Course Purpose and Objectives: The purpose of this course is to provide knowledge, skill and practice in applying economic concepts to the newly emerging field of wine economics. The course will provide students with both a theoretical grounding in wine economics as well as practical hands-on and interactive experience in the discipline. Understanding the depth and breadth of wine economics will be acquired through readings, classroom discussions, data analysis, visits to wineries and the completion of individual projects. At the completion of this course, students will have a detailed understanding of wine economics' literature, theoretical foundations, applied methodologies and data. The study of the reach of wine economics as shown by this syllabus will provide an opportunity for students to reinforce knowledge of microeconomics, macroeconomics, international economics, investments and econometrics. In addition, students will understand how the principles and techniques demonstrated through the study of wine economics may be applied across a wide spectrum of economic analyses in academic, business and policy environments. Assessment of student outcomes in this course is explained in detail in the Course Expectations and Policies section at the end of this syllabus.

Course Process: This syllabus presents materials that will be covered in this class. The topics listed below will be covered over various lengths of time; they are not weighted equally. Some topics will involve weeks of effort, while others will entail less time. In addition, many topics will recur throughout the semester and as needs arise. At times, topics and readings shown in this syllabus may be taught in a different sequence, new topics or readings added, and others adjusted. Please be prepared to be flexible as this class evolves.

Readings: The readings listed under each topic are shown in the approximate order of discussion, and are also included in the more detailed bibliography at the end of this syllabus. Most readings are available from journals, specific online websites and through the JHU library system. Several assigned readings are selected chapters from books that are widely available. These readings may be modified as the semester and the class progresses.

The following resources will be referenced in some detail during this course and purchase is advised:

MacNeil, K. (2001). The Wine Bible. New York: Workman. This is the "go to" reference for all background information about wine, wine production, wine regions, wine types and wine culture. You will refer to this book often.


Films: Two films will be viewed this semester, with an additional film recommended. These films will be noted and concepts recalled at opportune times during this course. The films to view are:


Recommended films:

*SOMM* (2013). This documentary looks at a group of young wine professionals studying to pass the Master Sommelier exam. Provides good background on the wine world, types of wines, and what to focus on when tasting wine. A brief excerpt of this film will be shown in class. Accompanying exam tasting grid and standards can be found at [http://www.mastersommeliers.org/Pages.aspx/Resources](http://www.mastersommeliers.org/Pages.aspx/Resources).

*Red Obsession* (2013). A documentary about the role of China’s new wealth and its impact on the market for fine wines, in particular classified Bordeaux wines. The film also provides a good overview of the Bordeaux market.

*A Good Year* (2006). A romantic comedy that gives a perspective on wine culture and certain AOC laws in France. Also has a good underlying story about “irregularities” in the financial trading markets.

Why not *Sideways* (2004)? *Sideways* is a movie about two guys on a wine trip to California’s central coast as sort of a ribald bachelor party trip. It helped popularize Pinot Noir and diminish Merlot a bit. An interesting film if you wish to view it; source of “The Sideways Effect” noted in some wine economics research.

### A Short Guide to Wine Economics as Applied Economics

When reading the assigned substantive wine economics articles and papers shown below, you might want to make note of the following themes to assist in assessing the economics applied in each:

- What are the important conclusions or findings of this paper? Put the bottom line at the top.

- What general economic concepts, theories or laws are discussed in this paper?

- What are the broad methods or techniques used by the author(s) in their analysis? Why did they choose these methods?

- What data were used to test the ideas in this paper?

- What did you learn specifically about wine, economics and wine economics from this paper?

- To what other issues in the current national and/or world economy can the ideas, approach and methodology used in this paper be applied?
Course Outline

I. Overview of Wine, Economics, and Wine Economics
   A. Introduction to Wine and Wine Economics
   B. Basic Economic Concepts
   C. Overview of the World Wine Market
   D. Wine Ratings and Classification Systems

Readings:


II. Demand for Wine and Equilibrium in the Market (Demand, Part 1)
   A. Overview of Demand and Supply
   B. Consumer Surplus
   C. How Auctions Work
   D. Wine Prices, Quality and Demand
   E. Futures Pricing and En Premier Prices
   F. How Wine is Sold

Readings:


Ill. Introduction to Wine Data and Research
   A. Summary of Sources for Wine Data
      1. Private and proprietary data
      2. U. S. government data and data sources
      3. International data and data sources
   B. Potential Areas of Wine Research

Readings:


IV. Additional Topics in the Price and Demand for Wine (Demand, Part 2)
   A. Elasticities of Demand for Wine
   B. The Role of Critics on Wine Prices
   C. Wine and Weather Derivatives
   D. Demographics and the Demand for Wine

Readings:


V. Wine Production and Supply
   A. How Wine is Made
   B. Introduction to Terrior
   C. A.O.C., D.O.C., AVA and Other Appellation Systems and The New EU Designations
   D. The Production Function
   E. Technology and the Economics of Old World vs. New World Production Techniques
   F. Sustainable, Biodynamic, Environmental Issues
   G. Profit Maximization
Readings:


VI. Wine in the History of Economic Thought
   A. Brief History of Wine
   B. Greek and Roman Agriculture and Wine Economics
   C. Mercantilism
   D. Classical Economics and Wine: Smith, Ricardo and Others
   E. Neo-Classical and Modern Economics and Wine
   F. Cultural Aspects of Wine

Readings:


VII. International Economics, Finance and Wine
   A. Introduction to the Economics of International Trade and Finance
   B. International vs. Domestic Wine Markets and GDP
   C. Tariffs, Quotas and Barriers to Wine Trade
   D. Foreign Exchange Rates and Their Impact on Wine Trade
   E. Wine as a Basis for Economic Development

Readings:

(Read pp. 4-23; skim remainder)


**VIII. Public Policy and the Economics of Wine**

A. The Legacy of Prohibition
B. State Laws and the Three-tier Distribution System
C. E-Commerce, Direct Shipping, the Supreme Court and H.R. 1161
D. Wine and Tax Policy
E. Other Issues in Wine Economics Public Policy

Readings:


**IX. Wine as an Investment Good**

A. Wine Price Indexes and Exchanges
B. Wine Mutual Funds
C. Rates of Return to Investing In Wine

Readings:


**X. Wine in the 50 States, Cost-Benefit Analysis and Wine’s Contribution to State Economies**

A. United States Wine Data
B. Cost Estimation and Establishing a Wine Business
C. Wine’s Impact on the Macroeconomics of States: Cases for Virginia and Maryland
D. Wine Tourism


**XI. Human Capital Aspects of Wine**

A. Overview of Human Capital Theory
B. The Health and Human Capital Aspects of Wine and Rates of Return
C. Wine and the Environment

**Readings**


IIII. Additional Topics in Wine Economics (as time permits)
   A. Market Segmentation
   B. Economics of Wine Competitions

Readings:


XIII. Student Presentations
   A. Presentations and Discussions

XIV. Winery Visit/s (Preliminary program)
   A. Saturday, July 26th: Maryland Wineries
      Black Ankle Vineyards, Mt. Airy
      Linganore Winery, Mt. Airy
   B. Saturday, August 16th: Virginia Wineries
      Breaux Vineyards, Purcellville

These will be guided discussions with the principals of these vineyards, including the winemakers and proprietors as available. Tours and tastings are included as well. Details will be distributed prior to visits.

Reading:

Course Expectations and Policies:

1. Assignments and Participation: This course will incorporate both traditional lecture components and hands-on experiences. Readings and other assignments required for the next class will be posted in each class, as well as summarized more broadly on the course syllabus. Please keep up with these readings and assignments: readings should be completed prior to the class in which they will be discussed. Doing so will ensure that you gain the most from the class.

Readings will be from assigned books, papers or book chapters. Many of these sources will be posted online or readily available online through the JHU library system.

In addition, the expectation is that you will participate in the classroom and in winery visits. 10 percent of your grade will be reserved for my evaluation of your effort and participation.

2. Short Written “Wine Economic Brief” and Presentation Requirements: This course will require the completion of a short research assignment and presentation. Understanding that time is limited during the summer session, this course component will be similar to a briefing you would do on the job and will be short and focused. Topics and timelines will be discussed during the first week of class.

Each Wine Economic Brief paper will concern a unique aspect of wine economics. It is expected that the paper will be approximately 5 or so pages in length with appropriate academic sources and references. This course component will include handing in a separate outline, which will be returned with comments, and your finished paper. Your brief presentation of your approach and findings from the Wine Economic Brief will begin during the final classes of the semester; each presentation is expected to be approximately 15 minutes long including time for questions and discussion, and should include a PowerPoint or other summary display.

Outline due: At start of class number 5.

Final Wine Economic Brief paper due: All papers due prior to the first presentation (likely during class 12; classes 12 and 13 will be presentations and class 14 is a winery visit).

Presentations: Classes 12 and 13.

Your outline and paper will be worth 40 percent of your grade. The presentation will be worth 10 percent of your grade. Additional details, a list of potential topics, and a rubric on expectations for this paper will be distributed in class.

3. Quizzes: There will be approximately 4 or 5 quizzes during the semester. Each quiz will focus on material that has been discussed in previous classes, as well as general questions on assigned readings that may or may not have been discussed in class. These readings may include those that have been assigned but are scheduled to be discussed subsequent to the quiz. These quizzes will be worth a total of 40 percent of your grade.

If you miss a quiz, the next quiz you take will be worth twice as much, so you must quickly make up any missed work. If you miss 2 consecutive quizzes, then the quiz next you take will be worth 3 times as much, and so on.
4. **Grading:** To summarize, your grade will be based on the following:

- Research paper and outline: 40 percent
- Presentation: 10 percent
- Quizzes: 40 percent
- Participation: 10 percent

5. **Winery Visits:** The hope is that this course will include visits to three local area wineries on two scheduled Saturday classes. Please ensure you participate in these visits.

6. **Office:** I will be available prior to class and by appointment. My email address is [schaikind@jhu.edu](mailto:schaikind@jhu.edu).
Selected Bibliography for Wine Economics


Chaikind, S. (February 26, 2014). *Sources for Wine Economics Data*. Monograph.


MKF Research. (June, 2007). *Assessment of the Profitability of Virginia Wineries.* Presented to the Secretary of Agriculture and Forestry of Virginia.


