union on the council, and the presidency of the council rotates between a grower and a merchant union representative. The principle mission of the council is to promote and protect the shared geographic brand, and to that end, their tasks have included investing in shared research, in advertising and promotion, and in creating and protecting their agreed upon rules of production.

The 1935 producer-led organization represented a sharp break from the *dirigiste* state-led model of economic intervention guiding French table wine production and broader French industrialization organization in the interwar era. The interprofessional council provides a legitimate and institutionalized voice for two formerly adversarial groups to reach agreement on production standards and prices. The council equalizes power between two previously unequal players: traditionally weak, numerous, and interchangeable growers on the one hand and the larger, more powerful merchants on the other. The grower

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

organization was sufficiently effective to provide a meaningful guarantee to French merchants. These structures balance both the informational asymmetry and the power asymmetry. And unlike the structure of French labor unions, where ideological cleavages divide workers' groups and lessen their ability to maintain durable bargains with employer groups, united grower groups provide a sufficient force to effectively cooperate with organized merchants. Indeed, the French interprofessional structure resembles the corporative-associative order described by Streeck and Schmitter in German industry: stable and strategically interdependent interest associations, contracting together to achieve a symmetry in their respective resources, where each association has a monopoly as an intermediary for the group they represent (Streeck and Schmitter, 1985, p. 126).

The interprofessional council structure shifted the balance of political power from wine merchants and toward grape growers within geographically protected areas. And as growers began cooperating with merchants, they ensured that high grape quality and adherence to traditional production became profitable for actors throughout the production chain. For example, Champagne grape growers have a monopoly over Champagne grape production, enabling them to earn an average of €5.50 per kilo. Champagne merchants pay more for their grapes than any other wine merchants. But instead of making Champagne uncompetitive, the quantity of Champagne is severely constricted, allowing producers to price their wines at an average of €21.34 per liter, four times the average price of regulated French wines (ANI International/European Commission, 2012). This protects farmers, but wine merchants are better off as well, as both parties benefit from the restricted supply, the perceived qualitative difference and the subsequent idea of Champagne as a status product. To frame this in Gereffi's terminology, this is a producer-driven market, where value rests with a production input. The differentiated production input is the Champagne grape, due to the concept of *terroir*.

In 1935, a quasi-governmental institution (the *institut national de l'origine et de la qualité* or INAO) and national regulation (the *appellation d'origine contrôlée* or AOC) emerged to support and reinforce these local institutional innovations. These organizations enabled growers and merchants to jointly define 'best production practices' under the state-sanctioned geographic brand; the INAO can accept or reject the producers' definition of quality, but they cannot amend it. By this set of rules, the INAO institutionalized the political dominance of elite producers and their idea that historically dominant producers inherently create superior quality wines. The INAO has, in turn, shaped the definition of quality and the subsequent political objectives of the French Ministry of Agriculture.

To summarize, the quality wine market is an example of strong producer groups enhancing and protecting their market. French producers had specific advantages which they effectively capitalized upon to translate political power into economic power. With a history and belief in terroir and identities as *vingnerons*, growers prioritized a singular identity and singular local unions, preventing the ideological fragmentation that weakened French industrial unions. Wine merchants stepped in to craft a compromise with growers to preempt market intervention by a strong centralized state. Finally, French producers used the state's history as the centralized quality regulator to the producer's advantage, as the state put their national AOC label on bottles of wine which followed the producer-determined quality standards.

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

6.3 Creating quality markets: consequences of AOC regulation

French AOC wine regulation creates distinct groups of winners and losers while codifying and exporting the politically constructed particularities of French notions of quality to the rest of the globe. The principle success of the AOC is not in protecting quality producers who already had a degree of individual brand recognition, but rather in limiting price competition and spreading quality production from a small number of producers in a limited number of regions to the majority of producers in a plurality of French regions. The success of the French wine market is less about the inherent quality of their *terroir* and more the result of effective producer organizations, which limit the ability of growers to reduce quality and costs. *Terroir* may or may not be real, but the idea of *terroir* creates an incentive for producers to work together, to share best practices, and to create a shared brand. France perhaps does not have a superior *terroir* to other New World producers, but they have a stronger idea of *terroir*. Producers in a single geographic area see their fortunes as linked.

While the AOC creates value for protected producers, it tends to reinforce pre-existing status differences between French regions, regions which perhaps vary less in their terroir quality and more in their historical wealth levels. *Terroir* and the broader AOC regulation reflect the assumption that quality is 'God given' rather than something that can be attained through effort and merit (Fourcade, 2012). Yet the producers with the most sought-after *terroir* are the historically wealthy estate holders who were able to afford more expensive production methods (Fourcade, 2012). Conversely, cheap, mass-produced French wine was found in one of the poorest regions of France, Languedoc-Roussillon. Northern and Central France typically produced quality AOC wines for most of the 20th century, and Southern France typically produced table wines. The INAO is composed of 'quality wine experts', which include growers, wine merchants, geologists, lawyers and other professionals. The quality wine experts tend to overrepresent the traditional AOC producers and their interests. The dominance of traditional quality producers in the INAO contributes to the current notion that 'quality' at the INAO is not found in regions which are producing high-quality *terroir* wines; instead 'quality' is less important than 'tradition' (personal interview Bernard Martin, 2011, INAO Narbonne). Implicit here is the idea that producers who historically have produced quality wines possess superior methods as compared to market newcomers; their heritage is evidence of their quality. This definition prevents new and innovative Southern quality producers—such as those in *Cité de Carcasonne*—from securing an AOC certification. This approach defends the rents of those who have already secured AOC certification while more broadly protecting an elite-defined notion of quality. This begs the question as to whether wine regulation codifies class divisions.

More broadly, the model of both AOC production and consumption are oriented toward deep principles of class and exclusion that characterized the *ancien régime*. By placing value in a feature that is impossible for most to perceive—the process of production—French producers created both a restricted market supply and, among consumers, a clear group of 'insiders', differentiated by their refined taste. For taste and knowledge must be slowly acquired and built up, it cannot be bought, and cannot be faked by the nouveau bourgeois. In other words, the AOC was homologous to the French system of class, differentiation and distinction.

Finally, elite French producers have succeeded in institutionalizing the notion of *terroir* at both the European and the international levels. In 2011, the European Union institutionalized the Protected Designation of Origin mark (PDO), modeled on the French AOC

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

system. The French Ministry of Agriculture is profoundly influenced by the wine industry-dominated INAO. They played a pivotal role in fighting for French producer interests and protecting *terroir*-based regulation at the EU level (Smith *et al.*, 2007). The notion of *terroir* was further disseminated at the international level through the French-dominated International Office of Wine and the Vine (OIV). Through these institutions, French producers have successfully institutionalized a French notion of quality, based on *terroir*. Even in the New World, producers and consumers speak of *terroir* and area of geographic origin. This provides a type of 'first mover' advantage to French producers who shape the quality definition for future market competitors.

In sum, French quality producers constructed regulation to stabilize their markets against both competitors and state intervention, creating powerful producer organizations while defining the quality terrain for future market entrants. The French AOC idea was homologous with French ideas of tradition and class. In interprofessional councils, we find 'producer-driven markets' in which grape differentiation and scarcity support market structures where producers create, rather than respond to, demand. French producers had a history of political activity and political organization, a state with some history of centralized quality regulation, and a common idea (of *terroir*) to unite production actors that were previously in conflict. Without these political tools, Italian producers remained comparatively weak, fragmented and disadvantaged; their ability to create the strong institutions and durable compromises that characterize the French wine market was constrained.

7. Italian wine politics

Italian growers are politically fragmented in comparison to their French counterparts (Loubère, 1978), weakening their ability to link wine quality to a shared geographic brand. Instead, quality has been defined principally by individual brands. A fragmented production structure makes it more difficult for producers both to restrict access to the primary inputs of production and to define these inputs as constitutive of quality. As a result, Italian producers find themselves responding more to market signals and in a more active 'conversation' with consumers than their French counterparts. To the Italian producer, the consumer still knows best; to the French producer, regulation should protect quality production from the tastes of unsophisticated consumers (personal interviews: General Manager, Bordeaux, 2009; Wine Merchant, Burgundy, 2011; Wine Producer, Emilia-Romagna, 2010; Wine Journalist, Tuscany, 2009).

7.1 Political circumstances of Italian wine producers

Italian producers found themselves with few institutional tools to develop compromise and collaboration. To begin, Italian producers lacked the political history that propelled their Gallic counterparts to form effective, bottom-up producer organizations. Italian farmers tended to be polycultural farmers without strong identities as 'grape growers' (personal interview Aldo Vacca, 2011). This had two consequences. First, farmers were more protected from market volatilities. Second, they were less likely to see themselves as belonging to a wine 'pressure group'. Additionally, small farmers lacked the right to vote until just before the beginning of World War I, so they had limited means of pressuring the government and limited experience with that pressure once the right to vote was granted (Loubère, 1978, p. 356).

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

Secondly, Italian producers had no common idea of 'terroir'—or another strong unifying idea—to motivate producers to compromise. Additionally, Italian growers had not experienced the dramatic price fluctuations experienced by their French counterparts, and the fluctuation they did experience were tempered by their economic reliance on other crops. This further weakened the incentive for growers to organize as a cohesive interest group. Italian growers did not hold any political power vis-à-vis wine merchants when regulations were implemented because, without an idea of terroir, their grapes were completely substitutable and not in high demand. Italian growers remained politically weak both before and after the implementation of the geographic regulations in 1963, and political and economic power tended to remain with large merchants and, later, distributors. Italian merchants faced neither strongly politicized growers nor a strong state that might intervene on behalf of the growers. Merchants had little pressure to compromise their dominant market position. Further, there was no history of institutionalized cooperation among growers and merchants, as there was in the French case. A negotiated and legitimate institutionalized compromise between two powerful groups was hardly an option in the Italian wine context. Local producer organizations emerged without the parallel construction of a common political identity and without the impetus for negotiated compromise. Instead, local wine politics were characterized by distrust and factionalism.

Notably, Italian quality regulation developed as an attempt to improve wine quality, as opposed to a response to a politicized economic crisis. Italy's Ministry of Agriculture constructed the DOC in 1963, at a time when Italy was rapidly industrializing and most Italians still drank mass-produced wine (Clavel, 2008). The flow of workers from rural farms to northern urban centers expanded rapidly throughout the 1950s and into the 1960s, and the Italian economy lifted people out of poverty at the highest rate in the country's history. During this time, growers and merchants were not experiencing market contraction—if anything, production benefited from market expansion. The need to stabilize fluctuating grape prices—a principal driver behind French grower politicization in the early 20th century—was less relevant to the Italian wine market in the postwar period. Their problem was, rather, chronically low prices: Italian producers needed instead to create value and enhance quality.

Finally, perceptions of the national bureaucracy as a legitimate guarantor of quality differ significantly between these two cases. In Italy, quality was hierarchical and defined by the local courts; but a national conception of quality never emerged. Quality knowledge is deep in Italy, but it is not centralized. It is taught on the local level by the family, is taught by direct experience and is a part of the regional fabric. Additionally, Italian bureaucracy is perceived to lack the autonomy needed to construct and implement regulation to the benefit of Italian society as a whole; specifically, many view the state bureaucratic structure as vulnerable to manipulation by the elite.[2] This perception shaped both producer and consumer behavior.

7.2 The mechanics and consequences of Italian DOC regulation

The AOC had already proven effective in increasing price and quality for French producers, and the Italian Ministry of Agriculture created parallel institutions in an attempt to duplicate

2 For specific accusations of political corruption in quality wine regulation, see http://www.vinoalvino.org.

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

French market successes. For instance, the Italian *comitato nationale della vita del vino* mirrored the public–private French *Institute national de l'origine et de la qualité* (INAO). The *comitato* is composed of technocratic industry experts who are independent of the government yet formally reside under the Ministry of Agriculture. The DOC's *consorzio* was the equivalent of the French interprofessional council, made up of local growers and merchants creating shared production standards. Like France's interprofessional councils, the Italian *consorzio* split voting power evenly between growers and merchants, at least for the DOC's first three decades. The *disciplinario*, meanwhile, is the Italian version of the AOC's *cahier des charges*: a written document describing the attributes of a protected wine (including appellation boundaries, maximum yields and allowable grape varieties). The wine regulation attempted to increase the price and quality of Italian wine by restricting the quantity of protected grapes, codifying production practices, protecting shared geographic names and constructing local producer organizations.

Formally, Italian quality regulation was identical to French quality regulation. In practice, however, these regulatory regimes functioned in radically different manners due to the perceived illegitimacy of the regulation in Italy. French wine regulation was intended to enhance and protect quality wine production, while Italian wine regulation was intended to improve upon existing production practices. The *comitato nationale della vita del vino* liberally granted the DOC as a means of both improving quality by codifying emerging 'best practice' procedures and differentiating 'quality' producers via a government quality mark. As one observer explained: 'We made DOC instructions to improve production practices. The point was to learn how to make good wine .... There were not any quality Italian wines at that time that were at risk of being imitated' (personal interview, Zampi, 2010.). In this sense, the goal of Italy's *Ministero d'agricoltura* was market building, not political stabilization.

Additionally, the historical perception of the state as clientelistic influences the strategies of producers, who may seek to use elite networks to create favorable policy outcomes. At the same time, this perception of national regulation as historically shaped by clientelistic ties undermines the strength of any regulation, even regulation that may theoretically be obtained through legitimate means, or regulation that may protect legitimate wines. Thus, the perception of the state as a clientelistic tool undermines the ability of Italian producers to produce quality wines.

DOC protection was sometimes granted as an electoral quid-pro-quo (you vote for me, I deliver a DOC certification); other times *comitato* members would grant themselves DOC certifications (personal interview, wine journalist Franco Ziliani, 2009). This political nature of the DOC prevented the regulation from delivering effective results. 'When you want to create a new area, you need to allow people to experiment, learn, and find the best quality. Instead, politicians are in a rush to give a value-added to their constituents' (personal interview, Zampi, 2010). Instead, the DOC provided a quality guarantee to many wines that had not yet found their highest quality production practices as a means to secure political patronage (personal interviews: Ziliani, 2009; wine industry expert 2009; Italian enologist, 2010; Zampi, 2010). This harms the evolution of the sector in three ways. First, it may slow down the process of innovation (at least among some producers). Second, it may stigmatize the shared local geographic brand if the region is associated with a low-quality wine. Third, the protection of lower-quality wines weakens the value of other DOC certifications, as the government mark no longer signifies an effective quality guarantee.

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

Thus, the production practices protected by the nascent DOC were frequently subpar and sometimes actually damaged the wine (personal interviews, Zampi, 2010; Vacca, 2011); producers could make better quality wines by leaving the appellation. The 'SuperTuscan' phenomenon in the 1970s is an extreme example of this: a few producers believed the local Chianti DOC regulations could be improved upon by dramatically changing some of the production rules. One production rule required all Chianti producers to add white wine grapes to Chianti, which SuperTuscan producers perceived as a regulatory requirement rooted in political favors rather than quality concerns (interview at Antinori, 2009). The new SuperTuscan wines not only garnered Italian wine producers international recognition and 'luxury' prices, the label also meant that the most expensive were in the 'lowly' table wine category. In this case and in others, consumers found higher-priced, higher quality wines outside of the DOC regulation. These developments weakened the legitimacy of the DOC mark and encouraged alternative judgment devices to emerge; by the early 1980s, wine guides were prominent in the Italian quality market (Corrado and Odorici, 2004). One quality winemaker and political leader in Emilia-Romagna, summarizing the market influence of the DOC, said: 'Regulation is less important than wine experts. People don't trust the government mark.' Here, either political linkages or the perception of them have the same effect: undermining the producer-state feedback loop and undermining the trust between market insiders and outsiders. This then weakens the 'fit' of the policy, the level of consumer trust in the appellation mark and the producers' ability to create a 'constructed comparative advantage'.

The initial Italian DOC regulation failed to support quality wine production, and in 1992 the structure of the local *consorzio* was amended to reflect the market preferences of larger, successful producers, the same producers who reportedly have ties with the national *comitato* (personal interviews, Italian wine journalist 2010; assistant to *comitato* member 2011).[3] The local *consorzio* structure changed from the initial French style (with an even division of power between growers and merchants) to a new model where voting power is proportional to production output, regardless of supply chain position. In other words, it is irrelevant if someone is a grower, a merchant, or both. Votes are weighed by production volume—which favors large producers. This change was made to encourage Italian producers to adapt a 'market mentality', but the consequence of this procedural shift is a further division between small producers (who try to compete on a differentiated product) and large producers (who produce on economies of scale). Instead of increasing the political power of small growers, the voting structure just reflects power asymmetries from the marketplace: Grower power remains weak, and the ability to define brand and value is located within large firms who have the ability to transform the grape. Producer institutions, then, reflect and institutionalize power discrepancies between producers.

3 The DOCG was also introduced in 1992. The label was initially granted to wines which had already obtained some international brand recognition; thus, wines in this category have earned higher average prices than DOC wines. However, even within the DOCG, accusations of political corruption abound (Personal Interview Ziliani, 2009), and only three DOCGs dominate the market.

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

7.3 Creating Italian wine markets: the consequences of producer politics and DOC regulation

Weak grower protection is associated with buyer-driven supply chains and increased market competition. Specifically, large producers and merchants buy the majority of their grapes from growers; thus, they have the objective not to make grapes scarce and expensive, but to minimize the cost of the grapes they buy. And over the past few decades, one can observe an emphasis on market expansion in some quality Italian wine regions, undermining the quantity constraints the luxury market relies upon. This may explain why the number of bottles of Montalcino increased by nearly 50% in the eight years from 1998 to 2006 (Corrado and Odorici, 2009, p. 9). Some of this increase is due to the city's expanding geographic limits, which today make Montalcino the third-largest Italian city (as measured by surface area). The interests of large producers trumped the interests of small producers and growers. While some voluntaristic producer organizations emerged over the past few decades, they failed to provide a reliable solution to the aforementioned market asymmetries. Rather, they reflected divisions among producers. As a result, grape prices remained low, and grapes remained of variable quality.

Today, large branded firms dominate the Italian wine sector[4] (ISMEA, 2008*b*; Stasi *et al.*, 2010). Given that larger Italian wineries are not vertically integrated, these concentrated firms could theoretically exercise monopsony when setting grape prices for farmers (ISMEA, 2008*b*; Stasi *et al.*, 2010, p. 2). Without mechanisms of coordination, the balance of power within the wine market remains heavily skewed in favor of large firms. This market structure increases the downward price pressure on Italian growers, causing producers to seek cost-minimization strategies, which are not compatible with quality production. These two variables—large branded firms and downward price pressure on growers—would be expected to contribute to the relatively stronger reliance on technology in wine-making, due to the ability of technology to construct a more standardized brand taste and to cover grape flaws.

The technological reliance in wine-making is thus the result of persistent information asymmetries, and it reflects a shift away from an emphasis on unique grape qualities and *terroir*. A low-cost input and reliance on quality-enhancing technology may provide a short-run market advantage to some large firms, but overall it inhibits quality producers from attaining product attributes associated with singularity, uniqueness and higher prices. *The Zinquisition* summarizes the differences between these styles as follows: '*Terroir*-driven wines are often associated with wines of a 'natural' style ... with limited human intervention. Style-driven wines are wines where a winemaker strives to create a wine of a certain style .... These wines are also thought by critics to reveal less of their *terroir* as those subtleties are masked by (human) intervention' (cited in Corrado and Odorici, 2009, p. 115). Finally, technology also becomes important when brand 'consistency' drives product strategy.

Producer politics, subsequent differences in supply chain dynamics, and resulting definitions of quality shape the extent to which a product distinguishes itself from similar competitors. French producer politics supports a supply chain structure that protects differentiated

4 In all, 32% of Italy's national wine market share is held by only nine firms, of which eight face elastic demand curves. The next 37% of market share is held by 684 firms, with Italy's 72 000 other wineries divvying up the remaining 31% of market share.

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

Table 1. A comparison of wine market structures

	French Quality Market (AOC)	Italian Quality Market (DOC)
Nature of competition	Quality	Hybrid: Price/quality intersection.
Who sets standards	Wine industry	Market
Dominant judgment devices	Appellation	Direct knowledge
Patterns of producer organization	Corporatist-associational	Autarchic-associational
Producer or buyer driven	Producer driven	Buyer driven

production inputs. While this inhibits producer flexibility, French producers are perceived to be above the concerns of market demand, as the *terroir* principle protects 'tradition' from market trends and explicitly inhibits market adaptation. On the other hand, weaker Italian producer organizations and less effective state regulation inhibit the protection of primary supply chain inputs, increasing producer flexibility but causing producers to find themselves in a more competitive, less differentiated market space. Italian producers are left to follow demand rather than to defend it, not due to any inherent quality fault of Italian producers, but due to variation in producer politics and subsequent market structures. These market observations provide insight into the role of politics, organization and the distribution of market power in constructing comparative advantages in high value-added markets (Table 1).

8. Conclusions

This article set out to demonstrate that their market dominance is a matter not of inherent French *terroir* superiority, but rather of a superior method of political organization, specifically, how producers solve the problem of supply chain asymmetries. By constructing robust institutions that redistributed market power further up the supply chain, French producers constructed a product that was perceived to be qualitatively different: wine with unique *terroir*, or the traditional best expression of a delimited geographic area. Italian wine regulation, conversely, followed the successful French example, but without the political attributes which enabled their French counterparts to create strong institutions. Addressing supply chain failures though representative political institutions ultimately yielded superior outcomes as compared to relying primarily on the price mechanism to coordinate transactions.

The lack of Italian political cohesion meant that market power structures remained relatively unaltered. Powerful actors had dominated the market, and this power structure remained intact, although the formal French regulatory mechanism was used as a model. Without cohesive producer groups, the mechanism could not redistribute power. Italian wine regulation failed because Italian grape growers were too weak, due their historical political and economic context. Italian wine politics, then, resembles 20th century Italian industrial organization, which is also characterized by weak and fragmented labor unions, as well as the elite–insider linkages which characterized postwar Italian politics.

At the heart of political organization, we find weak and atomized individuals who aggregate their power to challenge concentrated power. Conversely, core liberal market tenets rest upon the uncoordinated activity of rational actors, guided by the invisible hand of

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

self-interest. Wine politics show us that within market economies, we find the same political movements we see in the political arena. Markets, like politics, consist of institutions that differentially embed, codify and distribute power. In the case of France, small, individually weak wine producers became powerful in the aggregate; united French growers came together to force a deal with the economically powerful wine merchants. In contrast, small, Italian producers failed to cooperate systematically and aggregate their power. Stronger political organization enabled the construction of an institutional comparative advantage, higher prices and greater demand inelasticity for regulated French *terroir* wines.

Economic sociologists claim markets are socially embedded. Markets, though, are also politically embedded, reflecting the ability or failure of actors to come together to address collective market failures. To separate economics from the social or political context is to have a dangerously limited view of market functionality and to relegate oneself to a buyer-driven market (i.e. mass market). Some market actors may see the maintenance of individual political and economic power to be in their self-interest, and they may see the continued weakness and fragmentation of other supply chain actors as a positive market attribute, as the powerful producers can push down prices for their suppliers and theoretically approach Pareto efficiency. This is one market structure, but it is a market which primarily competes on price and thus ultimately has a less stable market advantage. State regulation is perceived here to be an impediment to responding to the markets. My analysis indicates that regulation that reflects the political compromise and power sharing among supply chain actors could lead to differentiated quality production structures. This possibility, however, is not equally accessible across economic and political contexts.

Luxury markets create much of their value through intangible characteristics, something my interview subjects often describe as the 'dream' associated with product. This dream is constructed in a myriad of ways, including controlled distribution, the idea of tradition and heritage, and product scarcity. However, there are intangible assets which help quality producers construct this idea of product differentiation. The present analysis diverges from past studies by concretely linking a new set of intangible variables—summarized as 'producer politics'—and links them concretely to different market structures. In other words, I demonstrate how the intangible begets the intangible. This analysis raises the notion that whether or not *terroir* is real, the belief in *terroir* assists French producers because the shared belief influences how producers organize and, ultimately, how they produce. Politics matters for quality producers—this is an oft-repeated refrain from political economists. But beyond that, we find that strong institutions provide a critical market advantages for quality producers, as they support the supply chain dynamics and state-producer relationships which give rise to stable, high value-added production. These strong institutions and the social norms they engender create the foundation for long-term market stability.

Acknowledgements

The Max Planck Institute for the Study of Societies provided a wonderful environment to produce both the initial and final iteration of this article. The University of New Hampshire, the Center of European Studies, and the Max-Po Institute each provided dynamic and supportive environments as I developed this article. I received helpful comments and suggestions from Carolyn Biltoft, Jens Beckert, Inga Rademacher and Madhavi Devasher. Review comments from Jörg Rössel, Marion

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

Fourcade, Nina Bandelj and two anonymous reviewers also proved extremely useful. The usual disclaimers apply.

References

Akerlof, G. (1970) 'The Market for "Lemons": Quality Uncertainty and the Market Mechanism'. In, *The Quarterly Journal of Economics*, **84**, 488–500.

Beckert, J., Rössel J. and Schenk, P. (2014) *Wine as a Cultural Product: Symbolic Capital and Price Formation in the Wine Field*. MPIFG Discussion Paper, 14/2.

Boltanski, L. and Thévenot, L. (2006) *On Justification: Economies of Worth*, Princeton, Princeton University Press.

Bourdieu, P. (1984) *Distinction*, London, Routledge.

Casini, L., Corsi, A. M. and Goodman, S. (2009) 'Consumer Preferences of Wine in Italy Applying Best-Worst Scaling', *International Journal of Wine Business Research*, **21**, 64–78.

Clavel, J. (2008) *Mondialisation Des Vins*, Bordeaux, Editions Féret.

Corrado, R. and Odorici, V. (2004) 'Between Supply and Demand: Intermediaries, Social Networks and the Construction of Quality in the Italian Wine Industry', *Journal of Management and Governance*, **8**, 149–171.

Corrado, R. and Odorici, V. (2009) 'Winemakers and Wineries in the Evolution of the Italian Wine Industry: 1997-2006', *Journal of Wine Research*, **20**, 111–124.

d'Hauteville, F. and Sirieix, L. (2007) 'Comprendre le comsommateur de vin en 2005'. In Couderc Jean-Pierre, Hannin Hervé, d'Hauteville François and Montaigne Etienne (eds) *Bacchus 2008: Enjeux, Stratégies Et Pratiques Dans La Filière Viti-Vinicole*, Paris, Dunod.

Haveman, H., Jia, N., Shi, J., and Wang, Y. (2017) 'The Dynamics of Political Embeddedness in China', *Administrative Science Quarterly*, **62**, 67–104.

Diaz-Bone, R. (2009) '*Qualitätskonvention als Diskursordnungen in Märkten*'. In *Diskurs Und Ökonomie: Diskursanalytische Perspektiven Auf Märkte Und Organisationen*, Weisbaden, Springer VS Verlag für Sozialwissenschaften.

Elias, N. (1978) *The Civilizing Process*, New York, Urizen.

Eymard-Duvernay, François (ed). (2007) *L'économie Des Conventions. Méthodes Et Résultats*, Paris, La Découverte.

Fligstein, N. (1996) 'Markets as Politics: A Political-Cultural Approach to Market Institutions', *American Sociological Review*, **61**, 656–673.

Fligstein, N. (2002) *The Architecture of Markets: An Economic Sociology of Twenty-First-Century Capitalist Societies*, Princeton, Princeton University Press.

Fourcade, M. (2012) 'The Vile and the Noble: between Natural and Social Classifications in the French Wine World', *The Sociological Quarterly*, **53**, 524–545.

Gereffi, G. (1999) 'A Commodity Chains Framework for Analyzing Global Industries', *Institute of Development Studies*, **8**, 1–9.

Istituto di Servizi per il Mercato Agricolo Alimentare (ISMEA) (2008a) *Filiera Vino, Volume II*, Rome.

Istituto di Servizi per il Mercato Agricolo Alimentare (ISMEA) (2008b) *Vino Da Tavola: Report Economico Finanziario*, Rome.

Karpik, L. (2010): *Valuing the Unique: The Economics of Singularities*, Princeton, Princeton University Press.

Kladstrup, D. and Kladstrup, P. (2010) *Champagne: How the World's Most Glamorous Wine Triumphed over War and Hard Times*, New York, Harper Collins.

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020

Liu, S., and Halliday, T. C. (2011) 'Political Liberalism and Political Embeddedness: Understanding Politics in the Work of Chinese Criminal Defense Lawyers', *Law & Society Review*, **45**, 831–866.

Loubère, L. A. (1978) *The Red and the White: A History of Wine in France and Italy in the Nineteenth Century*, Albany, SUNY Press.

Michelson, E. (2007) 'Lawyers, Political Embeddedness, and Institutional Continuity in China'sTransition from Socialism', *American Journal of Sociology*, **113**, 352–414.

OIV (International Organization of Vine and Wine) (2015) OIV report on the world vitivinicultural situation, accessed at http://www.oiv.int/oiv/info/en-Bilan_OIV_Mainz_2015.

Rössel, J. and Beckert, J. (2012) *Quality Classification in Competition: Price Formation in the German Wine Market*, MPIfG discussion Paper, 12/3.

Simpson, J. (2011) *Creating Wine: The Emergence of a World Industry, 1840-1914*, Princeton, Princeton University Press.

Smith, A., de Maillard, J. and Costa, O. (2007) *Vin Et Politique: Bordeaux, La France, La Mondialisation*, Paris, Presses de Sciences Po.

Stasi, A., Seccia, A. and Nardone, G. (2010) 'Market Power and Price Competition in the Italian Wine Market', *Enometrica*, **10**, 35–46.

Streeck, W., and Schmitter, P. (1985) 'Community, Market, State—and Associations? The Prospective Contribution of Interest Governance to Social Order', *European Social Review*, **1**, 119–138.

White, H. (2002) *Markets from Networks*, Princeton, Princeton University.

Zhao, W. (2005) 'Understanding Classifications: Empirical Evidence from the American and French Wine Industries', *Poetics*, **33**, 179–200.

Zukin, S. and DiMaggio, P. (eds) (1990) *Structures of Capital: The Social Organization of the Economy*, Cambridge, Cambridge University Press.

Downloaded from https://academic.oup.com/ser/article-abstract/16/3/479/4781587 by MPI Study of Societies user on 20 January 2020