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### The Logic of Policy Development: Lessons Learned from Reform and Routine within the CAP 1980-2003

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ARTICLE

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# The Logic of Policy Development: Lessons Learned from Reform and Routine within the CAP 1980–2003

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**ABSTRACT** With the point of departure in the otherwise extensive knowledge on reform and routine within the Common Agricultural Policy (CAP) of the European Union (EU), this paper argues that: (1) in order to fully appreciate the insights provided we need to look into the complementary nature of ideational and interest-based approaches; and (2) lessons can be learned by comparing several (here, three of five) reform attempts and by pointing out the importance of periods in between reforms (here, covering a time horizon stretching from 1980 to 2003). Against this background, the paper offers a comprehensive logic of policy development that may be used for other areas of study, which both draws on the insights into bargaining processes as offered by rational choice institutional theory and the insight into arguing processes as offered by constructivist approaches.

**KEY WORDS:** Policy development, Common Agricultural Policy, constructivism, rational choice institutionalism

## Introduction

The point of departure for this paper is the view that in order to fully appreciate the insights provided by the literature on policy reform and routine within the CAP, we need to look into the complementary nature of ideational and interest-based approaches. We argue that two significant lessons may be learned for other areas of study: (1) more comprehensive understandings of policy development should consider both medium to long term ideational development and short term rational actor bargaining and (2) the periods in

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between policy reforms are as important as the periods leading up to the actual reform act.

Since the 1980s, the Common Agricultural Policy (CAP) of the European Union (EU) has been subject to a series of reform attempts, namely in 1984, 1988, 1992, 1999 and 2003. Numerous studies have sought to explain the causes and consequences of these reforms. The studies can broadly be categorized depending on whether their emphasis is on rationalist bargaining or constructivist arguing processes. Studies also differ in the number of reforms they examine — single or more (see Table 1).

Theoretical frameworks which focus on bargaining processes — explicitly or implicitly — take their point of departure in rationalist assumptions, including the existence of exogenously given and stable preferences, and the belief that agents enter into negotiations in order to maximize their interests. These studies tend to focus on the regulatory aspect of the CAP in the sense that negotiations evolve around specific institutional choices and their distributional effects. Theoretical frameworks which focus on arguing — explicitly or implicitly — take their point of departure in constructivist assumptions, including the constitutive nature of ideas. These studies also tend to focus on the ‘space of possibility’ that agents operate within, and how this ‘space’ may change over time.

Single reform studies emphasize the causes and consequences of one particular CAP reform. These studies tend to have an analytical eye on the immediate context before and after points in time that have been formally appointed — most often by the Commission — as reforms of the CAP. Comparative reform studies are studies covering two or more CAP reforms. A comparison may be conducted with the aim of generating more general theoretical knowledge concerning reform and routine, but, most often, two or more reforms may be covered by means of historical, descriptive analysis, which suggests more eclectic explanations of dissimilar CAP reforms and/or how reforms may feed into later reform attempts.

**Table 1.** Types of explanations and methods in the study of CAP reforms

|                        | Types of method  |   |
|------------------------|--|---|
|                        | Single reform studies  | Comparative reform studies  |
| Types of explanations  |  |   |
| Rationalist bargaining | e.g. Paarlberg (1997), Daugbjerg (1998, 1999), Landau (1998), Pollack (1998), Nedergaard (2006b) | e.g. Nedergaard, Hansen, and Mikkelsen (1993), Patterson (1997), Ackrill (2000), Kay (2003), Moyer and Josling (2002), Daugbjerg (2003), Nedergaard (2006a) |
| Constructivist arguing | e.g. Lenschow and Zito (1998), Skogstad (1998), Coleman and Tangermann (1999), Fouilleux (2004)  | e.g. Coleman (1998), Sheingate (2000), Garzon (2006), Lynggaard (2006)  |

To be sure, several studies of CAP reforms cut across the bargaining and arguing divide. However, even when more interest and ideational explanations of reform and routine are considered, the interrelationship between constructivist ideational and rationalist interest-based explanations remains unclear. In fact, the distinctiveness of ideational explanations tends to be blurred in such studies where ideas are made the property of individuals or collective agents and are not easily differentiated from interest. The core theoretical claim of the paper is that it can deliver a more elaborate understanding of the *relationship* between constructivist ideational explanations on the one hand and rational choice institutional interest-based explanations on the other hand.

The paper is organized as follows. The first section will discuss the types of explanations offered by studies of CAP reform, emphasizing rational actor bargaining and constructivist arguing processes, respectively. The second section will suggest how the two types of explanations may be conceived as complementary rather than competing. In this section we will investigate the relationship between the ‘interest’-based approach, emphasizing institutional factors, and the ‘ideational’-based approach, emphasizing changes of preferences. The third section will supply an empirical analysis covering the period from 1980 to 2003. Finally, by way of comparison, conclusions are drawn on the basis of this case about the lessons which can be learned for the study of reform and routine more generally.

## Literature Review

Rational actor perspectives on bargaining processes within the CAP are by far the most common concerning policy developments. More recently, constructivist arguing perspectives on the formation and changes in preferences have seen the light of the day. By means of a brief review of the literature on rational actor bargaining and constructivist arguing within the CAP, the ground will be prepared for developing a more comprehensive framework for the study of policy development drawing on both perspectives (section on ‘The Dialectic of Ideas and Interests in Explaining Policy Developments’). Whereas the review adopts a broad conception of institutions in order to make full use of the wide-ranging literature on CAP developments, the subsequent theoretical and empirical analyses advance a more narrow definition of institutions in order to reconcile and, thus, make the most of, the respective strengths of rational choice institutionalist and constructivist perspectives.

### *Rational Actor Bargaining*

Many studies of policy developments within the CAP are based on the assumption that the agents involved are fully, or mostly, rational utility maximizers. Policy developments — whether in terms of reform or routine — are thus the product of bargaining processes among such agents under the prevailing institutional conditions at any given point in time. Furthermore,

from this perspective, policy developments are commonly assessed in terms of the total expenditures of the CAP and, possibly, in terms of the distributional effects among member states, regions, farmers, consumers and tax payers. In other words, in order to accept an observation within the CAP as a policy reform, it needs to have actual effects on the CAP budget and/or the distribution of financial resources among the involved agents (Nedergaard 2006a). In fact, policy reforms tend to be understood as budgetary retrenchment, which has rarely been observed within the fifty-year history of the CAP. The explanations of policy development on offer from this perspective are manifold, but all tend to evolve around the interests and institutional conditions of the central agents within the CAP.

The Council of Farm Ministers is commonly seen as being strongly in favour of policy continuity. Several reasons have been given for this. First, the existence of a permanent free-rider problem means that member states seek to get as much back as possible from the CAP budget, where expenses are carried collectively (Ackrill 2000). Secondly, the agricultural sector and food production are considered a matter of national interest by most member states. For this reason, member states have, for the greater part of CAP's development, been reluctant to 'outvote' each other as one's own national interests may be at stake some time in the near future. This is the case even if the Council of Farm Ministers is more likely to conduct explicit votes than other Councils. It has been argued recently, however, that when the Council of Farm Ministers is able to come to an agreement on policy reform, the reform output tends to be more substantial than when agricultural reform is made a matter for the European Council (Daugbjerg and Swinbank 2007).

The Commission — including the Commission Services — is usually seen as *the* agent of policy reform within the CAP, not least due to the financial and administrative resources being tied up by this policy field, which could otherwise be used for pursuing other policy ambitions. However, the latitude of the Commission to bring about change is limited. Several reasons for this have been suggested. First, the Commission is closely monitored by member state representatives, not just during day-to-day policy making, but also during international negotiations on the liberalization of markets for agricultural products (Pollack 1998). Secondly, the Commission has traditionally been subject to intensive pressure from the farm lobby, which has enjoyed privileged access to policy making, limiting the policy choices available to the Commission (Grant 1993; Daugbjerg 1999). This is particularly pronounced with regard to the Directorate-General for Agriculture (DG Agriculture), which has worked closely with the farm lobby in policy formulation. It has even been suggested that a critical condition for change within the CAP has been the easing off of pressures from, or even the absence of, the farm lobby at times when a reform has been in the pipeline (Kay 1998; Ackrill 2000; Nedergaard 2006b).

The farm lobby has thus been a very keen defender of the status quo. Not only has the farm lobby been defending this position through their institutionalized access to the Commission, but also on the national level the farm

lobby has been engaged in neo-corporatist types of networks in most EU member states — including Germany, France and the UK (Kay 1998; Pappi and Henning 1999). The success of the farm lobby has been furthered by the usual Olsonian logic of a lack of opposition from the less well-organized consumers and taxpayers, which are characterized by having less well-defined common preferences and less selective economic incentives to wield policy claims (Olson [1965] 1971; Nedergaard 2006a).

The World Trade Organization (WTO) is, together with the Commission, often seen as an agent generating pressure for CAP reform. Through the quest for the liberalization of markets for agricultural products, the WTO has put pressure on the level of EU agricultural subsidies and tariffs. The pressure for reform may well be related to the extent to which the Commissioner for Agriculture and the DG Agriculture succeed in remaining in charge of international negotiations on agricultural matters or, otherwise, if Commissioners and DGs representing broader trade and industrial interest are involved (Grant 1997; Patterson 1997). The agreements reached within the WTO are furthermore linked to formal rules which, if breached, allow the WTO to accept retaliatory trade measures from countries affected by, for example, undue trade barriers (Daugbjerg and Swinbank 2007).

Representing broader policy concerns other than agricultural ones, the European Council may also give momentum to CAP reform to the extent that agricultural issues are dealt with within this forum. It has thus been suggested that when the level of conflict is too high for a decision to be made within the Council of Ministers, agricultural issues may be referred to the European Council for their resolution and, thus, be linked with broader concerns, such as the EU's budget and enlargements (Ackrill 2000; Moyer and Josling 2002). However, recently it has been argued that when agricultural issues form part of broader reform packages and are referred to the European Council, the reform output also tends to be moderate due to the attention given to other pressing issues on the European Council agenda (Daugbjerg and Swinbank 2007).

Altogether, policy development from this perspective is the outcome of bargaining processes in which individual or collective agents seek to maximize their interests which, in turn, are based on an analysis of the costs and benefits of alternative policy choices. In other words, at the heart of these studies are two logics of policy reform and routine; namely (1) the logic of bargaining and (2) the logic of agents' cost/benefit analysis. The logic of bargaining within the CAP has been plentifully addressed and theorized, e.g. in terms of principal-agent perspectives, rational choice theory and more rationalistic historical institutional perspectives. However, the logic of cost/benefit analysis is most often implicit and assumed and rarely subject to explicit theoretical reflections. This gives rise to questions such as: What are the types of costs and benefits that agents may reflect upon in the endeavour to realize their preferences? And, is it possible that what is conceived of as costs/benefits may not be exogenously given and stable, but, to some extent and in some instances, reflect changes in the ideational context of the bargaining processes?



*Constructivist Arguing*

Few, yet an increasing number, of studies have given attention to ideas and changing preferences in policy developments within the CAP. The exact nature and role of ideas varies across these studies. Perhaps the point on which there is the most agreement is that interest-based explanations are inadequate for explaining developments within the CAP, particularly regarding policy change. Policy developments tend to be assessed in terms of normative and discursive developments and these studies are often more, or at least as, concerned with developments in between policy reforms as with the actual act of adopting a policy reform. Finally, this body of literature has also been more concerned with capturing the complexity of ideational and normative developments within the CAP rather than supplying more parsimonious causal explanations.

There are significant variations across the literature as to the scope, institutionalization and policy consequences of ideational developments within the CAP. On the one hand are those studies that point up the ideational continuity within the CAP. Along these lines, it has been suggested that ideas in favour of a liberalization and internationalization of the agricultural sector have not gained much ground within the CAP. The reasons for this are first that the objectives of the CAP have been constitutionalized in the sense that these are laid down in the 1957 Treaty of Rome. Policy reform is thus very difficult, possible only when there is unanimity among all member states, and often requires ratification by national parliaments and/or national referenda. Secondly, ideas of 'agricultural exceptionalism' and the 'state assistance' policy paradigm enjoy a high degree of institutionalization among all the central agents within the CAP, including the Council of Farm Ministers, the DG Agriculture, the farm lobby, as well as within the wider public. Essentially, this part of the literature explains policy routine by the existence of highly institutionalized policy-preserving ideas (Skogstad 1998; Lenshow and Zito 1998).

On the other hand, more recent studies have argued that ideas informing the CAP have not remained the same and that expectations of what the CAP should deliver have changed in the course of its development. Along these lines, it has been suggested that ideas informing the CAP have moved from drawing on a 'dependent' agriculture paradigm towards being more informed by ideas found within the 'multifunctional' and 'competitive' agriculture paradigms (Coleman, Grant, and Josling 2004; Garzon 2006). This involves moving from a policy that emphasizes the need for securing otherwise uncertain markets and protecting the agricultural sector from international competition, towards a policy increasingly concerned with the agricultural sector as a provider of public goods including rural development, environmental benefits, food safety and quality. It also includes moving toward a policy increasingly concerned with the international competitiveness of European agriculture. Various ideational explanations have been offered for these changes.

First, it has been suggested that transnational epistemic communities, including agro-economists, have contributed to ideational change by



supplying new ideas for resolving problems faced and often generated by traditional agricultural policies (Coleman, Grant, and Josling 2004). Secondly, it has been suggested that the Commission and Commission Services have increasingly acted as policy entrepreneurs by the strategic use of discourse and through the build-up of in-house expertise and political skills in the agricultural field throughout the 1990s (Fouilleux 2004). Along these lines, the Commission, which has been delegated negotiating powers in striking international trade agreements, has worked to link up negotiations within the WTO with calls for reform of the CAP (Coleman and Tangermann 1999). Thirdly, the cumulative effect of policy reforms, feedback processes and opening up policy networks to include agents other than those traditionally governing the CAP, have all worked in favour of changes of preferences from the early 1990s onwards (Sheingate 2000; Daugbjerg 2003; Kay 2003; Garzon 2006). Studies with an emphasis on ideational explanations of change have also pointed to the role of the European Parliament as an agent of change by means of the articulation of alternative conceptions of agricultural problems and solutions, and as an agenda-setter of new concerns within the CAP (Garzon 2006; Lynggaard 2007a).

Altogether, according to this perspective, policy developments are occurring against the background of an ideational context, which delimits available, efficient and legitimate policy choices from those that are not. At the heart of these studies are two basic logics (1) the logic of discursive constructions and (2) policy entrepreneurship — whether enabled by enhanced knowledge and persuasiveness (Coleman, Grant, and Josling 2004), the strategic use of discourse (Fouilleux 2004), or the discursive and institutional context (Lynggaard 2007a). While supplying rich descriptive analyses of ideational developments within the CAP, this perspective is also characterized by a high level of explanatory diversity and complexity. Further, this body of literature draws on different conceptions of the nature and role of ideas in policy development. Some tend to conceptualize ideas as the extension of national interests, others focus on the persuasive powers of particularly ‘good’ ideas, while again others suggest explanations emphasizing processes of interaction between alternative ideas and collective policy entrepreneurship as dynamics of ideational change. Finally, to the extent interests are considered by these studies, the distinction between ideas and interests remains unclear.

Against this background, this paper wishes to argue that, rather than being in conflict, rational actor bargaining and constructivist arguing explanations are complementary and may form the background for a more comprehensive understanding of policy developments. On the one hand, an ideational perspective may supply an understanding of change in interests in the medium to longer term. On the other hand, whereas the ideational perspective runs short of explaining short term decision making, an interest-based approach emphasizing institutional factors may supply an understanding of specific negotiations among agents seeking to maximize their interests.

## The Dialectic of Ideas and Interests in Explaining Policy Developments

Dialogue among dissimilar theories may be promoted along four different pathways, namely by; testing competitive theoretical claims, identifying domains of application, subsuming a less general theory under another more fundamental theory, or by sequencing dissimilar theories (Jupille, Caporaso, and Checkel 2003). Within EU studies, different routes have been followed in the endeavour to promote theoretical dialogue, including tests of competitive theoretical claims (e.g. Moravcsik 2001), the identification and specification of theoretical domains (e.g. Checkel 2001a, 2001b) or theoretical integration, which tend to subsume the strengths of one theoretical school of thought (historical institutionalism) under a more general theoretical framework (rational choice institutionalism) (see Rittberger and Stacey 2003; Stacey and Rittberger 2003). Yet, it has also been suggested that it may be particularly helpful to move towards a sequencing of constructivist and rational choice institutional theory in order to capture a fuller picture of EU decision making (Lewis 2003). With the ambition of establishing a more comprehensive understanding of policy development, we will follow a sequencing strategy linking constructivist theory on ideas and preference formation, on the one hand, and rational choice institutional theory on rational actor bargaining among EU institutions, on the other hand. In order to avoid epistemological and ontological inconsistencies, it should be stressed that we accept the cost-benefit institutionalist framed logic of rational choice institutionalism; however, we acknowledge that this logic is based on socially constructed ideas that can change in the medium and long term perspectives and, thereby, influence the cost-benefit calculations.

Ideas are often conceptualized in opposition to interests (Griggs and Howarth 2002). Whereas interests are bound up with agents and most often seen as a reflection of their objective material conditions, ideas make up the common conceptions or discursive context that agents draw upon and act within. This also means that whereas interests are the property of individual or collective agents, ideas are produced and reproduced — and possibly subject to change — in the space *in between* a set of agents (Lynggaard 2007b). However, in this paper, rather than referring interests back to the objective material conditions of agents, ideational changes are considered, potentially, to give rise to change in preferences which, in turn, may alter agents' conception of their interests (see Hay 2006 for a further discussion). In that sense, agents' conception of their interest is constructed over the course of time, even if such constructions are typically particularly resistant to change. The time perspective is of great significance here. In the short term, agents may seek to realize their conceived interests against the background of an analysis of their respective costs and benefits of alternative policy choices. Yet, in the medium to longer term, ideational change may give rise to changes in agents' conception of the costs and benefits of alternative policy choices and, in turn, alter agents' conceived interests. This also means that, rather than ascribing change in preferences to changes in the 'mental constructs' of individuals (see, for example, North 1990), preference change

is seen as a collective phenomenon reflecting changes in the discursive context.

In this paper we assume (changing) ideas to be captured by (changing) preferences, and interests to be represented by institutions and institutional actors. Hence, preferences and institutions are taken to be concepts at the most aggregate level. This level is chosen as the point of return of the conceptual reference due to the fact that we want to investigate the very logic of policy development and not causal relationships at the more disaggregated level.

The EU is characterized by its strong institutional actors which, among other things, have the task of accelerating European economic-political integration. Alongside the formal institutional actors of the EU there are also institutional structures consisting of more or less organized interests which might function in the shadow of more formal decision making. Nevertheless, these institutions are often as important as the formal institutional actors. Not least, European agriculture has from the very outset of the European integration process been eager to organize at the European level because it realized the importance of the Common Agricultural Policy. Thus, by institutions we understand ‘channels in which the political process can run’ and make a distinction by referring to institutional actors, including the Commission, the Commission Services, the Council of Ministers and the European Council. However, changes in EU policies and the implementation of new EU political initiatives might not necessarily rely on changes in EU institutions. In general, EU institutions are rather stable, yet preferences are subject to change in the course of time and as a consequence of changes in the discursive context of EU institutions. Thus, changing preferences of decision makers and the public at large are important factors when the policy development of the EU is to be explained (Campbell 2004; Lynggaard 2007c).

For the purpose of this paper, ideas are not part of our definition of institutions. Rather we separate ideas from institutions and see ideas as part of the discursive context which shapes and, possibly, changes preferences. Ideas are thus seen as the smallest units of a discourse, which enable, for instance, the articulation of certain policy problems and solutions, while also acting to delimit other policy problems and solutions from being articulated. If and when the articulation of ideas is turned to a rule-based system of concepts and conceptions, a discourse can be said to have unfolded (Kjær and Pedersen 2001; Lynggaard 2006). We can condense the argument above into the following political equation (Hix 2005, 13; Hinich and Munger 1997, 17):

$$\text{preferences} + \text{institutions} = \text{outcome}$$

Many efforts have been made to show how parts of the EU’s agricultural policy — both theoretically and with regard to concrete reform initiatives — can be explained on the basis of rational choice institutional theory. Rational

choice institutional theory has shown itself suitable to explain circumstances in the political process which have taken place within the space of a few years while it has more difficulties explaining political processes stretching over more than a few years. In policy analyses of the short term, rational choice institutional theory often offers both a clear and simple explanation. At the same time, it offers a theory that is consistent with dominant economic theories which make it suitable in economical-political analyses.

In an international perspective, to a certain extent, theoretical development in political science is equivalent to how and what parts of rational choice institutionalism should be modified. Some of the critical points made *vis-à-vis* rational choice institutional theory are directed at the following: (1) rational choice institutional theory does not take into consideration ideas and ideologies; (2) human beings are perceived as entities with predominantly a-historical, selfish characteristics; (3) the individual and only the individual is the foundation of the theory; and (4) human beings act so overwhelmingly rational as the theory proclaims (Blyth 2003).

We accept some of the criticism as justified. When it comes to political preferences we agree that they are socially constructed in a specific historical context. At the same time, we support the constructivist idea that preferences are constructed in a language that is the result of a collective process where ideals can play a decisive role (cf. Wittgenstein 2003). On the other hand, we claim that rational choice institutional theory is suitable in order to explain short term political outcomes when preferences are assumed to be relatively stable. Hence, rational choice institutional theory becomes a theory for short term political developments where the scope conditions — in the form of unchanged political preferences — are almost constant.<sup>1</sup>

Over time, however, preferences tend to change. Hence, institutional actors' room for manoeuvre also moves. In other words, the idea behind this move towards a logic of policy development drawing both on insight provided by constructivist and rational choice institutional theory is that even though preferences are socially constructed, they also appear 'frozen' or fixed in the short term, which makes it possible for agents to calculate and optimize on the basis of them. The 'frozen' or fixed preferences may last for at least a few years. Then a thaw may take place and hereafter there is a basis for the formation of a new set of 'frozen' preferences. In short, our fundamental political science equation is as follows when combining the two most relevant theoretical frameworks in the analyses of EU's policy outcomes:

$$\text{preferences (constructivism) + institutions (rational choice) = outcome}$$

Finally, it should be clear that the objective of this paper is not to pinpoint the causal mechanisms of policy developments. Rather, the objective is to point to how a constructivist ideational perspective and a rationalist institutional perspective may complement each other to form the basis for a more comprehensive understanding of policy developments — whether in terms of policy change or continuity.

## The Development of the CAP 1980–2003

In the following, the logic of policy development as outlined will be applied to the development of the Common Agricultural Policy. We will analyse three attempts to reform the CAP since 1980, including the milk quota reform of 1984, the MacSharry reform of 1992 and the so-called Fischler reform of 2003. Along the lines of the constructivist argument, ideational developments in the time leading up to the three reforms will also be considered, which leads us to point to three periods in the development of the CAP: 1980–1984, 1985–1992 and 1993–2003.

### 1980–1984

The central ideas informing the CAP in the early 1980s represented, in the main, a continuation of ideas that had been articulated within the CAP at least since the mid-1970s — some since the late 1960s. Ideas emphasizing the need to deal with agricultural surplus production and budget pressures were accepted as legitimate. At the same time, the CAP was conceived of as the main protector of small producers and particularly disadvantaged agricultural areas (Grant 1997; Jones and Clark 2001; Lynggaard 2006).

It was in this discursive context, starting in the 1970s, that milk production became an increasingly pressing problem for CAP decision makers culminating in the early 1980s. Year after year, production was larger than consumption, and the production increased much more than consumption. ‘Butter Mountains’ and large stocks of milk powder became the order of the day in the EU. The Commission put forward various proposals in order to introduce duties on dairies or producers in cases of increasing deliveries of milk. However, the proposals were all rejected because they were impossible to implement — either from an administrative point of view or from a political point of view. In consequence, in the beginning of 1983, the Commission concluded that only two solutions were open in order to solve the problem of the over supply of milk in the EU: either lower prices on milk or implement quotas (Nedergaard 1995).

Lowering the prices on milk was problematic for decision makers because it would demand a rather large price cut if it were to have any impact on milk production. Basically, the reason for this is that agriculture is characterized by having higher fixed costs compared to other businesses. These costs the farmer has to pay no matter what. Hence, he will continue his business longer in spite of lower prices than in most other sectors of the economy. Most reports estimated that a price cut of 10 to 20 per cent was necessary on the milk that farmers delivered to dairies if a significant reduction in production was to happen (Nedergaard 1988). A price cut of that size would certainly hurt incomes and the standard of living of many small farmers. In consequence, according to the Commission, a number of special arrangements were to be introduced in favour of small farmers if the price cut should not lead to flourishing national subsidies. This left only one realistic option open: the quota arrangement. The Commission, therefore, supported this option (Nedergaard 1988).

The first Commission proposal for a milk quota arrangement was negotiated in the Council of Ministers in the autumn of 1983 without results. Member states deeply disagreed about the introduction of the milk quota arrangement. The UK wanted a lower total milk quota. Belgium wanted special considerations *vis-à-vis* small farmers. The Netherlands wanted another year of reference as the basis of the quota arrangement. The Irish Republic wanted exemptions and threatened to veto any proposal. France wanted to limit the imports of fodder as it saw these imports as the main reason for the oversupply of milk. Luxembourg wanted specific considerations *vis-à-vis* disadvantaged areas. This was also the case of Italy and it wanted, along with Greece, another year of reference that would put it in a better position (Nedergaard 1988).

After these preliminary negotiations, the Commission changed strategy and put forward a proposal implying a 12 per cent price cut in case no quota arrangement was adopted. A price cut of 12 per cent would lead to significantly lower incomes for most milk producers, and it would especially hurt small milk producers. Hence, the Commission put direct pressure on member states in order to make them accept the quota arrangement. The Commission succeeded with its strategy. After several meetings, the ministers of agriculture agreed in March of 1984 on the introduction of a milk quota arrangement. This arrangement implied a larger degree of flexibility than originally envisaged by the Commission. Hence, member states could choose between quotas relating to individual farms as well as on the level of dairies. The final proposal also meant an increase in the total milk quotas as well as an extra milk quota for Ireland (Nedergaard 1988).

As far as the milk quota arrangement is concerned, as can be seen, the basic preferences relied on the commonly accepted conception of the CAP as the protector of small farmers and farmers in disadvantaged rural areas, which was a conception strategically used by the Commission to carry through reform. On the top of these considerations only various technicalities were discussed: the year of reference, the administrative level of quotas, special treatment of certain member states, etc. The final reform was in line with the expectations of Olsonian rational choice theory (Olson [1965] 1971): when a policy comes under pressure to be reformed, the final reform will safeguard the well-organized interests at the costs of the less well-organized interests due to the asymmetry of the 'political market'. In the milk quota arrangement this meant that consumers did not get the cuts in milk prices that the over supply on the milk market made possible.

### 1985–1992

The problems of the CAP did, however, not wither away in the aftermath of the implementation of the milk quota arrangement in 1984. On the contrary, the CAP came under increasing pressure during the so-called Uruguay Round of trade negotiations in the beginning of the 1990s when the USA successfully got trade in agricultural products onto the agenda. Within the EU, the member states that were from the beginning against the reform



were the UK, Denmark, Belgium, the Netherlands and partly France. These member states have either benefited from the traditional CAP (Denmark and the Netherlands), benefited very little from the CAP in general (the UK) and/or were producers of northern products (Belgium and partly France). At the same time, several member states that were originally against the 1992 reform were also strongly in favour of a General Agreement on Tariffs and Trade (GATT). This was the case of the UK, the Netherlands and Denmark. Therefore, these member states came increasingly under stress as it became clear that a condition for a GATT solution was reform of the CAP (Nedergaard 1995, 137).

As discussed previously, ideas informing the CAP are mainly characterized by continuity. However, the period 1985–1992 may also be characterized by significant ideational changes, which fed into the 1992 CAP reform. Thus, in addition to a CAP informed by concerns with surplus production, budget pressure, the protection of small farmers and particularly disadvantaged agricultural areas, it had from 1985 onwards become acceptable and legitimate also to conceive of the CAP as having a role to play as a protector of the environment (Jones and Clark 2001; Lynggaard 2006).

Ideas on the CAP as the protector of the environment were first promoted by groupings within the European Parliament, but soon such ideas were also advocated by the Commission Services, the Commission, and later also within the Farm Council (Jones and Clark 2001; Garzon 2006; Lynggaard 2006, 2007a). The Organization for Economic Co-operation and Development (OECD) had pushed for decoupled payments (by the way, in line with the farm policy already practised in the USA) for some time as this was broadly recognized by economists as the least distorting and least welfare-decreasing way of supporting farmers (Coleman, Grant, and Josling 2004). The low price model — combining low prices with direct income support measures — was perceived as much more welfare optimal than the EU's high price model where farmers were supported through high prices. This fact would have great importance on both the 1992 MacSharry reform and later also the 2003 Fischler reform.

It was in this discursive context that the Commission — one year before the 1992 CAP reform — had put forward guidelines for which new preferences should be embedded in the upcoming CAP reform. The new preferences concerned preserving the rural social structure and the cultural landscape. Farmers should also play an important role as both producers and protectors of the environment through the introduction of less damaging production methods. In general, it should be an independent goal of the CAP to promote less intensive agricultural production. In addition, agricultural support should be better distributed across farmers and regions of the EU. Finally, according to the Commission, the CAP should have a more direct impact on the incomes of farmers (Nedergaard 1995).

First and foremost, the MacSharry reform meant a considerable decrease in the price of grain which was, however, compensated through direct payments no matter whether farmers produced something or not. In addition, 15–20 per cent of the arable land had to be set aside, but this objective



was only to be fulfilled for the large grain producers. Milk and beef producers also had to face price cuts taking into consideration the specific conditions of the less efficient farmers. Finally, environmental concerns were much more embedded in the MacSharry reform of 1992 than in the milk quota arrangement eight years earlier.

Environmental concerns could have been part of the milk quota arrangement. For example, one could have made it a condition for getting milk quotas or — at least — for getting additional milk quotas that certain environmental standards were met. However, environmental concerns were not such a strong preference in 1984 as they had become by 1992 when they were integrated into the reform as part of the new policy instruments. In other words, new preferences were formed or constructed in the meantime as part of a gradual development of so-called post-materialist preferences (Hay 2002, 216–50). The most important new instrument in the MacSharry reform was area premiums that compensated farmers for price cuts no matter whether they utilized their land or not. Of course, this is meant as an incentive to less intensive exploitation of the farming land.

In conclusion, after the implementation of the MacSharry reform, the level of agricultural support was kept at the former level as desired by a well-organized farm lobby; however, the payment for the support of farmers was partly transferred from one weakly organized group (i.e. the consumers) to another weakly organized group (i.e. the tax payers). At the same time, due to changes in preferences as far as the EU decision makers and their constituencies are concerned, the CAP had undergone a transformation from a high price policy to a low price policy combined with direct payment *ad modum* the US agricultural policy model.

### 1993–2003

The most significant ideational developments within the CAP in the period from 1993–2003 — particularly since 1996 onwards — were the increasing emphasis on food safety and food quality, but also — since the late 1990s — an increased concern with the liberalization of agricultural trade and the international competitiveness of European agriculture (Lynggaard 2006). Compared with the 1992 CAP reform, the 2003 Fischler reform<sup>2</sup> highlighted even more environmental concerns in combination with other concerns with regard to animal welfare and food security. Just as in 1992, ideas forming the bases for trade negotiations within the WTO fed into the 2003 Fischler reform. However, the Mad Cow crises, which were on top of the agenda both in 1996 and again around 2000/2001, also played an important role as a de-legitimizing factor as far as industrialized agriculture is concerned. These crises were conducive to the development of more post-materialist preferences among decision makers and their constituencies.

It was in this discursive context that the Commission in 2002 presented a plan for a reform of the CAP. First, it proposed a full decoupling of the support for farmers, i.e. that they would have no obligation to produce agricultural goods (like grain) covered by the arrangement of direct support.

Secondly, it meant that 20 per cent of all agricultural support was supposed to be redirected towards general development of agricultural districts. Thirdly, the Commission proposed price cuts for milk and grain. Fourthly, the Commission introduced the concept of ‘cross-compliance’ which means that the support for farmers should be given only on the condition that certain criteria concerning environmental protection, animal welfare and food security are met. From the very outset, Franz Fischler had support for a CAP reform from the UK, Germany, the Netherlands, Denmark and Sweden; however, the majority of member states opposed his reform plan. Nevertheless, in May 2003, Ireland, Belgium, Austria, Greece and Italy had changed their beliefs concerning a reform of the CAP, and now accepted a CAP reform, leaving France, Spain and Portugal without a blocking minority in the Council of Ministers (Nedergaard 2006b). As always, the final reform was less radical than in the Commission’s original proposal. Among other things, agricultural support was not fully decoupled and grain prices were not cut. In addition, member states were given more administrative flexibility in order to implement the reform. Nevertheless, the consequences of the reform were clear: the agricultural support was now to be paid by tax payers to an even greater extent than in the reform of 1992 (Nedergaard 2006a).

### **Comparison and Concluding Remarks**

In comparison, clearly, the CAP reforms of 1984 onwards reflect a dramatic shift as to how central decision makers and their constituencies think about agricultural support. The preferences in the agricultural policy field of the 2000s are quite different from the 1980s. Within these twenty years a shift in direction of post-materialist preferences had taken place. At the same time, the institutional conditions in the form of organized interests, European institutional actors and their interests, as well as the interests of member states remain relatively unchanged. Agricultural interests have become somewhat weaker during this period, but they are still more powerful than those groups which are potential opponents of the financial support for farmers, namely consumers and tax payers. Basically, the institutions constituting the political asymmetry of the ‘political market’ of the CAP are relatively intact.

All three CAP reforms analysed in this paper signify a gradual shift in the preferences in the area. Decision makers’ preferences have shifted, to a large extent, over the time period analysed as a result of, among other things, the shifting discourses with regard to the problems of the CAP. In other words, preferences with regard to which set of agricultural problems should be solved by which policy instruments have changed, whereas the institutions of the CAP are relatively stable. Table 2 contains the changes with regard to the preferences and institutions in the three reforms of the CAP.

When ideas and preferences within the CAP have been fixed or frozen for a period of time, the content of the reforms may be explained on basis of the potential asymmetry that prevails in the political market place between

**Table 2.** Three reforms of the CAP: changes in preferences and institutions

| Reform                             | Preferences  | Institutions  |
|------------------------------------|--|---|
| The milk quota arrangement in 1984 | <ul style="list-style-type: none"> <li>(1) Specific considerations to small producers.</li> <li>(2) Specific considerations to disadvantaged areas.</li> <li>(3) Preserve high price system.</li> </ul>                                  | <ul style="list-style-type: none"> <li>(1) Very well-organized agricultural interests.</li> <li>(2) Strong and independent Commission safeguarding the long term interests of the EU.</li> <li>(3) A Council of Ministers structure making it possible for member states to promote short term interests.</li> </ul>  |
| The MacSharry reform of 1992       | <ul style="list-style-type: none"> <li>(1) Specific considerations to small producers.</li> <li>(2) Specific considerations to the environment.</li> <li>(3) Gradual transformation of the CAP towards a low price system.</li> </ul>    | <ul style="list-style-type: none"> <li>(1) Well-organized agricultural interests.</li> <li>(2) Organized environmental interests.</li> <li>(3) Strong and independent Commission safeguarding the long term interests of the EU.</li> <li>(4) A Council of Ministers structure making it possible for member states to promote short term interests.</li> </ul> |
| The Fischler reform of 2003        | <ul style="list-style-type: none"> <li>(1) Specific considerations to small, non-industrialized producers.</li> <li>(2) Specific considerations to the environment.</li> <li>(3) Specific considerations to the food quality.</li> </ul> | <ul style="list-style-type: none"> <li>(1) Well-organized agricultural interests.</li> <li>(2) Organized environmental interests.</li> <li>(3) Strong and independent Commission safeguarding the long term interests of the EU.</li> <li>(4) A Council of Ministers structure making it possible for member states to promote short term interests.</li> </ul> |

well-organized business interests, on the one hand, and the weakly organized consumer and tax payers' interests, on the other hand. At the same time, the independent Commission and its specific position as a policy entrepreneur within the EU political system is also an important impetus for all three CAP reforms (cf. Nedergaard 2008).

The basic aim of this paper has been to argue that in order to move towards a more comprehensive understanding of policy reforms we need to bridge our knowledge from constructivists and rational choice institutional perspectives. We have suggested that, on the one hand, constructivist arguing processes may be useful to capture and conceptualize the medium to longer term constructions — both in terms of continuity and change — of the ideational context, which sets out the scope conditions for preference formations. On the other hand, rationalist bargaining processes are helpful

when zooming-in on short term decision making characterized by agents seeking to maximize their conceived interests in any given policy reform process.

## Notes

1. The distinction between the short term, the medium term and the long term is well known in economic theory where these periods of time normally correspondent to up to three–four years, between four and ten years and more than ten years, respectively.
2. Named after the Austrian commissioner for agriculture, Franz Fischler.

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