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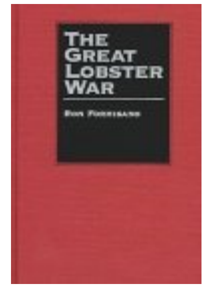

Ron Formisano. ***The Great Lobster War.*** Amherst: University of Massachusetts Press, 1997. vii + 150 pp. $35.00, cloth, ISBN 978-1-55849-052-9.

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Ron Formisano tells us about a group of men who, dismayed by their economic prospects, band together to fight large commercial interests in the hopes of preserving their standard of living. At first glance, one would think that this is another story of a union's struggle to negotiate for higher wages, but that is far from the case presented in ***The Great Lobster War***. The men who banded together were not employees; they were independent businessmen, and their attempt at collective action resulted in legal charges against them under the Sherman Antitrust Act.

Faced with declining prices for their lobster catches over the summer of 1957, Maine's lobstermen in their distress grumbled that they were certain that the wholesale dealers were in a collusive arrangement to depress prices at the dock. The price had fallen to 30 cents per pound, a level which the lobstermen claimed was insufficient to provide a decent living. Figuring that the dealers had fired the first shot, members of the Maine Lobstermen's Association (MLA) held a July meeting to call for lobstermen to tie up their boats and stay on shore until a 35-cent minimum price was established.

The tie-up was short-lived (about three weeks), and almost as soon as lobster boats were back on the waters, federal antitrust charges were brought against the MLA and its president, Leslie Dyer. Government lawyers asserted that, by encouraging this fleet of perfectly-competitive firms to act collectively (or, more precisely, to collectively refuse to act) the MLA had created a combination in restraint of trade. The two-week trial took place the following May in Portland. I trust that I will not ruin any suspense by revealing that the jury found Dyer and the MLA guilty, and that the judge imposed suspended fines for each defendant. Formisano concludes that little changed in the industry as a result of these legal proceedings.

Events leading up to the tie-up occupy roughly the first half of the book; the remainder recounts the testimony of trial witnesses and legal strategies of government lawyers and attorneys for the defense. Regrettably, no part of the volume is devoted to careful analysis of the economics of this case. The reader is left to wonder about some key questions.

First, was there an initial collusion among the dealers? There is no convincing evidence presented one way or another as to whether the prevailing 30-cent price was inconsistent with what 1957 market conditions would have produced as an equilibrium price. Formisano seems to be of the opinion that dealers were up to something underhanded, as they were secretive about their pricing decisions. A dealer might sometimes be heard saying that the lobster price is moving up, or is moving down. Formisano suggest that this is evidence of conspiracy, as it shows that the dealer is trying to hide his own choice behind the disguise of market forces in order to absolve himself of the harmful effects of his pricing "decision".

The author further suggests that there is evidence of a dealer conspiracy in the fact that the total lobster catch for 1957 increased over that of 1956 by four million pounds, but that the total revenue collected by the lobstermen fell by about two percent. Introductory economics students would take this as an illustration of the inelasticity of the demand for food, not as any proof of dealer collusion.

Another question left hanging is why it makes any difference economically that the tie-up was a collective action by firms, not by employees. MLA members expressed disbelief that they were being prosecuted under the Sherman Antitrust Act, a law intended in their minds to go after big business. We are just independent businessmen trying to make an honest living at a fair price for our product, they claimed. To these men, it seemed a technicality that they were in a classification which left them legally vulnerable, rather than providing them with the protection of the rights of organized labor. It's true, presumably, that unions seek to establish a wage above the competitive level, just as a cartel of firms would hope to enforce a noncompetitive price. But the economic effect is different when there is a monopoly price for a product versus a monopoly price for the labor used to make the product. Readers who are looking for economic analysis will be disappointed by the lack of discussion of market outcomes; the only group whose welfare is discussed is that of the lobstercatchers.

In fact, it is the lack of economic analysis that ultimately classifies The Great Lobster War as a work of narrative reporting rather than of economic history. It is not just a technicality that the MLA was viewed as a trade association rather than as a union. Economic theory predicts that lobstercatchers would have no cohesion as a union. The very nature of lobster-catching is a zero-sum game. It revolves around a set of dynamic incentives very different from those that characterize an employment situation. An additional catch for one lobsterman reduces that of another. In a typical employment situation in a unionized industry, workers are not viewed as stealing work, and therefore revenue, from one another. Of course, the fact that union solidarity would be undermined also predicts that a cartel would be unsuccessful. But readers may be disappointed that this volume fails to address the relationship between market incentives and market outcomes.

Formisano presents us with a story of characters; he depicts the Maine lobstermen who testify at the trial as strong Americans and good-humored individualists who were unintimidated by government attempts to rob them of their way of life. The author seeks to have readers agree with him that they couldn't possibly have been as evil and greedy as men who run Big Business. Formisano apparently does not recognize that monopoly prices have harmful effects, even when not charged by monopolies. His claim that the lobstermen were not greedy rings hollow. He supports the MLA's claim that lobstermen only wanted to earn a "fair living". But the full story of course, is that they wanted to earn that fair living without having to change their skills or their way of life. One might argue, as has James Fallows, that Americans are characterized by the good nature with which they re-learn, re-tool, and relocate when market forces change the relative fortunes of different sectors of the economy. When any group of workers claims that they are entitled to "fair" compensation even if they persist in an unproductive sector of the economy, we see the universal nature of the desire for "more" and are reminded that the wealth of our nation has been built by the strength and adaptability of those who embrace new opportunities.

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