

FERNANDO COLLANTES

THE POLITICAL ECONOMY OF THE COMMON AGRICULTURAL POLICY

Coordinated Capitalism or
Bureaucratic Monster?



ROUTLEDGE

THE POLITICAL ECONOMY OF THE COMMON AGRICULTURAL POLICY

What is the balance of the European Union's Common Agricultural Policy more than half a century after its birth? Does it illustrate the virtues of the European model of coordinated capitalism, as opposed to US-style liberal capitalism? Or is it an incoherent set of instruments that exerts diverse negative impacts and, like Frankenstein's monster, seems to have escaped the control of its designers?

The Political Economy of the Common Agricultural Policy does not criticize the CAP from the liberal standpoint that views most public interventions in the economy as bad for efficiency and welfare. The CAP has been costly to Europeans, both as consumers and as taxpayers, and has also generated a number of negative impacts upon third countries, but these costs and impacts have been more moderate than is suggested. This book proposes that the issue with the CAP is not a generic problem of coordinating capitalism but, instead, a more specific problem of low-quality coordination. The text argues that profound reform of the European Union's institutions and policies is required to counter the rapid rise of a more Eurosceptical state of mind but – in the case of agricultural policy – history casts serious doubts on the capacity of the European network of agriculture-related politicians to lead such a reform.

This key work is essential reading for researchers, graduate students, and master's level docents of the Common Agricultural Policy and – more broadly – European Union policy and reform.

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SUMMARY

What is the balance of the European Union's Common Agricultural Policy (CAP) more than half a century after its birth? Does it illustrate the virtues of the European model of coordinated capitalism, as opposed to US-style liberal capitalism? Or, conversely, is it an incoherent set of instruments that exerts diverse negative impacts and seems to have escaped the control of its designers?

This book uses a historical political-economy approach to answer these questions. The first chapter presents the conceptual framework of analysis, based on the notion of "varieties of capitalism", and revises the state of the art on the CAP. The second chapter describes the main policy instruments of the CAP, highlighting the difference between the CAP as a market-intervention policy (1962–1992) and the CAP as a direct-payments policy (1992 to the present). The following two chapters tackle the questions posed at the beginning. The third chapter questions the image, commonly presented by liberal economists, of the CAP as a "monster". The CAP has been costly to Europeans, both as consumers and as taxpayers, and has also generated a number of negative impacts upon third countries, but said costs and impacts have been more moderate than is usually suggested. The fourth chapter questions the alternative image, so dear to the European Commission, of the CAP as an illustration of the virtues of European-style coordinated capitalism. The idea that the CAP has inserted political values such as social equality, environmental sustainability and territorial cohesion in the functioning of Europe's agrarian capitalism is found to be an even greater myth. The fifth and last chapter explores the political causes of this dismal balance sheet and identifies the sources of deformation in the CAP's policy process over time.

This book does not criticize the CAP from the liberal standpoint that views most public interventions in the economy as bad for efficiency and welfare. The story of the CAP does not show that Europe's model of coordinated capitalism is inherently flawed. In fact, it is unlikely that a liberal, more market-oriented alternative would

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yield better results in social, environmental or territorial terms. The problem with the CAP is not a generic problem of coordinating capitalism, but a more specific problem of low-quality coordination. Giving an answer to the rapidly expanding Eurosceptical state of mind requires more than just making naïve statements about the alleged (but unproved) virtues of the European project, rather, it requires a profound reform of the European Union's institutions and policies. In the case of agricultural policy, history casts serious doubts on the capacity of the European network of agriculture-related politicians to lead such a reform. Therefore, it would be better if the CAP were incorporated in a broader, better-targeted food policy, as well as in the environmental and territorial policies that other, EU-level networks have been managing for three decades now.

INTRODUCTION

What ever happened to the eagerness for the European Union? Barely a decade ago, excitement and optimism reigned. The former contenders in the Second World War had made it – they had put their economic interests in common and that had allowed them to move forward in the construction of common political institutions. The six founding-member states had succeeded at handling competently the incorporation of more than twenty other countries from all parts of Europe that were willing to be a part of such an exciting project. The public opinion showed a remarkable degree of satisfaction with the European Union and, in those occasions when they were consulted by their respective governments, electorates tended to position themselves as pro-European (Dedman 2010: 163).

Today, conversely, Euroscepticism is on the rise. The early years of the new millennium brought some signs of a new trend, as the electorates in a number of countries refused to accept EU proposals set to reinforce the political integration of the Union. Of particular significance was the fact that, within the historical hard core of the EU, voters in France and the Netherlands voted no to the treaty for a European constitution (Dedman 2010: 163–164). But it was mostly the economic crisis that started in 2008 that drove Euroscepticism higher than ever before. The EU has been badly affected by the internal tensions stemming from the political management of the crisis, as well as by the spread of broader criticisms on the grounds of its political networks' lack of effectiveness and legitimacy (Tooze 2018). With the triumph of “Leave” over “Remain” in the so-called Brexit referendum, Eurosceptics have achieved a major victory in the United Kingdom, while recent elections in countries such as France, the Netherlands and Italy (three of the founding member states) have provided them with new causes for celebration.

In ways that may differ slightly from country to country and from one end of the political spectrum to the other, Eurosceptics complain that the European Union is a constraint, rather than an opportunity. Some of them are nationalists who argue that

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their countries have come to be governed from Brussels and that leaving the EU is the way to give the power back to democratically elected, national leaders. Others are left-wingers who argue that the EU is just another word for neoliberalism, and that leaving it behind is a means to preserve the European tradition of socially responsible capitalism.

In between remains a wide space covering everything from the centre-left to the centre-right, and which watches with perplexity the breakdown of pro-EU consensus. Its strategy is basically to argue that Euroscepticisms are nothing but unfortunate populisms, and that we should just wait for the storm to pass. After all, Eurosceptics have triumphed in the United Kingdom but, in spite of all their growth in numbers, they have not even come close in France or the Netherlands. Nor were they able to prevail within the Syriza-led Greek government at the critical juncture of 2015. In the end, therefore, everything will be okay because we are right: you really need to be (and feel like) a “globalization loser” in order to pay attention to irresponsible populist agitators and fail to see that the EU incarnates humanity’s most honourable values.

This response to Euroscepticism is basically unsatisfactory because it is defensive, and what the Eurosceptical questions require is active answers. We are talking about truly key questions. Is the EU really a triumph of democracy or, on the contrary, an institution with a serious problem of lack of legitimacy? Is it a bastion of Europe’s tradition of social capitalism within a global neoliberal era or, conversely, an agent working against said tradition? Eurosceptics may not be right in their own answers to these key questions about democracy and capitalism. It may also be the case that, even if their answers are right, the practical implications Eurosceptics draw from them are faulty. But they are posing the right questions. The EU is in danger of sinking in an anti-populist complacency that overlooks the fact that, independently from who is posing these questions, they need convincing answers instead of simplistic slogans. The Eurosceptical opposition needs to be synthesized, incorporated, rather than simply dismissed.

This book analyses the socio-economic dimension of the problem through a case study of the Common Agricultural Policy (CAP). This is one of the oldest and most important policies of the EU. Historically it has been the main common policy and, still today, when farmers are but a tiny fraction of Europe’s active population (less than 5 per cent), it remains EU’s second most-expensive policy. Only the regional cohesion policy absorbs a larger share of the EU budget, and not even on the horizon is there any serious contender to the CAP’s second place in the ranking. The core of the political discussion between member states may have shifted towards other areas, such as the aforementioned regional policy or (for those countries belonging to the euro area) the management of the common currency, but the making of each new reform of the CAP still manages to produce major political tensions in Brussels. In a way, as historian Tony Judt (2011: 23) argues, the CAP “can stand as a metaphor illustrating the whole enterprise of ‘Europe’”.

After this introduction, the first chapter of the book positions the debate on the CAP within a broader debate on “varieties of capitalism” and Europe’s so-called