THE LIST

A CLOSER LOOK AT BEER AND WINE IN THE TRIAD

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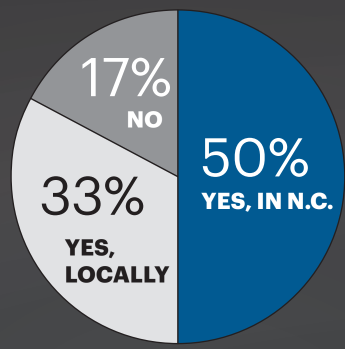

What is the hottest new trend for breweries? What trend do you wish would go away?

"New England IPAs have been en vogue for a while now, but I think sour beers will continue to grow in popularity in 2018. While it's not a huge trend, Glitter beer is a trend that can certainly go away for good."

— Wise Man Brewing

"Hazy IPA is a hot trend. The trend that needs to go away is the replacement of permanent tap handles with rotating handles."

— Gibb's Hundred Brewing Co.

What is the most exotic ingredient that you used to flavor your beer?

Gibb's Hundred Brewing Co.: Elderflower
Wise Man Brewing: Pink guava and soursop

WHAT IS YOUR TOP-RATED WINE AND/OR NO. 1 SELLER?

Weathervane Winery — Sweeter style wines
Grove Winery — Block B Meritage
Grassy Creek Vineyard and Winery — Red Barn Blend, Klondike Farm Guernsey Red, Klondike Farm Golden Guernsey, Cabernet Sauvignon

WHAT TRENDS WILL BE DRIVING THE INDUSTRY IN COMING YEARS?

"Distribution targeted at wine, craft beer businesses. Automation in the vineyard." — Grove Winery

HOW HAVE YOU CHANGED YOUR BUSINESS OR PRODUCTS TO APPEAL TO A YOUNGER GENERATION?

"We now host food truck rodeos on most second Sundays." - Grove Winery

TALKING POLICY

If labor is scarce, why aren't wages rising more?

Comedian Don Novello, better known as Father Guido Sarducci, used to do a bit about his "Five-Minute University." In five minutes, he claimed, he could teach you all you'd ever remember about college five years after you graduate. The economics curriculum was limited to three words: "Supply and demand."

He was right. Generations of college students have been taught the supply-demand model. It's a powerful and widely applicable tool.

But in recent years, that tool has occasionally come up short when applied to labor markets. One of the more striking changes in economics has been the profession's reversal on the minimum wage. Economists used to be strongly against it, but now they're mostly in favor of it. What caused the reversal was a realization that a simple supply-demand analysis was lacking.

Now there's a new challenge for supply and demand, involving labor shortages. Amid low unemployment, companies are complaining about a lack of workers in a wide array of sectors including trucking, construction and manufacturing.

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Supply-demand analysis provides a simple solution for a labor shortage: Raise wages! If too few people want to do a job at the current wage, then raising the wage will decrease employers' willingness to hire and increase workers' willingness to take jobs. If the wage rises high enough, the shortage disappears.

This is how it has worked for some occupations. There's still a nursing shortage in the U.S., but rising salaries have lessened the problem. However, that's not happening more broadly. Wage growth is still quite slow. In fact, once we net out inflation, the latest data indicate no increase at all since last year. For whatever reason, the labor shortages employers complain about aren't placing much upward pressure on wages.

Economists have proposed various explanations for this puzzle. One has been to reverse the logic and argue that if wages aren't rising, there can't be a broad-based labor shortage. As one Federal Reserve official said, "If you're not raising wages, then it just sounds like whining."

Another possibility is that the labor market has been a buyer's (i.e. employer's) market for about 20 years, and companies haven't had to work hard to find good candidates. They certainly haven't had to raise wages much. If that's changing, employers will adjust to the new reality. But according to this explanation, the adjustment has been slow.

Others have questioned the supply-demand model itself, in particular its assumption that employers are competitive actors with no influence on the market. There's evidence that employers have more market power than in the past, which raises the issue of monopsony. Whereas monopoly involves a few sellers that restrict supply to force price upward, monopsony features buyers that restrict demand to force price downward.

When monopsony employers restrict demand for labor, they want to hire more people but can't do so without undermining the wage they've set. There's a labor shortage, but it's an illusion created by employers themselves, due to their influence over the labor market. It's not the result of workers lacking skills or a desire to work.

How is this relevant to economic policy? Well, you can't have a sustained inflation without a wage-price spiral, and you can't have that without spiraling wages. Regardless of which of the above explanations is correct, the reality is that wages are rising very slowly.

And yet the Federal Reserve keeps raising interest rates to fight an inflation that isn't there now and doesn't appear to be on the horizon. This could end badly.