The Common Agriculture Policy (CAP): Achievements and Future Prospects

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Abstract This paper aims to offer an analysis of the Common Agriculture Policy over the past 60 years. Taking the poor conditions of European agriculture between the two world wars as a starting point, this analysis considers the reasons that compelled the EU founding fathers to insert agriculture among the key sectors seen to further integration. Furthermore, this study aims to demonstrate how the protectionist attitude adopted by the European Commission actually arose from a long tradition of intervention by national governments in almost every European State.

As a matter of fact, the CAP was initially characterised, on the one hand, by a protectionist approach and, on the other hand, by a strong productivist attitude, in order to both guarantee European food independence and support farm incomes. These goals were attained, thanks to a price support system, which became very expensive with respect to the available EEC budget. In the 1980s, the European Commission came under the pressure of both national governments and economic globalisation, and consequently reviewed the CAP, thereby contributing towards a change of paradigm in the European agricultural sector. As a result of three main reforms—the MacSharry Reform (1992), the Agenda 2000 (1999) and the Fischler Reform (2003)—the CAP has become more centred on a multifunctional approach based on two principal pillars: firstly, aid towards food production, i.e. direct support to farmers, and, secondly, initiatives promoting the development of sustainable agriculture, according to an "agroecological" perspective, which allows for the protection of nature, as well as of regional cultures and traditions.

Keywords Agroecology • Common agriculture policy • Multifunctional agriculture • Productivism • Protectionism

1 The Agricultural Exception

A consideration of the history of European agriculture over the last fifteen centuries reveals a clear moment of change in the second half of the nineteenth century. This was marked by the introduction of the first agricultural machinery and the

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M. Monteduro et al. (eds.), *Law and Agroecology*,
DOI 10.1007/978-3-662-46617-9_9

increasingly widespread use of chemical fertilisers.[1] Nonetheless, agriculture has continued to be a high-risk economic activity, subject not only to normal market fluctuations but also, above all, to weather uncertainties. Bearing in mind these precarious premodern conditions allows without doubt for a greater appreciation of the purposes of the Common Agriculture Policy and its less famous antecedents. According to the "prophecies" of Alexis de Tocqueville and Donoso Cortés, it was the introduction of Russian and American wheat into the world market at the end of the nineteenth century that initiated a process of economic globalisation, consequently obliging European States to find solutions to the cut-throat competition of these future superpowers.[2] While Great Britain continued with its free trade tradition, all the other governments adopted a protectionist approach, in order both to protect weak agricultural sectors and to avoid strong deficits in their trade balances.[3] Moreover, during the First World War, food requirements became one of the main battlefields over which the Central Powers lost the war, but only because France, Great Britain and Italy received extensive aid from the United States. A key feature of this aid was characterised by "Executives", an innovative administrative tool through which national governments could negotiate without parliamentary control.[4]

As a matter of fact, the war amply demonstrated that the agricultural sector was unable to feed all Europeans, thereby obliging every single government to find new ways of protecting their farmers and food production. In large parts of Europe, agriculture was primarily engaged in at a subsistence level, as farmers used traditional methods, while production was low and not market oriented. Aside from the war, other reasons contributed to this degenerating situation, namely, the generally low level of education among rural populations, widespread illiteracy and low standards of living. Policies centred on the well-established protectionist approach were adopted almost everywhere, and this tendency was strengthened during the 1930s by the outset of the Great Depression, resulting in the slowing down of agricultural reforms. Subsequently, European agriculture was characterised by marked underdevelopment on the eve of the Second World War, which confirmed the idea that agriculture had to be managed in exceptional ways. World War II heavily contributed to the ruin of the entire European economy, and its agricultural sectors were strongly affected by the general depression, leading to much concern among political leaders, particularly in the US. When new democratic States were re-established by the Allied Powers in Western Europe, every single government concerned decided to intervene openly in the agricultural sector, in order to produce more food and overcome the famine experienced during the war.[5] As a matter of fact, widespread opinions suggested that price instability

[1] Slicher Van Bath (1963).

[2] O'Rourke (1997), pp. 775–801.

[3] Foreman-Peck (1983).

[4] Laqua (2011).

[5] Milward (1984).

during the 1930s had provoked the establishment of fascist dictatorships in Europe. Meanwhile, in the postwar period, fear of a Communist revolution predominated, together with concerns about the financial imbalance related to trade between Europe and the USA, without much consideration being given to the electoral weight of farmers and their political organisations.[6]

In order to help the agricultural sector, almost every national government decided to buy agricultural products at fixed, high prices so that farmers' income could be protected from market fluctuations.[7] This political decision exemplified some of the main features of the first CAP paradigm: the idea of agricultural exception, the consequent need for protectionist policies and, last but not least, political concerns regarding a significant part of the electorate.

Discussions on the integration of agricultural policies in Europe began immediately after the Second World War had ended. Talks took place in the Council of Europe and the OEEC (Organisation for European Economic Co-operation) between seventeen nations, based on proposals from France, Britain and the Netherlands. Meetings were centred on two important issues: firstly, the security of food supplies, which was hard to guarantee as a result of the war and had key consequences, such as a decline in food consumption and a high level of dependency on food imports, and, secondly, the security of income for farmers, which was of considerable significance, seeing as important empirical studies had shown that farm incomes were lagging behind those of other sectors.[8]

Unfortunately, these negotiations on creating a common policy for agriculture, which took place between 1952 and 1954—during the same years in which the European Coal and Steel Community (ECSC) was taking its first steps—failed to bring about any kind of agreement. These discussions were paralysed by differing opinions between France and the Netherlands on the one side, both arguing for a supranational policy and strong community preferences, and Britain on the other side, opposing any form of supranationalism and strongly committed to maintaining relations with the Commonwealth.

Nonetheless, the discussions and, likewise the breakdown of these talks, served to identify differences in opinion between European countries, at least in relation to agricultural issues. It became evident that views on these issues varied, not only according to political preferences but above all depending on a wide range of reflections dating back to historic events and also concerning the traditions and specific culture of every single State.[9]

A historic tendency towards protectionism is only one of the reasons that may explain why, during the 1955 Conference of Messina, the six ECSC member States decided to insert agriculture in the future Treaty establishing the European Economic Community (EEC). Another reason for this decision can undoubtedly be

[6] Milward (1992).

[7] Johnson (1947).

[8] OECD (1961).

[9] Tracy (1989).

found in the awareness demonstrated by the European founding fathers, in considering the complexity of agricultural issues, without isolating these from more general economical concerns. Although agriculture represented only a minor part of the GNP of many European States, it was impossible to imagine a single market without involving agricultural goods.[10] According to Sicco Mansholt, there were at least four good reasons to include agriculture in the European integration process in 1957: first, the practical difficulty of excluding agriculture from being part of an integrated market, due to the impossibility of drawing a clear line between agricultural and industrial products; second, agriculture played a major role in the economies of the six countries concerned; third, food price levels and fluctuations were significantly influenced within each national economy by agricultural markets and policies; and, fourth, changes and adjustments in the agricultural sector were essential to general economic growth.[11]

Nonetheless, in spite of the decision to include agriculture in the process of European economic integration, the Treaty of Rome failed to provide clear regulations for the CAP, thereby referring agreements on a common agricultural policy to further negotiations among European States. The decision to wait for the Treaty to enter into force had some practical consequences, allowing every member State to introduce its own political traditions into the new communitarian policy. As a matter of fact, the implementation of an intergovernmental approach in establishing the new Common Agricultural Policy reveals the difficulties in understanding the CAP without adopting a long-term perspective, able to match the EEC legal framework with the cultural and political heritage linked to its agricultural milieu.[12]

2 The Birth of the Common Agriculture Policy

On 1 January 1958, the EEC Treaty, signed in Rome on 27 March 1957, came into being, driving European integration towards new and more ambitious goals following the innovative experience of the ECSC. Besides providing for the establishment of a common market, articles 38–47 of the Treaty covered the agricultural sector, offering, however, only some basic guidelines that required further negotiations in order to be implemented. Article 39, more specifically, presented a set of objectives for the CAP, such as the resolution to increase agricultural productivity by promoting technological progress, by ensuring the rational development of agricultural production and by optimising the use of factors influencing production, with particular regard to labour. As a consequence, European policymakers aimed to ensure a fair standard of living within the agricultural community, most specifically by increasing the individual earnings of those engaged in agriculture.

[10] Brandow (1977), pp. 209–294.

[11] Mansholt (1963).

[12] Tracy (1984), pp. 307–318.

Through the process of stabilising markets, the CAP aimed to ensure both the availability of supplies and reasonable prices for consumers. Article 40, in particular, set forth an agenda for the actualisation of the CAP. This was articulated in stages to be implemented over a 5-year transition period starting in 1962. Article 43, subsequently, made the Commission responsible for designing the actual policy, and the deadline for starting the CAP was fixed within 2 years.[13]

According to the new communitarian method, the European Commission held the power of initiative to set up the CAP framework: with this in mind, the European Commission invited national delegations to a conference in Stresa (Italy) from 3 to 12 July 1958, each composed of politicians, civil servants and representatives of organisations in the farm and food industries, in order to discuss key problems facing the agricultural sector. Discussions involved three working groups and led to conclusions, which influenced all future EEC decisions. The affirmation that agriculture had to be considered both as an effective part of the economy and as a basic factor of social life was taken as a starting point. According to this general principle, the new CAP aimed to promote both intra-community adjustments and fixed custom duties on agricultural goods coming from extra-EEC countries. In this context, the need to protect the single market was accompanied by a policy oriented towards the reformation of the entire European agricultural sector, with the goals of promoting productivity and increasing price levels while avoiding the risks of overproduction and also supporting less competitive regions.[14] However, the medium-term goal was to fill the gap between the agricultural and industrial sectors, in order to avoid the depopulation of rural areas and the breakup of secular traditions, well represented by family-owned farms.

The strategy adopted to attain these goals was centred on three pillars: first, the absolute centrality of agriculture in the general economic strategy of the Community; second, the protection of intra-Community trade in agricultural products against distortions from the world market; third, the provision of a market organisation based on price support, working in close relation to structural policy measures.

This latter point, together with the idea that family-run farms should be the cornerstone of European agriculture, represented the most important issue that emerged at Stresa: a common agricultural policy established on price support without any form of structural policy would never result in the achievement of the most important objective concerning farmers' income. On the other hand, some delegations argued that this kind of approach would create a wide range of problems for the Community, especially concerning the EEC budget and the long-term sustainability of European agriculture.[15]

In 1960, after 2 years of in-depth reflections and hard work, the European Commission presented an initial draft for the CAP. This was founded on the French

[13] Fearne (1997), pp. 11–55.

[14] Communauté européenne (1958), p. 250.

[15] Tracy (1994), pp. 357–374.

and Dutch points of view and contained three pivotal features: firstly, free intra-community trade, with no barriers and restrictions to trade in agricultural products between member States; secondly, a preference for Communitarian agricultural products; and, finally, common funding for the CAP.[16]

In order to understand this broader framework, it is vital to consider a question that concerns the CAP in all its different aspects: why did the EEC and its member States decide to adopt the continental approach, founded on artificial price fixing, instead of direct income support, drawing on the example of the United Kingdom? The reason may be found in the long tradition of direct interventions experienced by many European States, on the basis of fears of predictably heavy political and social consequences incidental to a productivist approach. However this may be, this proposal was implemented in the course of the 1960s and succeeded in dealing with numerous problems, most importantly concerning the price levels of agricultural products and, moreover, regarding who was financially responsible for the high costs required to ensure an adequate standard of living for agricultural populations, particularly through higher individual earnings.

In this sense, price fixing was at the heart of the struggle between France and Germany during the time between the Conference of Stresa and the launch of the CAP, in December 1964. As a matter of fact, the CAP was born as a French–German agreement, centred on the reciprocal exchange between the superiority of German manufacturing industries and French predominance in agricultural productions. In some way, CAP negotiations provide some of the most valuable insights to how European integration developed, characterised by recurring breaks between France and Germany, with the latter initially reluctant to accept the French proposal and eventually obliged to do so.[17]

France, with over 20 % of its population working in the agricultural sector and almost 10 % of the GNP deriving from farm production, had a real interest in the CAP and considered it to be an indispensable requisite for participation in European integration. According to De Gaulle, the entry into force of the CAP allowed France to modernise its agricultural sector, thereby solving extensive social problems, as well as helping France to keep economic parity with Germany, in order to safeguard its political predominance inside the Community. On the other side, Germany was worried about losing all traditional trade links with third countries, involving the buying of agricultural goods and the sale of industrial products. As a matter of fact, the perspective of having a single market for its enterprises convinced Germany to adopt the CAP, thereby allowing Dutch and French agricultural goods to enter a bigger market.[18]

[16] European Commission (1960) Proposals for the Working Out and Putting into Effect of the Common Agricultural Policy in Application of Article 43 of the Treaty Establishing the European Economic Community. DG VI/COM (60) 105, Brussels.

[17] Thiemeyer (2009), pp. 47–59.

[18] Germond (2010), pp. 25–44.

The new CAP was built on the principles of free intra-community trade, on an EEC scheme of preferences and on common financing, which meant that it would be funded by means of a European budget. This latter feature resulted in the establishment of the European Agricultural Guidance and Guarantee Fund (EAGGF), with the "Guarantee section" responsible for paying almost 100 % of expenditures for community organisations dealing with agricultural markets.

During the first years of implementation, the European Commission, together with its member States, was engaged in the creation of a complex framework, oriented towards ensuring reliable income sources for farmers. On the domestic side, a tariff union was set up as a prerequisite for a common market based on free trade, while the creation of market organisations for all agricultural products allowed for high institutional prices. On the external side, the protectionist origins of the various national agricultural policies resulted in the establishment of a system of import levies and export restitutions, in order to safeguard communitarian agricultural products against the competition of third country goods.[19]

Clearly, this approach protected the strongest producers inside the CAP, such as French and Dutch farmers. However, according to the principle of common financing, the CAP shared all costs and benefits between member States, thanks to the provision that these issues were to be handled through the Community budget.

Following a period of transition, the CAP was fully implemented in the summer of 1967, with the fixing of high institutional prices for some of its major products—like sugar and butter—as a result of long and hard negotiations, later to be known as "agricultural marathons", between the six countries involved. These high prices were the consequence of a strategy adopted by Germany and Luxembourg, the weakest countries from an agricultural point of view, which insisted that their price levels were converted into CAP price levels in order to protect their inefficient farms.[20]

From a constitutional point of view, the agreement envisaged that structural policies would fall under the responsibility of national governments, contradicting the European Commission, which argued that the best solution was for common structural policies to work together with price support policies at a communitarian level.[21] In the end, as was predicted, the increasing costs of market support and the high price policy immediately resulted in a budgetary crisis. This was combined with the inability of many farmers to receive good incomes, in spite of all the mechanisms provided for by the CAP. On December 1968, the need to address the negative effects of the CAP led the European Commission to present a memorandum, which was significantly entitled "Agriculture 1980". In this document, the communitarian policymakers outlined a wide set of solutions to the problems the CAP was facing after only a few years.[22] Inspired by the strong figure of Sicco

[19] Hill (1984).

[20] Neville-Rolfe (1984).

[21] Ludlow (2006).

[22] European Commission (1968) Memorandum of the reform of agriculture in the European Community. DG VI/COM (68) 1000, Brussels.

Mansholt, the Dutch Commissioner for Agriculture, the memorandum revealed how the gap between farmers' incomes and other productive sectors had not been bridged. This was both a consequence of the inability of the high-price policy to solve problems concerning productivity and a result of some structural problems, such as the small dimensions of many farms and the progressively ageing population in the agricultural sector.[23]

The memorandum was inspired by the desire to improve on the welfare programs for farmers and, for this purpose, advanced the following proposals: the first aimed at transforming European agriculture by means of structural modernisation and the transformation of farmers into businessmen; the second concerned prices, which had to play their classical market economy role, matching supply with demand.[24]

In order to proceed with price cuts and reform agricultural structures, the Mansholt Plan foresaw that, in the long term, farms had to become bigger, thereby reducing costs and enabling farmers to compete on the world market. With this purpose in mind, the European Commission provided for two kinds of farms: on the one hand, "Production Units" (PU), big individual farms or farms associated with others, working on areas of 80–120 ha, and, on the other hand, "Modern Agricultural Enterprises" (MAE), i.e. farms that decided to merge with other farms, in order to reach a critical mass of 80–120 ha. In both cases, the goal was to ensure adequate incomes for farmers while envisaging the possibility that these new productive units would, within 5 years, become the only beneficiaries of EEC aid.

In order to limit the increasingly big agricultural surplus, the Mansholt Plan aimed to reduce the existing number of European farmers by 5 million within 10 years, by way of a program of incentives, early retirements and other preferential treatments. At the same time, European technocrats sanctioned the reduction of 5 million ha of arable land.

According to this dirigiste approach, the entire Mansholt Plan revealed itself to be not only a wide set of measures concerning agricultural issues but above all an extensive study aimed at finding solutions to many social, political and economical problems concerning European agriculture.[25] On the other hand, throughout the 1960s the project of establishing a more advanced agricultural sector was the main topic on the communitarian agenda, involving technicians, agronomists, engineers, law scholars and sociologists in a long-lasting debate. In spite of this complex cultural background, agriculture was basically considered to be an economical problem. Some issues—such as the common use of financial funds and services and the merging of farms—clashed with the general opinion of EEC member States, with their preference for not considering their respective agricultural sectors within a long-term perspective. In other words, the Mansholt Plan was ahead of its time, while member States were extremely keen on maintaining socio-economical

[23] Seidel (2010), pp. 83–102.

[24] Knudsen (2009).

[25] Sheingate (2001).

issues under their control, leaving only the power to fix common prices to the European Commission. As a consequence, the more advanced proposals of the Mansholt Plan were not accepted and, on April 1972, the European Commission presented further directives, which outlined a program centred on three pillars: modernisation, early retirements and socio-economical assistance.

In spite of the violent opposition provoked by the dirigiste approach of the Mansholt Plan in farming circles throughout Europe, it provided anything but a straightforward analysis of some undeniable tendencies affecting Western Europe at the time, namely the passage from agrarian to postindustrial societies, marking the end of a century-old world based on farmers and landowners.[26]

Before moving on to analyse the numerous reforms adopted between the end of the twentieth century and the first decade of the twenty-first century, it is equally important to mention the Schuman Plan, which was also launched in 1951 to create a single market for coal and steel. However, after a few years, the High Authority of the European Coal and Steel Community was obliged to manage the closure of coal mines across Western Europe. Similarly, the EEC found itself faced with a process of extensive reorganisation in an economical sector, which was about to lose its centrality after at least 2000 years.

3 The Obsession for Reforms

As has been seen, the CAP price support policy turned out to be too expensive to both improve agricultural production and attain market stabilisation and was consequently identified as a kind of original CAP sin.[27] From the very beginning, many observers highlighted that if producers knew that all their products would be sold at a fixed price, they would expand their production up to a point where marginal costs matched guaranteed prices. As easily imagined, farmers immediately took advantage of this simple truth and production rates soared, leading to overproduction and a budgetary deficit.[28]

Moreover, during the first 30 years following its implementation, the CAP neglected structural policies while focusing on an agrarian and productivist strategy in order to increase farmers' income. As a result, it failed to reach one of its main goals, namely the structural reform of European agriculture, according to the "Guidance section" of the EAGGF, which co-financed measures to improve agricultural production and marketing structures, as well as compensatory allowances for less-favoured areas.

From 1969 onwards, the financial situation increasingly worsened, seeing as the EEC was obliged to abandon the common price policy, one of the pillars on which

[26] Ludlow (2005), pp, 347–371.

[27] Hofreither (2007), pp. 333–348.

[28] Josling (2009), pp. 115–176.

the entire CAP was built. The main reason for this decision was a strong re-evaluation of the Deutsche Mark (DEM) and a simultaneous devaluation of the French Franc (FF), which led to the introduction of the "Monetary Compensatory Amount" (MCA), which was able to balance differences in income between French and German producers. Many observers noted that the introduction of MCAs resulted in a new nationalisation of price policies, making a CAP reform even more difficult.[29]

In this sense, the role played by national organisations in establishing the CAP structure in each country turned out to be a major stumbling block to reforming the entire agricultural sector. The combined effect both of agricultural policies managed by national governments and of a corporatist approach resulted in decades of inertia, characterised by yearly meetings during which common prices were fixed.[30]

Along with the impossibility of proceeding with a deep structural reform of the European agricultural sector, the protectionist nature of the CAP provoked severe international disputes with the United States and third-world countries, all of which requested that their agricultural products be treated equally to communitarian ones. To tell the truth, the General Agreement on Tariffs and Trade (GATT), established in 1947 on the principles of non-discrimination, open markets and fair trade, did not provide for agricultural products, thus leaving the way clear for the EEC to rule the agricultural sector according to its original protectionist approach. However, over the years, the postwar international trade framework needed to be reformed, and during both the Kennedy Round (1964–1967) and the Tokyo Round (1973–1979), the CAP was accused of being an obstacle to free trade and of creating distortions within the market.[31] Aside from critiques coming from third countries, the CAP gained increasing disapproval within the EEC, especially because a large part of its budget was destined to the CAP, thus limiting the development of new policies in other fields. During the 1980s, the CAP approach became untenable, also due to the British crusade against the EEC budgetary policy, which was principally devoted to financing the CAP and, indirectly, the French, Dutch and German agricultural sectors. Up against Margaret Thatcher's request to "get her money back", the European Commission realised that it was high time to proceed with a wide set of reforms.

Apart from the entry into force, in 1985, of the new European Commission chaired by Jacques Delors, there were many other reasons in those years that led to the inauguration of a new CAP season. A primary reason undoubtedly concerned economic issues, such as the concentration of properties in Northern Europe and the enduring smaller dimensions of farms in Mediterranean countries. If on the microeconomic level the problem concerned the low profitability rate of many farms, especially in Southern Europe, on the macroeconomic level the main problem was

[29] Webber (1999), pp. 45–67.

[30] Spoerer (2010), pp. 143–162.

[31] Daugbjerg (2004).

the increasing budgetary deficit and the challenge of managing massive European overproduction, especially in the milk and dairy sector.

In this context, with the CAP literally drowning in a lake of milk, the start of the Uruguay Round in 1986 influenced the decision to proceed with a process of reforming the PAC, also due to the increasing pressure of the United States and the ACP countries, which were lobbying for the elimination of both EEC trade barriers and custom duties for third-country agricultural goods.[32] In this sense, the successful conclusion of the Uruguay Round, with the establishment of the World Trade Organization (WTO) in 1994 and the inclusion of agricultural goods in global trade regulations, marked a new step in the economic history of the CAP.[33]

As a matter of fact, the general dissatisfaction with the CAP not only was based on economic reasons but was also due to a cultural change that occurred between the late 1970s and mid-1980s. At this time, European societies experienced a wide range of cultural innovations, ranging from a new awareness of natural resources and sustainable development to a novel degree of consumerism requiring new regulations ensuring food safety. Meanwhile, debates on globalisation and the development of capitalism reinforced arguments that both domestic and EEC policies should not distort trading, thus handicapping less-developed countries.

The fight against protectionism was one of the main issues supported by economists, who underlined how the CAP gave rise to overproduction, thereby favouring hidden income transfers from consumers to producers, as well as having negative effects on income distribution in importing countries and on fair trade.[34] Other issues concerned the need to redefine price policies and inevitable doubts concerning the upkeep of a quota system in order to reduce and control overproduction, without, meanwhile, neglecting the welcome increase in overall environmental awareness.

To sum up, in the mid-1980s, widespread opinion stated that the first paradigm of CAP—centred both on the idea that agriculture had to be considered a protected sector and that the modernisation of agriculture had to be managed through State intervention—was in need of change. Above all, it was necessary to imagine new perspectives for economic activities, conceived until then only from a productivist point of view. In this sense, the European Commission took on the responsibility of changing the CAP, as it had been to date, namely, established on price policies, protectionism and the forced modernisation of agriculture.

In 1985, the new President of the Commission, Jacques Delors, inaugurated a well-structured path to reform this outdated agricultural sector, which was unable to ensure all the goals of the Rome Treaty and also a heavy burden on the EEC budget. Foremost, the new European Commission promoted two studies: a green paper with consultative purposes and a white paper focused on operational proposals and the need to base budgetary constraints and agricultural support on social and

[32] Meunier (1998), pp. 193–211.

[33] Josling and Tangermann (1999), pp. 371–388.

[34] Bullock (1992), pp. 59–67.

environmental grounds.[35] Although the proposals outlined in these EC studies were never implemented as reforms, they did contribute to a debate on the future of European agriculture, as demonstrated by the 1987 report presented by Frans Andriessen, the Dutch European Commissioner for Agriculture, centred on the need to safeguard the EEC budget. A year later, the EEC Commission presented a first reform, known as "Delors First Package", which—in the period 1989–1993—provided for an annual limit to agricultural expenditure growth and a mechanism of maximum guaranteed quantities, aimed at reducing price support, when quotas established in 1984 were surpassed. As to structural policies, these were strengthened by the EEC Commission, thanks to a reform of the Guidance section of the EAGGF, inspired by increased environmental awareness.

4 Reforming the CAP

Without wanting to adopt a deterministic approach, it is fair to say that the first successful attempt of reforming the CAP in 1992 was not by chance. Instead, it represented an out-and-out break in the European integration process. In the same year in which the European Union Treaty was signed in Maastricht, the European Commission launched an in-depth reform, which took the name of the Irish Agricultural Commissioner, Ray MacSharry.[36] In 1991, the European Commission had presented a report, which outlined the CAP weaknesses, clearly bringing to light the budgetary deficit deriving from the farm income support system. According to this EEC paper, the imbalance in CAP finances was caused by the guarantee placed on market prices rather than farm incomes, leading to detrimental consequences: first of all, high prices for European consumers and high costs for the EEC budget; second, increase in trade tensions with international partners, especially the United States and less-developed countries; and, last but not least, increase in environmental costs caused by soil over-exploitation.

In this sense, the 1991 paper proposed to reduce production incentives through a radical change of focus from market prices to direct income aid. Thanks to a second paper published some months later, the European Commission outlined a wide set of measures, in order to both reduce overproduction and provide an answer to the increase in environmental concerns, following the June 1992 Rio Conference on sustainable development.[37] Among the envisaged measures, the most important one was to reduce price support levels by 35 % over the next 3 years, with farmers being compensated for any resulting losses. However, compensation was dependent on

[35] European Commission (1991) The development and future of the CAP: reflections paper of the Commission, COM (91)100 final.

[36] Coleman and Tangerman (1999), pp. 385–405.

[37] Swinbank (1993), pp. 359–372.

participation in a set-aside program, which foresaw the reduction of arable land by 15 %.[38]

As a matter of fact, ever since 1981, the EEC had been experiencing an agonising reappraisal concerning the over-exploitation of the European environment: in the self-same year, the European Commission launched its first programs of integrated development, centred on a multisectorial approach, with agriculture being conceived as a key element influencing regional economies. Five years later, the Single European Act established the principles and goals of an EEC Environmental Policy, which concerned issues closely linked to the agricultural sector, such as the preservation and improvement of the environment and health protection, as well as a more functional exploitation of natural resources.[39] In other words, with the First Delors Commission, the EEC aimed to establish a new green paradigm, founded on the necessity to maintain social cohesion in rural areas while also safeguarding unique agricultural landscapes created over a period of two millennia. Beyond price support reductions and the introduction of direct payments managed by member States, the MacSharry Reform provided for the establishment of compulsory agri-environmental measures in aid of farmers, who were remunerated for their role in preserving rural landscapes. Besides the reforms, which affected some commodities, including the milk and livestock sectors, the most important proposals concerned the reinforcement of structural measures in line with the Guidance section of the EAGGF. On the one hand, the MacSharry reform further extended four measures originally envisaged at the time of the Mansholt Plan: (1) supporting the early retirement of farmers, (2) providing aid for mountainous and less-favoured areas, (3) promoting the agri-environmental approach, and (4) transforming agricultural land into forests. On the other hand, the new structural funds consisted of various measures, including the adjustment of agricultural structures, the development of rural areas, and the setting up of the LEADER initiative, in order to involve rural communities in the EEC development program, and thereby transforming farmers into key actors implementing the European cohesion policy.[40]

As a matter of fact, the year 1992 marked the redefinition of European agriculture on the basis of a number of key principles: foremost, agricultural exception was no longer reason enough to justify protectionism for a sector that was by now well obsolete. On the contrary, the need for a modern agricultural sector became highly evident in order both to prevent individual member States from establishing their own separate agricultural policies and to maintain political stability in the countryside.[41] This latter goal was aimed at creating a system of agricultural welfare, aligned with the new CAP environmental goals to resist social instability and mass migration from rural areas.

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[38] Kay (1998).

[39] Jack (2013).

[40] Mahé and Roe (1996), pp. 1314–1323.

[41] Moyer and Josling (2002).

Nevertheless, the new European Union was about to face new challenges: externally, these included the end of the Uruguay Round and the establishment of the WTO in 1994, whereas domestically both the greater degree of integration and the envisaged enlargement of the EU to Central and Eastern European countries presented their own trials.[42]

As a consequence, only 3 years later, on December 1995, the new European Commission presented an "Agriculture Strategy Paper", which considered all the long-term questions concerning the CAP.[43] This paper outlined three different strategies for the future: firstly, a new reform of the CAP following a few years on from the MacSharry Reform; secondly, a development of the CAP following the 1992 reform; and, lastly, time to reflect on the repercussions of the 1992 reform.[44] Predictably, the new European Commission, chaired by Jacques Santer, decided to adopt an approach able to develop the MacSharry reform without dismissing the pillars on which it had been established, i.e., the direct income system and the link between income payments and the provision of agri-environmental services. Without doubt, all these measures revealed how the new challenges—economic globalisation, environmental issues and the subsidiarity principle introduced by article 5 of the EU Treaty—induced the European Commission to conceive a CAP reform able to make European agriculture more competitive, more devoted to structural policies and, last but not least, generally more simple in order to allow member States to implement EU decisions.[45]

In this line, the Austrian EU Commissioner, Franz Fischler, announced a conference on rural development in Cork (Ireland) on November 1996, at the end of which a declaration was adopted, which reaffirmed the need for establishing the CAP on sustainable principles of development, by means of a rural policy centred on a multidisciplinary and multisectorial approach, so as to take the complexity of different rural areas within Europe into account.[46] After 30 years, the EU Commission finally acknowledged the diverse qualities of rural areas and landscapes, by involving local communities in the implementation of CAP programmes. However, this new intervention strategy was not accepted by a number of member States—i.e. France, Germany and some Mediterranean countries—that feared that rural development would divert funds from direct income. In 1997, the European Commission presented a new paper "Agenda 2000: For a stronger and wider Europe", which outlined a broad overview of the future European Union with respect to various fields, such as enlargement, financial stability and the reform of key EU policies.[47]

[42] Daugbjerg and Swinbank (2004), pp. 99–119.

[43] European Commission (1995) Study on alternative strategies for the development of relations in the field of agriculture between the EU and the associated countries with a view to future accession of these countries (Agricultural Strategy Paper), CSE (95) 607.

[44] Tangermann (1998).

[45] Coclanis (2003), pp. 71–84.

[46] European Conference on Rural Development (1996).

[47] European Commission (1997).

It is impossible to dwell here on all the measures regarding the CAP; however, it is fair to say that the proposals made by the Commission can be summarised on the basis of two guidelines: on the one hand, financial sustainability was considered a primary goal of the CAP, thanks to strict limitations on the EU budget, and, on the other hand, the entire CAP was submitted to severe reassessments.[48] According to these EC proposals, the new CAP would be founded on two main pillars: market measures and price support embodied the first pillar, aimed at improving the domestic and external competitiveness of EU agriculture while also ensuring food safety and quality, as well as a fair standard of living for rural communities.[49] The second pillar recalled the results of the Cork negotiations on rural development by integrating environmental concerns into the CAP and turning European farmers into *stewards of the countryside*, as famously coined by Jacques Delors. The creation of new job opportunities for farmers and the social cohesion of rural areas had to be guaranteed by the Guidance section of the EAGGF, while structural funds were dedicated to reinforce rural heritage and the modernisation of the entire agricultural sector. Despite endless discussions and heated debates provoked by these proposals, the European Council approved the Commission plan on March 1999, and in June of the same year, the new reform came into force with some minor changes, particularly concerning price policies, due to strong opposition among member States.[50]

Differences of opinion between the European Commission and various member States led to some hesitance in implementing this reform, which failed to solve the budgetary question of the CAP. As a result, the new century started with a new menace on the horizon, represented by the foreseen EU enlargement towards Central and Eastern Europe, which according to many observers, jeopardised the endurance of the entire CAP budget.[51]

In order to avoid structural problems related to a potential financial crisis, "Agenda 2000" required ongoing reform inspections so as to monitor the implementation of measures planned in 1999. As a consequence, a "mid-term review" took place in 2003. This eventually resulted in the most radical reform of the CAP since its creation, thanks particularly to the pivotal role played by the Austrian EU Agricultural Commissioner, Franz Fischler, who was able to manage a complex process of bargaining among various political, economical and social actors, such as the European Commission, national governments and various stakeholders, including farmers, consumers and other parties involved.[52] Beyond domestic dimensions, the international context played a key role in this process, conditioned both by the start-up of the WTO Doha Round and the Iraqi War, which catapulted

[48] Galloway (1999), pp. 9–35.

[49] Ackrill (2000), pp. 343–353.

[50] Katranidis and Vakrou (2002), pp. 5–29.

[51] Van Meijl and Van Tongeren (2000), pp. 445–470.

[52] European Commission (2002) Mid-term review of the common agricultural policy, COM (2002) 394 final.

the EU towards a free-trade approach and opened its internal markets to agricultural goods coming from the USA and less-developed countries.[53]

Regarding the main innovations introduced by this reform, it is noteworthy here to underline that budgetary problems were not of key relevance in explaining the main provisions adopted. As a matter of fact, the reform introduced the Single Farm Payment (SFP), which decoupled a large share of CAP support from production, thanks to the two new instruments of “cross-compliance” and “modulation”.[54] Modulation ensured the shift of funds from the first pillar—based on policy-fixed prices—to the rural development policies of the second pillar, thereby reducing financial transfers to larger farms and helping smaller farms.[55] The measure of cross-compliance made the SFP contingent upon a series of regulations relating to the environment and the multifunctional role of farms. Moreover, regarding food safety and the new environmental awareness, the Fischler Reform focused above all else on quality, thanks to the decision of decoupling farm support from production, thus indirectly favouring rural development. In reality, this reform presented some darker sides, as it was not only unable to influence the actual distribution of CAP benefits across countries and farms, but it was also ineffective in limiting its protectionist approach towards non-EU agricultural goods.[56] Likewise, the second CAP pillar was unsuccessful in reaching all the set goals, and at the end of Fischler’s tenure, funds for rural development were, paradoxically, lower than in 2003. In Fischler’s defence, it is fair to note that the 2003 reform marked a radical shift in the general CAP planning, which became more centred on the future role of agriculture, leaving behind the traditional pattern of day-by-day management, thanks to the powerful engagement demonstrated by the European Commission in reforming a sector of the economy that was lagging behind other productive sectors. As a matter of fact, a reform that began as a mid-term check revealed itself to be an important step in the redefinition of a new paradigm for European agriculture, directed towards holding a multifunctional role in twenty-first century Europe.

5 A New Agricultural Model?

As has been seen, the European Commission played a pivotal role in the various reforms, which took place between 1992 and the beginning of the twenty-first century. Above all, the achievements and failures of reform programs depended on the rejection or acceptance of measures by member States, farmer organisations, consumer associations and other parties involved. From a political point of view,

[53] Fouilleux (2004), pp. 235–255.

[54] European Commission (2003) A long term perspective for sustainable agriculture, COM (2003) 23 final.

[55] Hennis (2005).

[56] Steinberg and Josling (2003), pp. 369–417.

agricultural issues have, for a long time, represented the main battlefield on which the European Commission, with its supranational approach, and the intergovernmental Council confronted each other. While it may be easy to understand why some States—such as France, the Netherlands and Germany—defended the *status quo*, in spite of the clear deficit provoked by the CAP, it is much more difficult to examine why the European Commission failed to respond to the challenges of an economical system that had been showing its limits and weaknesses for such a long time. Adopting an unsophisticated point of view, it is easy to claim that the European Commission played a crucial role in establishing the CAP and, hence, holds full responsibility, together with the EEC institutional framework, for the negative trends witnessed in the field of European agriculture.[57] Alternatively, taking more of a political stance, the CAP allowed the European Commission to manage a considerable amount of financial funds, overrating its role in the European political arena and fostering favourable opinions among people across Europe, especially with regard to its successful fight against famine.[58]

However, the key question to ask is why the European Commission failed to change the disastrous CAP practises, which had stood out clearly since the very launch of the Mansholt Plan.[59] In order to address this problem, we need to extend our perspective to include some actors that are usually kept off the blacklist.

Firstly, we cannot ignore the electoral pressure enforced by farmers, unable to update their production systems; secondly, even if the mass exodus from rural areas greatly contributed, from a political point of view, to the loss in importance of farm workers, Agricultural Ministers in many European countries continued to foster agricultural lobbies. Moreover, broadening the scope of this analysis yet further, it inevitably becomes clear how the CAP was, for a long time, a key justification for the European integration process, as it demonstrated, without a shadow of a doubt, that the EEC was supporting one of the most important economical sectors. As a matter of fact, the CAP turned out to be a great loss for European consumers, who ended up sponsoring an expensive welfare system to support the agricultural sector.[60]

At this stage, another key question that cannot be ignored is why European consumers allowed themselves to be exploited by the privileges of European farmers for such a long time. A diachronic approach is required to answer this query, offering insights on people's views on agriculture over the last half-century: while initially Europeans maintained a sense of their agricultural roots, the 1970s brought about a sense of romanticising the countryside, due to both extensive urbanisation and pollution.[61]

[57] Skogstad (1998), pp. 463–490.

[58] Tallberg (2004), pp. 999–1022.

[59] Federico (2009), pp. 257–271.

[60] Daugbjerg (1999), pp. 407–428.

[61] Schmidt and Radaelli (2004), pp. 183–210.

During the 1980s, the increasing unemployment rate induced many people to think about agriculture as a possible solution to deindustrialisation. Meanwhile, the CAP was one of the main reasons that stopped the European Commission from implementing an ambitious plan to counter the European industrial crisis. It was only thanks to Jacques Delors that the EEC decided to adopt a strategy that would both reduce the overwhelming weight of the CAP on the European budget and promote environmental conservation through the engagement of farmers. The reforms proposed with the Single European Act presented a new structural policy to integrate price policy support with policies for rural development in order to transform rural societies into the main actors promoting new regional agendas.[62]

According to Jacques Delors, the European Commission was not only worried about environmental issues but also concerned about a reform program founded on the deep-set belief that a rural renaissance was necessary, seeing as rurality has always been an essential feature of European societies. In other words, once the fight against postwar famine was won, the CAP had to take concrete steps to preserve the European rural world and proceeded to do so by fostering a change of paradigm centred on a new multifunctional approach. The main feature of this new paradigm concerned farmers, now seen not only as good producers but also as key actors in the creation of a civilisation. In sum, this acknowledgement of the cultural and environmental importance of rural areas, together with the new role of farmers, represent the main features of the new multifunctional paradigm of European agriculture.[63]

It is now, moreover, crucial to examine the main reasons that led to a change of paradigm in European agriculture at the turn of the last century. With respect to this, widespread opinions focus on the unique combination of external factors—especially the final step of the Uruguay Round and the establishment of the WTO—and domestic ones, represented by the new European Commission chaired by Jacques Delors and the Treaty of Maastricht.[64] Clearly, the reasons driving the CAP reform not only represented an evolution of its ideological basis but were also the outcome of an incremental adaptation to an ever-changing framework. As a matter of fact, political paradigms are inevitably subject to change when they are unable to fulfil their goals. As regards the CAP, the key question was how to make the agricultural sector sustainable after it had absorbed up to 90 % of the EEC budget during the 1970s. In this sense, the CAP has undergone a shift from being a dependent model, or "State-assisted" paradigm, to becoming a highly competitive model in the case of some agricultural sectors, especially in Northern Europe.[65] As a result of the reforms implemented over the last 20 years, the European Union has come to embody a multifunctional paradigm. What is more, it seems that over the last few years European agriculture has been proceeding towards yet a fourth paradigm—namely,

[62] Slangen et al. (2004).

[63] Dobbs and Pretty (2004), pp. 220–237.

[64] Coleman (1998), pp. 632–651.

[65] Coleman et al. (1996), pp. 273–301.

a globalised production model—as the European Union has become the greatest world exporter of agricultural goods.[66]

All of these changes in paradigm have, over the years, allowed for a reduction of overall expenses and for the reallocation of funds to other item costs, thus transforming the CAP into a useful tool for promoting a wealthy Europe and for conserving unique rural landscapes.

In essence, the history of the CAP may be summarised as embodying “continuity in an ever-changing context”: continuity represented by the ongoing need to support farmers’ incomes, while ample changes have characterised the way in which financial resources have been transferred to farms. On the other hand, the complexity of the CAP has been so extensive that it is very hard to consider it as a systematic reform. Instead, it has resulted from the combination of many small reforms, taking place over the years and eventually leading to a highly transformed CAP format. Nowadays, European agriculture is not only devoted to production but also considered from an agroecological perspective, a source of common goods.[67] As a matter of fact, the CAP supports agricultural activities in Europe, ensures the stable provision of quality food, contributes to the safeguarding of the environment and constitutes an important means of countering hydrogeological instability.[68]

Finally, what lies ahead for European agriculture? All that can be said is that the CAP is now facing new major challenges, as reported in the “Agriculture 2020” report by the Commission. This highlights the instability of rural areas, the high agricultural diversity within the EU, the slowing down of growth rates on the world agricultural markets and the difficulties experienced with implementing processes of structural change. Inevitably, achievements and failures will depend on circumstances. However, in this never-ending story, much will depend on the ability of the European institutional framework to embody change, in order to foster sustainable development within a sector, which represents one of the most important features of an often evoked European identity.

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[66] Van den Hoven (2004), pp. 256–283.

[67] Van Huylenbroek and Durand (2003).

[68] Glebe (2003).

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