

A Common Agricultural Policy for European Public Goods

Europe's Common Agricultural Policy (CAP) is notorious for the clashes it provokes among member states. The Northern countries believe market forces should play a greater role, and want to shrink a CAP that still absorbs more than 40% of the EU budget. Southern countries tend to prefer stronger policy intervention to maintain production and raise farm incomes. And East Europeans seek a more equal distribution of the agricultural subsidies that are currently concentrated in the old member states. Against this background a group of eminent agricultural economists – covering the entire EU from Latvia to Portugal, from Sweden to Italy – have signed a Declaration calling for fundamental reform of the CAP in order to promote our common European interests.

The main purpose of today's agricultural subsidies is to raise farm incomes. But the Declaration concludes that agricultural subsidies are not an effective tool for social policy. If public aid is dependent on agricultural production or land ownership, larger farmers and landowners reap the bulk of the aid while poor non-farmers are disadvantaged. Instead, public aid should be targeted at households with low income and wealth regardless of the sector they work in. And it should not be centralized at EU-level – as is the case with direct income support to farmers under the CAP – but instead administered by national authorities that are better placed to pursue local preferences with financial responsibility.

Concerns about food security are back on the political agenda following the price surge of 2008. However, the EU is affluent and has the purchasing power to source supplies from the world market, even when world prices are high. Moreover, the EU could take measures to increase its own production if a future need arose. In response to rising prices, farmers would expand cultivated areas, use more intensive farming methods and shift production patterns to increase yields. While food security is not threatened in the EU, it *is* an issue in the international context of global warming, limited water resources, and an ever-growing population. But to invoke world food security arguments to justify the current CAP is implausible. Money intended to reduce hunger and poverty abroad would be better spent by investing in agricultural research and infrastructure in developing countries rather than by giving it to European farmers.

The future role of the CAP should be to give farmers appropriate incentives to deliver European public goods demanded by society but not sufficiently remunerated in the marketplace. But not all public goods are the same. Some have an international or European dimension, whereas others are confined by the boundaries of individual states. The EU should contribute to the financing of public goods only to the extent that the effects of policies spill across national borders.

The most evident example is the fight against climate change, which is a global challenge justifying a supranational response. The protection of biodiversity also warrants EU support because animals, ecosystems and biodiversity-threatening pollution cross borders. Similarly, keeping water clean and preventing water scarcity as well as floods is an EU concern because Europeans share rivers, lakes and seas. But most benefits of a diverse, traditional, well-kept landscape will be reaped within the country – by direct enjoyment, as an advantage to attract qualified human resources or through tourism: these are primarily national, not European, public goods and are best left to the member states.

CAP reform in line with these recommendations will help achieve reduced greenhouse gas emissions, greater biodiversity, and more responsible soil and water management at lower costs. It will also facilitate responsible trade policies that enhance the legitimacy of the EU in the global community, strengthen the EU in its efforts to dismantle excessively protective policies worldwide, and help secure a successful outcome to the Doha Round. Moreover, it would allow improvements in spending across all budget headings. The EU has begun negotiating its long-term budget for the period after 2013. Reform of the CAP – the biggest spending item – is crucial for progress on other issues. CAP reform is therefore an important step in building a more effective European Union that wins and maintains the support of its citizens.

Alan Swinbank, Valentin Zahrt and ... are signatories of 'A Common Agricultural Policy for European Public Goods: Declaration by a Group of Leading Agricultural Economists' on which this article draws. Web link: xxxxxx