2 The Political Economy of Industrial Countries' Agricultural Policies

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2.1 INTRODUCTION

Agricultural policies in nearly all industrial countries' raise prices, redistribute income regressively and towards a small section of society, and impose economic costs both at home and abroad. In this chapter I consider why such an outcome is allowed to come about: why governments sanction it and electorates let them get away with it.

My basic thesis is that agricultural policy arises from the tension between a public opinion that abhors rapid change and values the supposed virtues of bucolic life, and an economic evolution that constantly disrupts traditional agricultural methods. As in all branches of economics, technical analysis alone, cannot answer the normative questions surrounding agricultural policy, and so this tension has to be resolved politically; this opens avenues for discretionary market intervention, which, in turn, spawns political lobbying and bureaucratic manoeuvring.

The final outcome thus depends on the interactions of the farm lobbies, the bureaucrats and the politicians as they struggle to resolve (in their own favour) the problems generated by the economic environment. Although there are a number of regularities observable in the outcome of such interactions, over anything but the longest of runs these interactions do not define a stable equilibrium in agricultural policy. Rather, the parties engage in an endless and uncertain game (in the technical sense), each 'winning' some rounds and 'losing' others, but all anticipating the next round, and all buffeted by the same exogenous shocks. The resulting compromises are hard to predict, and
given the longevity of most interventions, agricultural policy comes to resemble not a single elegant and effective structure, but rather an untidy accretion of differing, and sometimes conflicting, instruments.

This chapter aims to give a broad feel for the way in which this process shapes agricultural policy. The analysis starts with a sketch and a dismissal of a Panglossian view in which agricultural policy is optimal, but in which, given their limited horizons, economists cannot recognise it as such. From here, it moves on to consider less than perfectly competent governments and the goals they espouse. These goals I identify with the ‘social will’. The next section deals with the importance of economic factors in shaping economic policy. The interaction of economic forces and social objectives leaves the major actors considerable discretion, so I then consider each of these – the politicians, the bureaucrats and the farm lobbies. In the last section, I consider two competing ways of pulling the story together: one stresses equilibrium and regularity – the ‘political market-place theories’ – while the other stresses the sequential and random nature of the most policy-making, examining processes as well as pressures.

2.2 OBJECTIVES AND JUSTIFICATIONS

The simplest approach to industrial countries’ agricultural policy might be called ‘social rationality’. This argues that while protectionism may seem costly in terms of a community’s economic welfare, this is only because the traditional notion of economic benefit is too restrictive: countries do not maximise national income because their citizens also have additional, and conflicting, objectives concerning income distribution, price and income stability, and national security. Once we recognise these, the arguments runs, we will see that industrial country governments are doing just the right thing after all. Few economists support such a view entirely, but for some – for example, Heidhues (1979) – it represents a principal mode of thought. It is also implicit in the traditional view – rejected by political economy analysts – that economic policy analysis based on welfare maximisation does, as opposed to merely should, determine policy decisions.

‘Social rationality’ discounts any notion of conflicting interests within government. By assuming that government action perfectly reflects well-defined social goals, it takes the politics out of political economy. It also assumes considerable sophistication on the part of governments, presuming them to be able to solve in practice the