

## CONSTRAINTS IN THE PROCESS OF PARADIGM CHANGE IN THE EU AGRICULTURAL DEVELOPMENT

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**Abstract.** The purpose of this article is to assess the changes in proclaimed paradigms regarding development of the agricultural sector in the EU with particular focus on barriers to these changes. The theoretical part highlights the types of changes in the public policies, the main models of paradigm developments and the impact of institutional factors, including structures of policy networks on their changes. In the next part the CAP proclaimed paradigms are shown against the effects of the current policy. At the same time, these elements of policy network structure which contribute to the replication of the existing patterns of development are indicated. The summary contains reflections on the possibility of institutional change in the development of the CAP. It was found that only further reduction of the agricultural budget after 2020 can become a source of conflict between the actors (stakeholders) around available resources and may change the balance of power in the decision-making process in the CAP.

**Key words:** paradigms, public policy, agricultural development

### INTRODUCTION

Perception of the role of agricultural policy in the development of agricultural sector in a given historical moment depends upon the dominant way of thinking about the desired functions of agriculture and forms and aims of support. There is a clear dependence on the path of the previously taken decisions (path dependency). This particularly applies to redistributive policies, such as the Common Agricultural Policy (CAP), which favour certain socio-professional groups. The proclaimed ideas and normative assumptions arising from the accepted paradigm of agricultural development determine not only the choice of policy objectives, but also instruments for their implementation.

In our work we attach special importance to institutional factors. We hypothesize that till now there is no real paradigm shift in EU agriculture. Successive reforms of the CAP

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are exemplifications of different versions of dependence paradigm. Only slackening of the existing networks of institutional relationship and introduction of new actors into the decision-making process may result in significant changes in EU agricultural policy.

The purpose of this study is to evaluate changes in the proclaimed paradigms regarding development of the agricultural sector in the EU, with particular emphasis on barriers to these changes.

## DYNAMICS OF PARADIGM CHANGE IN PUBLIC POLICIES

The key point of reference in the process of public policies creation are ideas and normative assumptions arising from the accepted paradigm. Paradigm defines a way of understanding the world, influences the definition of problems and determines how to solve them [Skogstad, Schmidt 2011]. Initiators of paradigm shifts are usually anomalies – policy difficulties in dealing with specific problems. Dynamics and pace of paradigms change in public policy are determined, however, not so much by objectively assessed policy ineffectiveness in dealing with tasks it has to face or clear unadjustment of adopted ideological framework to changing social needs, but by institutional factors, including the type and nature of the links between the actors operating in the given policy subsystem.

Depending on the nature of the institutional constraints and the links between the actors the emerging anomalies can lead to small changes in the policy (first-order change), to significant changes, e.g. by replacing one instrument with another (second-order change) or to complete departure from accepted paradigm and its replacement with a new one (third-order change) [Hall 1993]. The first theories explaining the reasons for changes in public policies referred mainly to the idea of social conflict. Explanations currently dominating in the literature indicate that changes in the public policies are rather the result of the learning process. In this context, the Hecló's idea of political learning, the concept of policy-oriented learning of Sabatier or process of social learning described by Hall are quoted [Bennett, Howlett 1992].

The learning process proceeds differently within different policies and only in some cases there is a real paradigm shift. We can distinguish two models of paradigm shift – a sudden and abrupt break with the old order and adopting a completely new ideological assumptions for the policy (revolutionary model) and a gradual, incremental changes involving the inclusion of new ideas and solutions to the old paradigm, which later lead to the formation of a new paradigm (evolutionary model) [Skogstad, Schmidt 2011]. For some policies evolutionary model is a natural model of changes. Especially redistributive policies that create economic privileges and grant them to certain socio-professional groups, develop in clear dependence on decisions taken before (path dependency). At the same time, however, these policies, more than any other, are exposed to the phenomenon of rent-seeking and blockade from the existing beneficiaries. Even if the policy makers are of the opinion that the old paradigm does not work properly and it is necessary to adopt a new one, change may not be possible due to the resistance of institutionally embedded players, who can veto the decision (veto players) [Tsebelis 2002].

The nature of possible changes in public policies are affected not only by the type of relationship and interaction between the actors in the policy networks, but also by the

degree of concentration of power in the network (Table 1). As indicated by the policy-network literature, rapid and continuous changes happen only in a conflictual environment. Changes of incremental nature are characteristic for environments where behaviors based on mutual haggling dominate. The closed network structures based on hermetic cooperation between governmental actors and beneficiaries of the policy lead to the maintenance of the status quo [Silke, Kriesi 2007].

Table 1. Potential and type of policy change

Distribution of power	Type of interaction		
	conflict	bargaining	cooperation
Concentration	moderate potential for rapid (serial) shift	low to moderate potential for incremental change	low potential for change – maintenance of status quo
Fragmentation	high potential for rapid (serial) shift	moderate to high potential for incremental change	low to moderate potential for change – maintenance of status quo

Source: Silke and Kriesi [2007, p. 145].

In general, the possibility of introduction of far-reaching changes to the policy, including a change in paradigm are significantly higher when it comes to the power dissipation in the policy network. In such network structures it is easier to shift the balance in favour of a coalition of actors who question the maintenance of existing solutions. Thus, a paradigm shift very often depends on changes in the institutional framework of policy making, including the opening-up of policy networks for new actors.

## PARADIGMS IN THE COMMON AGRICULTURAL POLICY

The recent years marked by the economic crisis and the difficulties of recovering from the recession questioned the theory of perfect markets. Reality has shown that there are no such markets because market participants have an unequal access to the information exchange, which causes an asymmetry in its flow, creating structural imbalances in the economy. Even the most advantageous market revenue-sharing mechanism, assuming preference for accumulation in the form of production investments and the growth of the herd is not applicable due to income barriers for farmers. This explains the need for more active role of the state, involving the support for institutions, which guarantee the access to information, stabilize agricultural markets and agricultural income, protect the ownership of land and promote technological progress [Czyżewski 2007].

The solutions adopted in the agriculture sector are usually associated with the four paradigms, formulated on the basis of the criterion relating to the role of the state in the economy [Josling 2002]:

- dependence paradigm (the state-assisted paradigm) based on the belief that agriculture meets the basic food needs, and is of strategic importance for the country,
- competitiveness paradigm, according to which agriculture is able to compete with other sectors of the economy,

- multifunctionality paradigm, according to which agriculture is an integral part of rural areas, providing public goods and other valuable services,
- global agriculture paradigm, in which agriculture can become part of the global food chain.

Consequences of the choice of a specific paradigm are clearly visible in the size and structure of the agriculture support. Although from the 1980s the decline in agriculture aid from public funds, expressed as the ratio of the estimated amount of support for agricultural producers (producer support estimate – PSE) can be observed worldwide, the support is still high. This is particularly visible in the OECD countries, where in 1986–1988 it amounted to about 37%, in 1995–1997 to about 30%, while in 2011–2013 to about 18%. Looking at individual countries, however, we observe significant differences in the level of support to the agricultural sector. The highest level of support is recorded in Norway, the lowest in New Zealand [OECD 2013]. High volatility of the PSE between regions and countries in the years is mainly due to the changes in the type of instruments used to support the agricultural sector. The share of the instruments that distort production and trade the most, i.e. market price support, payments coupled with production and input subsidies, has fallen in the agricultural income from 16% in 1995–1997 to 11% in 2010–2012. For the OECD countries the decline is even more pronounced, since these figures equaled to 32% in 1986–1988, 22% in 1995–1997 and 9% in 2010–2012. This process was mainly due to favourable prices on world markets. The small changes are observed in the use of other instruments, less distorting for production and trade.

When compared to other countries the European Union seems to be very reformist since it uses instruments distorting production and trade in the range lower than the average for OECD countries as a whole. Especially payments decoupled from production are used, apart from Switzerland, mainly in the EU, within the framework of the Single Payment Scheme and the Single Area Payment Scheme. This approach results from the paradigms proclaimed in the EU. It may seem that they are evolving, especially when we take into account the statements contained in the EU strategic documents.

The ideological basis for the Common Agricultural Policy must be sought in the 1950s and 1960s when the European Economic Community identified objectives and principles of operation of this policy. The reference point was then the dependence paradigm based on the assumption that agriculture requires special treatment because of its role in providing food and ensuring food security. State intervention in agriculture is justified by the specific nature of the sector, resulting from natural and geographical conditions. Important role is also played by a constant imbalance between supply and demand, which leads to significant fluctuations in prices and agricultural incomes. These factors affect the volatility of agricultural markets, which have to be corrected through variety of instruments within the scope of intervention policies [Daugbjerg, Swinbank 2007]. The introduction of the CAP was to facilitate the removal of barriers to trade in agricultural products between Member States and solve the structural problems of European agriculture, mainly related to the low productivity of land and labour. The CAP was also expected to provide an adequate supply of food for Europe and to reduce the differences between the level of agriculture income and other sectors of the economy.

The 1990s saw the evolution of the dependence paradigm to the paradigm of multifunctionality, which was being propagated by the European Commission and supported

by the majority of the Member States under the name of the European Model of Agriculture. According to it, the EU agriculture was to become diverse, sustainable, competitive and present throughout the EU, including less favoured areas. The presented range of values associated with agriculture confirmed the unique role of agricultural sector, however, a change in the way of justifying state intervention in agriculture can be observed. An important determinant of this concept is the role of agriculture in the provision of public goods, such as preservation of the countryside, rural cultural heritage, biodiversity. Due to the fact that public goods are not adequately regulated by market mechanisms, state intervention is needed both to correct negative externalities and to encourage farmers to deliver public goods [O'Connor et al. 2006]. Although the paradigm of multifunctionality gave the foundation for socially sustainable production processes, it did not solve income problems in agriculture because of pressures to increase the sector's competitiveness. This is evident in the successive reforms of the CAP (Agenda 2000, the 2003 reform, health-check of 2008, the reform of 2013), as they have not ended traditional market interventions, only reduced its role in order to create more market oriented agricultural sector.

The consequence of the adoption of dependence and multifunctionality paradigms was the emergence of protectionist trade policies and complex intervention instruments on domestic markets. Protectionist policy, which boils down to intensive protection of farmers against international competition, resulted in increased agricultural production. At the same time, thanks to export subsidies and other support instruments, it allowed for an increase in the average agricultural income, which, however, never levelled with the rest of the economy.

The solutions adopted, used in the context of dependence and multifunctionality paradigms, clearly show that there are many shortcomings and imperfections in terms of resource allocation within the scope of policy choices. There is maximization of the benefits of selected interest groups which contributes to the loss in social welfare. Consequently, the allocation of goods and services through the state is permanently ineffective when compared to the market mechanism. Inefficiency is expressed in lobbying, party politics, political interests of particular groups separated from economic rules and the phenomenon of rent-seeking.

According Czyżewski and Kulyk [2013], economic policy actions are the result of the activities of a political nature combined with the pressures of individual interest groups. The change in the flow of economic surplus following the action by state institutions generates efforts to capture surplus value. These concepts make a distinction between economic and political rents. This phenomenon is present both in the optimization through market processes where economic surplus is captured by the market structures, e.g. with a higher degree of monopolization and in the political processes requiring specific political choices.

An integral part of interest groups' political influence is their privileged access to the authorities in power. The political community is limited to a small number of institutions and interest groups. Its members regularly consult the scope and funding of areas of their interest. Each of the participants consider their power in terms of a positive-sum game [Zawojka 2005].

The EU decision-making mechanisms contribute to the lack of effectiveness of the EU's agricultural policy. The Common Agricultural Policy is heavily defended by the institutionalization of a separate EU Agriculture Council, supported by the Special Committee on Agriculture. The weakening of the role of the European Commission to the benefit of the European Parliament, as a result of the introduction of the co-decision procedure in the field of agriculture, promotes the conservation of the existing formal and informal relationships. The specificity of the EU agricultural negotiations, in particular, the fact that the Commission's proposals are frequently modified by the Council, also the consensual style of negotiations in the Council combined with exchange processes between the Member States limit the possibilities of introducing radical changes in the CAP. They favour incremental changes and decisions dependent on the path of previous decisions.

This process is also subject to strong lobbying by various interest groups. The original CAP-policy network did not include any non-agricultural interest groups. This meant that groups such as consumers and rural residents not engaged in agricultural activities had little influence on the process of agricultural policy making. Despite the fact that the representatives of non-agricultural groups are currently involved in the CAP-policy networks, their impact on the CAP is limited to the initial stages of the policy-making cycle.

This is particularly evident in the decisions regarding financing of the CAP. This situation is mainly due to the maintenance of the existing structure of the EU budget, which depends on contributions from the Member States and thinking in terms of maximizing the benefits from payments to the budget. The inclusion in the decision making process of new actors from the outside of the traditional interest groups related to agriculture creates a chance for a change in the functioning of the CAP after 2020.

By analyzing the evolution of the Common Agricultural Policy a clear dependence on the path of previously taken decisions (path dependency) can be observed. That is why, strict rules of the game introduced in the past are difficult to change over time. Therefore, subsequent reform of the CAP had been merely attempts to correct eventual errors caused by earlier policy decisions, which in turn contributed to the formation of further errors and the need for re-adjustment. This should be explained by the inability to move away from dependence paradigm, which has its justification in the period of implementation of CAP in the 1960s, but which raises doubts in the current period, with the completely changed EU and global environment. Formally, the EU has started to support the paradigm of multifunctionality. But in fact only forms of support to agriculture have been changed to justify the need for specific treatment of agriculture in the EU and for spending significant amounts of money from the EU budget on the CAP. The CAP reforms have not gone beyond the first and second-order changes. Generally, only the modifications of policy were introduced by the means of changing its instruments. Thus, within the scope of CAP dependence paradigm continues to be implemented, but under different names. A good example is the new CAP instrument of "greening", introduced with the last reform of the policy for 2014–2020. The original proposal by the European Commission which intended to reduce the negative impacts of agriculture on the environment given the dwindling natural resources and climate change, has been radically changed in the course of the negotiations between the EU institutions and the Member States, reducing pro-environmental behaviors of farmers to the minimum.

## CONCLUSIONS

To conclude the discussion, it can be argued that the CAP reforms gave not gone beyond first-and second-order changes. The new instruments introduced to the CAP contributed only to policy modifications. Despite attempts to support the paradigm of multifunctionality – by exposing the aims related to the provision of environmental public goods by agriculture (formal changes in the system of direct payments – environmental elements covering 30% of the payments) – CAP continues to be primarily a tool of realization of traditional agricultural interests. The dependence paradigm is being still implemented within the EU's agricultural policy, but under different names. It seems that only the inclusion of new actors from outside the traditional interest groups involved in agriculture in the decision making process will create an opportunity for a change in the functioning of the CAP after 2020.

One can wonder whether institutional changes are possible in the process of development of the EU agricultural policy. According to the North [2006, p. 555], “institutions usually are not created out of necessity, or even in order to make them socially efficient; they, or at least the formal rules, are created to serve the interests of those with the bargaining power to create new rules”. It must be assumed that only further reduction in the agricultural budget after 2020 can become a source of conflict between actors (stakeholders) over the available resources and may change the balance of power in the decision-making within the CAP.

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## OGRANICZENIA W PROCESIE ZMIAN PARADYGMATÓW ROZWOJU ROLNICTWA W UE

**Streszczenie.** Celem artykułu jest ocena zmian zachodzących w głoszonych paradygmatach dotyczących rozwoju sektora rolnego w UE, ze szczególnym uwzględnieniem barier hamujących te zmiany. Część teoretyczna naświetla rodzaje zmian w politykach publicznych, główne modele rozwoju paradygmatów oraz wpływ czynników instytucjonalnych, w tym struktur współpracy sieciowej (policy networks) na ich zmiany. W kolejnej części głoszone paradygmaty WPR są ukazane na tle dotychczasowych efektów funkcjonowania polityki. Równocześnie wskazane są te elementy w strukturach współpracy sieciowej, które przyczyniają się do powielania dotychczasowych wzorców rozwojowych. W zakończeniu podjęto refleksję na temat możliwości zmiany instytucjonalnej w procesie kształtowania WPR. Stwierdzono, że dopiero kolejna redukcja budżetu rolnego po 2020 r. może stać się zarzewiem konfliktu między aktorami (grupami interesów) wokół dostępnych zasobów i zmienić układ sił w procesie podejmowania decyzji w zakresie WPR.

**Słowa kluczowe:** paradygmaty, polityka publiczna, rozwój rolnictwa

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