

ECONOMICS, LABOR & BUSINESS

Chinese Chardonnay?

THE SOURCE: "Market Focus: Wine Wars" by Philip Martin, in *The Milken Institute Review*, Fourth Quarter, 2007.

OVER THE PAST TWO DECADES, one industry after another has abandoned the West for the world's developing countries. Now, a product that predates the Bible looks vulnerable to the same siren call. Wine, writes Philip Martin, an agricultural economist at the University of California, Davis, is one more commodity that technology and marketing ability can make into a profitable industry on almost any improbable hillside where fruit will grow.

Europe is swimming in surplus wine, he writes, as consumption decreases and upstart countries compete. The European Union, which spends \$1.6 billion annually to subsidize its wine-grape growers, is proposing to pay growers to remove 500,000 acres from production, and cheap table wine is regularly distilled into industrial alcohol. Europe both produces and drinks the bulk of the world's annual 6.5 billion gallon output, but its industry is under siege. While the average adult in France, Italy, and Spain consumes 22 gallons each year of what is at bottom fermented grape juice, younger Europeans are increasingly

choosing other alcoholic beverages and even imported "New World" vintages.

European wines are quite different from the wines of America and other new producing countries. They are made under heavily regulated conditions that haven't changed much in generations. Most growers are small,

The United States now produces 10 percent of the world's wine, Argentina five percent, and South Africa, Australia, and Chile, three percent each. Will we see Chinese wine next?

and many wines are made by cooperatives that crush several varieties of regionally grown grapes and market the result under their area's name. Vines are generally not allowed to be irrigated, and unusual weather conditions can wreak havoc with the fruit, so a wine's taste can veer from premium to plonk in a year's time. European wines are less alcoholic than those of the New World—an alcohol content of 11 to 12 percent is common, in contrast to the 13 to 14 percent typically found among the European product's competitors. And wines

are often aged in old wooden casks, producing a taste that some new wine consumers reject as not "fresh."

New World vintners make heavy use of technology. They use mechanical pruning and harvesting techniques and make their own decisions about irrigation. Their wines are often made from a single variety of grape, rather than a mixture. And New World producers are willing to try novel techniques to achieve a consistent taste. Such innovations have vaulted once parvenu producers into the top ranks: The United States now produces 10 percent of the world's wine; Argentina, five percent; and South Africa, Australia, and Chile, three percent each.

Wine, Martin writes, offers a "glimpse of the global economy's future." And it's "not a bad vision for what Americans seem to do best—innovate, market, distribute." But such skills are hardly an American monopoly. In the future, if he's right, "red Chinese" could have a whole new meaning.

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Stay Inside the Box

THE SOURCE: "Breakthrough Thinking From Inside the Box" by Kevin P. Coyne, Patricia Gorman Clifford, and Renée Dye, in *Harvard Business Review*, Dec. 2007.

YOU'RE IN A BIG BRAINSTORMING meeting. The CEO is in charge, so you don't intend to say a word. A few loudmouths are

Management strategists now suggest it may be better to think *inside* the box.

expounding their pet ideas. Think outside the box, the boss says. No idea is too wild. Be bold. You can predict the outcome of the session: nothing.

Now, three management specialists have finally seen the light. Think *inside* the box, say Kevin P. Coyne, Patricia Gorman Clifford, and Renée Dye, all veterans of McKinsey and Company. The trick is constructing the box.

Most professionals are quite capable of thinking effectively within constraints. They are used to it, and automatically explore alternatives. Most people are not very good at unstructured, abstract brainstorming. The key to productive corporate sessions lies in posing smart, concrete questions.

Modern psychologists have learned a lot about how people work best in groups, according to Coyne, who left McKinsey to form a partnership in his own name. Most people won't volunteer a word in gatherings larger than 10, but in groups of four everyone feels obliged to participate. Pushy people can be bundled into the same groups so they cancel each other out. Cheap parlor games work: "We once had the top six executives of a \$100 billion company working full tilt because each had bet \$20 that his team

could come up with the best idea," the authors write.

Good questions—the territory *inside* the proverbial box—establish boundaries for ideas: Is the company looking for risky big ideas or more modest sure things? How much money can be spent? What staffing is available? Then management can narrow down the resulting ideas and follow up immediately.

The think-inside-the-box approach may take time to bear fruit, the authors write. But when those who have suffered silently through outside-the-box sessions open up, a company will get the benefit of more intellectual expertise than in the past, and, just possibly, more thoughtful firepower too.

ECONOMICS, LABOR & BUSINESS

The False Promise of Recycling

THE SOURCE: "Curbside Recycling in the Presence of Alternatives" by Timothy K. M. Beatty, Peter Berck, and Jay P. Shimshack, in *Economic Inquiry*, Oct. 2007.

THE THREATENED CATAclysm of global warming has eclipsed the environmental battles over bottle deposits and recycling that once engaged city and state governments. But three economists who have studied the effects of curbside recycling in California have found surprising results: Cities that launch expensive programs to pick up bottles and cans at the curb—rather than ask residents to drop them off at recycling centers—get little extra for

their money.

Americans produce 375 million tons of municipal solid waste every year, about 1.3 tons for every man, woman, and child. Between 25 and 30 percent of it is recycled, and municipal programs to collect bottles and cans at the curb now cover about half of the U.S. population, according to Timothy K. M. Beatty of the University of British Columbia, Peter Berck of the University of California, Berkeley, and Jay P. Shimshack of Tufts University.

Most of the research on curbside recycling has merely toted up the amount collected by the trucks plying the neighborhoods. The authors examined all recycling (not including newspapers) in 44 California counties over six years, comparing costs and benefits. They found that expanding curbside programs had a positive effect on recycling overall, but it was very small. Recycling of aluminum and glass containers remained about the same, but residents recycled more plastic containers under the curbside programs. What apparently happened was that some of the same faithful recyclers who had taken their beverage containers to the neighborhood centers and received rebates now rolled them out to the curb, but few new recruits joined them.

Beatty and colleagues did find that the richer the neighborhood, the more likely the residents were to forgo the redemption payments, especially for glass, and put items out on the curb. But,