Harvey S. James, *The Ethics and Economics of Agrifood Competition* S.James Harvey, Jr. (ed.), 2013, *The Ethics and Economics of Agrifood Competition*, Volume 20 of the International Library of Environmental, Agricultural and Food Ethics, Dordrecht, Springer.

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The Ethics and Economics of Agrifood Competition is a compilation of thirteen essays on the competitive (and oftentimes not-so-competitive) nature of the world's agrifood complexes. Editor Harvey S. James, Jr. provides an introduction in chapter 1, after which appear six essays on conceptualizing agrifood competition, then six on assessing agrifood competition. The book as a whole takes on the challenge of bringing together scholars from several nations and various disciplines to discuss the causes and effects of the current state of competition in the agrifood complex. The authors are sociologists, economists, political economists, ethicists, theologians, business and management scholars, community sustainability scholars and philosophers. Possible benefits of gathering such a wide array of research and commentary are that it might enable a broad enough discussion to ensure that no salient points are ignored, and it might enlighten readers from any one discipline with insights from others. But risks accompany such a broad focus as well; it takes years of training to become a competent scholar in any of the disciplines above, and it is a reasonable question whether interdisciplinary discussion that includes any sort of technical analysis can be fruitful, especially when about politically contentious issues. In its best chapters, *The Ethics and Economics of Agrifood Competition* displayed the benefits of a broad discussion. But the chapters were of mixed quality, with a few based more on ideology than investigation. On a whole, the book makes a useful contribution to the literature.

Part 1. Conceptualizing Agrifood Competition

Paul B. Thompson is the author of the book's Chapter 2, "Conceptualizing Fairness in the Context of Competition: Philosophical Sources." The chapter offered an insightful reminder that the historical philosophical bases of economics were far from ethics-free at their origins.

The principal aim of Thompson's chapter is to review the various criteria that have been used to define "fairness," and whether or how some of these criteria might allow for a "more dispassionate and measured use of ethical ideas in the discussion of competitive conditions in the agrifood industry" (p. 24). Thompson covers basic elements of Hobbes's and Locke's social contract theory. He explains that Hobbes considered a political relationship between two individuals to be ethically legitimate if it reflects agreements that they would have made with each other absent coercion and violence. He explains that Hobbes and Locke largely considered competition to lead to social harm, and stressed the necessity of cooperative behaviour and "equal trade" among individuals. Thompson summarizes how Adam Smith's largely favourable view of competition radically affected later economic thinking. Thompson makes it clear that, unlike in some popular portrayals of Smith's philosophy, Smith did not believe that "greed is good." Thompson provides a brief overview of utilitarian theory, which advocates the creation of the "greatest good for the greatest number," but ignores issues of income inequality. He also discusses Rawls's two principles, the Principle of Liberty and the Difference Principle. I found the discussion and of Rawls's "veil of ignorance" argument to be especially enlightening. By this argument, a social outcome is considered fair if, without knowledge of which socioeconomic group he/she would fall into, every individual would approve of the social outcome. Thompson then examines libertarian philosophy, in which fairness is not deemed a function of social outcomes, but rather of a consistent set of rules being applied to all individuals in a consistent manner.

Thompson briefly explains different philosophical concepts of "fairness." He emphasizes the usefulness of the Difference Principle, which suggests "that if agricultural markets are structured so that poor, less-well educated or regionally, racially, or otherwise marginalized farms continue to be the losers in markets where they most compete with larger and better capitalized farmers, something is amiss." (p. 34)

I found it very interesting that Thompson actually stated that having philosophers clarify the meaning of "fairness" may do little good, and even be detrimental: "Philosophers are no better, and are probably worse, at resolving such disputes than others" (p. 35). Still, I agree with his argument that articulating the debate has potential to facilitate interest groups reaching agreement.

In Chapter 3, "Are Ethics and Efficiency Locked in Antithesis?," authors Yasha Rohwer and Randall Westgren try to include ethics in the measurement of efficiency. Early in their essay they provide a brief and useful discussion titled "What Is Ethics?," in which they briefly present some dominant ethical theories, including Kant's moral philosophy, utilitarianism and social contract theories. Rohwer and Westgren tend to focus on these theories' implications for the treatment of animals. While interesting, it was not clear to me that this book was the proper place for considerations of animal rights.

In a section titled "What is Efficiency?," Rohwer and Wetgren rely on the concept of production efficiency, disaggregated into technical efficiency and allocative efficiency, in their analysis. It seems to me that their presentation may have some potentially confusing technical difficulties. There are some mistakes in mathematical notation that impede the chapter's communication. For example, the authors misstate a cost minimization problem (p. 45). This would present little problem to trained economists, but has real potential to confuse readers from other disciplines.

Rohwer and Westgren present a thought-provoking discussion on whether the origin of coffee, from small farms or very large farms, should make any difference in how we measure the farms' efficiency. They argue that coffee's origin, whether from a small farm or a corporate farm, matters, and so physically equivalent coffees may not be morally equivalent. In essence, the authors are considering coffee and morality to be joint products, and that to ignore the "production" of morality in the coffee/morality production process is to assume that morality, because it is a non-market good, has no value. I found this discussion a highly effective method of bringing production efficiency and production ethics under a common analytical "tent."

Michael E. Sykuta is the author of Chapter 4, "The Fallacy of 'Competition' in Agriculture." While I found the discussion in the latter parts of the chapter to be interesting and enlightening, I was discouraged by a harsh writing tone in the early parts of this chapter. For example, Sykuta writes, "pundits, politicians, and even academic economists romanticize the notion of competition... blithely overlook the very nature of competition... [and] embrace a fallacious notion of competition." Most of the agricultural economists I know who conduct research in the "marketing" area put honest effort into understanding and measuring competition.

After these initial difficulties, Sykuta makes several interesting points as he argues that agricultural economists' discussions about competition are flawed in their very focus, and that the debate about competition in agriculture is poorly grounded because it does not analyze competition as a dynamic process in which new ideas and technologies replace old ones, new firms arise, and old firms disappear. Sykuta argues the static view of competition, which only considers price competition among firms, results in government policy that stymies competition in misguided attempts to preserve it. He laments in particular the common view that if some parties lose in the process of competition, that there is something unfair about the competitive process. He contends that once competition is judged by the outcomes of the process instead of the nature of the process, judges have moved out of the realm of economics and into the realm of ethics. (When reading Sykuta's statements to this effect, I thought, "But given the title of the book, what is wrong with that?")

Sykuta's critique of economic theory that treats competition as static concept is fair and useful. He carries his argument to an extreme, however, when he claims that economists rarely consider any situations between pure competition and pure monopoly. He seems to deny the existence of the economic subfield industrial organization.

In places, Sykuta seems to lose track of the book's central question. He argues that farming is still best described as a competitive industry. But no one disagrees with that point; competition among farmers *per se* is not the issue. Rather, lack of competition in the processing and retail sectors is creating the concerns.

In chapter 5, titled "Efficiency, Power, and Freedom," C. Robert Taylor presents a well-written and well-researched discussion of the interplay and rivalry between economics and legal scholarship in the analyses of economic efficiency, equity and antitrust law. He invites the US government and public to rediscover and enforce antitrust laws in the US agrifood complex. The essay displays a real depth of knowledge in the subjects addressed, and was a pleasure to read.

Taylor argues that a Richard Posner-led economic point-of-view has come to dominate much of the current judicial view of antitrust legislation. Taylor contends that if the judicial system does not begin placing more emphasis on fairness, which was the foundation of the original antitrust legislation, market power in the US agrifood complex will continue to increase. He argues that the results will be particularly unfavourable for farmers selling perishable commodities who are vulnerable to the economic and political power of large firms buying their products, but will also be bad for the US economy in general.

Taylor provides a fascinating discussion of antitrust legislation and Hayek's term "serfdom." The following passage especially caught my attention:

> Certainly central economic planning inherent in fascist and socialist systems can lead to serfdom. But there are many other roads to serfdom. Central economic planning inherent in a vertical integrated and horizontally concentrated industry may also lead to serfdom. That road is paved with efficiency. We have travelled far down that road. (p. 93)

Despite the general high quality of the essay, I had mixed reactions to Taylor's criticisms of the role that formal economic theory has played in the debate about efficiency and equity in the agrifood complex. His view is that "free market" ideological dogma has been aided and abetted by the analysis of efficiency made in formal mathematical models of microeconomic equilibrium—such as the Arrow-Debreu model and the First Fundamental Theorem of Welfare Economics. My view is that most of what is interesting in economics comes after the assumptions behind the First Theorem are loosened. Of course it is a mistake to treat fundamental microeconomic models as the end of all necessary analysis. But this is the fault of misuse, not use, of the theoretical fundamentals.

An excellent part of Taylor's chapter is his substantial discussion of the writings of an early twentieth century philosopher, Homer Blosser Reed, who studied the interaction between morals and monopoly in the context of the economy much dominated by trusts at that time. Taylor's application of Reed's discussion of early court decisions about the "personhood" of corporations makes for fascinating reading in the light of the US Supreme Court's *Citizens United* decisions almost one hundred years later.

In chapter 6, "Networks, Power and Dependency in the Agrifood Industry," James, Hendrickson, and Howard (JHH) use network exchange theory to examine research on power and dependency in the agrifood complex. The goal of the chapter is a good one: the authors want to deepen the analysis of market power by examining more than concentration ratios. JHH emphasize that issues of market power can be complex, and important details to be considered are often quite sector-specific. They argue that current legal and economic conceptual models are not adequate to analyze the market-power realities of the agrifood complex, and that those conceptual models must be advanced if they are to be useful for the needed analysis.

JHH use a conceptual model called "Network Exchange Theory" (NET) to investigate the importance of how and whether groups dependent on one another are "connected," and how the structure of network of connected groups affects the dependency and power relationships. JHH explain that NET differs from economic theory in that it is not based on individual optimization. "Rather, the behavior of actors is assumed to be derived from power imbalances that arise from differences in the dependencies of potential exchange partners" (p. 106). I must admit that I did not understand well JHH's presentation of NET. It may be that gaining proper understanding of the theory would require careful study of works referenced in JHH's essay. It is probably because I made no such effort that after reading JHH's presentation, I was left wondering whether NET might not be a mathematical model without much in the way of proper mathematics. From what I could tell from the description of NET, the model uses no measure of the intensity of connection. I found myself asking economics-based questions, such as, "What about the share of an input in the farmer's costs? Wouldn't this affect the level of dependency that a farmer has on an input supplier?" My confusion, no doubt, exemplifies the difficulties inherent in interdisciplinary communication, especially regarding technical models.

Chapter 7, Patrick Flanagan's "Reaping and Sowing for a Sustainable Future: The Import of Roman Catholic Social Teaching for Agrifood Competition," was a delightful read. Flanagan is a theologian, but he was able to present his thoughts in lay terms (*i.e.*, those even economists and sociologists could understand). I very much enjoyed learning about the history of the Roman Catholic church's views and statements regarding the ethical/economic problems relating to competition in the world's agrifood complex. Flanagan weaves his essay well, explaining the reactions and counter-reactions of the Roman Catholic Church, concentrating in detail on the evolution of its social teaching from 1891 to the present. This essay is not the sort of thing that generally appears in economics journals, and the editor made an excellent choice to include it in the book.

Part 2. Assessing Agrifood Competition

Two of the volume's essays that I found most enlightening were "Agricultural Contracting and Agrifood Competition", by Ani Katchova, and "Local Foods and Food Cooperatives: Ethics, Economics, and Competition Issues," by Katchova and Timothy Woods. In the first of these essays, Katchova presents a balanced discussion of the ethical and economic concerns presented by the "industrialization of agriculture" and the increased vertical coordination in the farm/processing sectors. In particular, she examines the increased use of contracts between farmers and processors. Katchova summarizes current trends in agricultural contracting, presenting empirical evidence of the increased employment of contracts between processors and farmers, and of increased levels of concentration among processors. She concludes that despite the increased levels of concentration, evidence of the exercise of market power by processors is limited.

Katchova and Woods examine the relationships among food cooperatives and "local" food production and distribution networks. They conduct a literature review, and also gather information about food-coop business practices and ethics, using phone interviews of the managers of ten food co-ops, coupled with in-person interviews with the general managers, staff, and suppliers of three leading US food co-ops. Their main conclusion is that food coops have some competitive advantages over their commercial rivals in working with local producers, and that they play a key role in the viability of "local" food production. I question, however, Katchova and Woods's claim that by supporting local agriculture, food coops help bring about a multiplier effect that improves the local economy (p. 232). This sort of "keep the money at home" argument is very popular among proponents of the local food movement, but it is not clear to me that Ricardian free trade arguments might not be important in a more general equilibrium analysis.

Constance, Martinez-Gomez, Aboites-Manrique and Bonanno present sociology research on problems with competition in the US poultry complex. They focus on the ethical dimensions of the ultra-vertically integrated "Southern Model" of poultry production, in which those of the bottom of vertical integration (contract growers and processing plant workers, and their local communities) may operate with far less political and market power then do the multinational firms under which they work. They express concern that this "Southern Model" may be taking hold in other locations and in other agricultural sectors.

I learned a great deal from Constance *et al.*'s brief presentation of the history of the US poultry industry. The authors make clear that technology has been the first cause of change in the industry. They highlight how technological change has led to structural change in the industry and also to social change in the southern US communities involved in poultry production and processing.

I had the most difficulty with Constance *et al.*'s chapter in the instances in which they conducted economic analysis of policy. For example, they write: "Over this time farm bill policies subsidized grain production and resulting overproduction reduced feed prices, which acted as implicit subsidies for poultry integrators and allowed them to buy feedstocks at below the costs of production" (p. 59). In actuality, rarely have US grain subsidies lowered grain prices. To the contrary, the production controls that dominated US grains policies well into the 1980s raised grain prices. Second, how grain prices might be passed through the grain/feed/poultry complex is a difficult question, and depends a good deal on the supply elasticities of input supply. This is just one example of several that could be offered.

In some places, I was quite bothered by the essay's well-meaning judgments about the degree to which market power in the poultry processing industry oppresses the workers in that industry. For example, the authors write, "The growing reliance on Latinos, often undocumented, as the processing plant workforce introduces a new dimension of exploitation and labor suppression" (p. 168). The natural questions for an economist to ask in this case are, of course, "How well would the migrant workers have been if forced to remain in Latin America? Why would they spend years working in the US if they didn't feel better off than they would be at home?" Again, this is the difficult part of interdisciplinary scholarship: one discipline sometimes has answers where other disciplines have questions. I was particularly bothered by the authors' statement in which they equate current low-skilled work in the poultry processing industry to slavery: "For many contract poultry growers, debt bondage represents a modern form of slavery with no escape" (p. 170). No, it does not. While the lives of many poultry farmers in the southern US are difficult (by first-world standards), there are important differences between debt bondage and physical bondage, and to state otherwise dishonors the millions of human beings who have suffered in actual slavery.

Emelie K. Peine is the author of Chapter 10, "Trading on Pork and Beans: Agribusiness and the Construction of the Brazil-China-Soy-Pork Commodity Complex." The subject of this chapter is fascinating both in terms of its economics and its implications for international relations, and Peine does a fine job presenting and throwing light on the subject matter. Peine explains that for decades the Brazilian soybean production and transportation complex has been dominated by four transnational corporations: ADM, Bunge, Cargill and Louis-Dreyfus, and that these have exercised oligopolistic control over every stage of the production and transportation processes. But the entrance of Chinese buyers into the Brazilian market, looking to purchase feed for Chinese pork production, has the potential to change the balance of the socioeconomic relationships between Brazilians and the transnational corporations. Peine explains that the governments of China, the world's largest pork producer and consumer and soybean importer, and Brazil, the world's largest soybean exporter, have actively sought to reach agreements to circumvent the powers of the established and dominant transnational corporations. The Chinese National Development and Reform Commission produced a directive to encourage Chinese firms to develop international soybean production and transportation facilities, to either rival or circumvent those of existing transnational corporations. Cash-rich and land-poor countries, such as China and the Gulf states, have begun buying land to produce crops destined exclusively for their domestic markets. Peine's conclusion, however, is that it is unlikely that Chinese efforts will be able to replace the existing structures owned and run by the transnational corporations. While both the Chinese and Brazilians have legitimate reasons to want to circumvent systems run by the transnationals, the depth and breadth of the transnationals' involvement in the supply chain make it unlikely that a clear alternative to them will appear in the near future.

In Chapter 11, "Who's Got the Power? An Evaluation of Power Distribution in the German Agribusiness Industry," Hanf, Belaya and Schweickert examine the effects of the market power of the largest retail food sellers in Germany, where the top ten companies have roughly a 90% market share. The authors identify five kinds of "power": coercive, reward, expert, legitimate and referent power, and basically define power as "the ability to get others to do something in pursuit of one's own goals" (p. 215). They attempt to categorize and measure power in the German food sector by examining transcripts of a public hearing held by a German Parliamentary Committee in which German consumers, farmers, processors and retailers participated. Their final objective was to determine whether German food retailers possessed market power. However, they explain that because there is a lack of data useful in objectively measuring the power of stakeholders in the German agrifood sectors, they were forced to rely on qualitative instead of quantitative measures of power. Therefore they attempted to identify displays of the five types of power in the hearing. They conclude that while power asymmetries are abundant in the sector, large retailers themselves simply were not able to exercise all the power, because large food processors held significant countervailing power.

I found Hanf, Belaya and Schweickert's report to be interesting, yet also frustrating. No doubt they shared my frustration, because data simply were not available to obtain objective measures of market power. Using the Parliamentary hearings as a source of information was a fine idea, but I wish that instead of making efforts to identify different "sources" of power, they had made more effort to report testimony from the hearings, and to explain how the balance of that testimony influenced their views of who held the power in the German retail food market.

In chapter 13, "Price Transparency as a Prerequisite for Fair Competition: The Case of the European Food Prices Monitoring Tool," authors Molnár, Van Lembergen, Tarantini, Heene and Gallynk use and evaluate the EFPMT in a case study of price transparency in the EU agrifood marketing chain. In their discussion of the theory of price transparency, Molnár *et al.* point out that price transparency can be a "two-edged sword": in very competitive markets in which many sellers have little ability to collude in price setting, price transparency has a positive economic effect, but in markets already at risk of facing collusive behavior, price transparency can actually facilitate such collusion, and so have negative economic impact.

The authors first examine price pass-through between agricultural commodity prices and prices received by food processors, and then those between processed food (wholesale) prices and retail prices. They consider the magnitude, speed and symmetry of price transmissions among these three marketing levels. They present time-series data showing that nominal commodity prices, food producer prices and food consumer prices all trended upward with the general level of inflation over the first decade of this century, but that commodity prices were far more volatile than were food wholesale and retail prices. They point out that this result is to be expected, since as prices move down the supply chain, the basic commodities' shares of production costs decrease. But the authors also point out an increasing long-run trend of the difference in commodity and food prices, and also very interesting pricing events that took place in the EU agrifood sector in the period 2007-2009. They claim that during this period, dramatic increases in commodity prices were quickly passed along to retail food prices, but the eventual decrease in commodity prices only led to small decreases in consumer prices. The authors seem to have based their arguments on a graph plotting quarterly data on the three price levels. I found their presentation to be interesting, but was left wishing to see a more formal statistical analysis. It was not clear to me from simply "eye-balling" their graph that their claims of asymmetric price transmission would hold up under such statistical scrutiny.

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