3 Agricultural Policy Reform in the USA and the EC

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3.1 INTRODUCTION

Agricultural policy reform is just the stuff of scholarly debate. One can argue at length over the definition of reform, the evidence needed to show that reform has taken place, the interpretation of that evidence and the significance of the findings. Such a debate would, in popular parlance, be labelled 'academic', implying a lack of relevance to practical affairs. But the underlying issues are ones of considerable importance. The basic question in the reform of farm policies need not be reduced to whether or not some particular policy has been 'reformed'. The issue is whether agricultural policies can be made to adapt to changing needs. This underlying question is relevant to issues in economic policy far removed from agriculture. It has to do with the process of policy change in an industrial democracy, the extent to which such changes in policy respond to changes in the economy and the way in which domestic economic policy is related to trade policy and to the international environment. Agricultural policy reform (hereafter, APR) is an interesting example of such policy change in action.

Agricultural policies in developed countries are, primarily, 'middle-class entitlement programmes'. Whatever their origins, their main effect is to support the income stream of a group of small businesses, often family owned, which provide the livelihood for from 2 to 5 per cent of the work-force. The programmes are financed by a combination of tax payments and market price support (implicit food taxes). The recipients are not predominantly poor nor are benefits related to
poverty. Few would now claim that the markets for agricultural raw materials could not function tolerably in the absence of government programmes. Many now doubt that environmental and consumer health objectives are favoured by the present programmes. But they continue because society accepts the current distribution of property rights that entitle farm business to receive government assistance tied to the production and sale of their output. To remove these entitlements is a political task few governments relish, even when they become costly and inconvenient. APR is the response of governments to the pressures on farm policies. It is the process of adjusting existing programmes to meet the new realities. The pace of reform differs in different countries. In some it appears glacial, and in these cases it is easy to argue that reform is absent. In other cases it is more cyclical, with waves of reform and backsliding in between. In such cases, one needs to see whether each successive reform push takes the policy towards a longer-run goal. In a few countries, APR can be dramatic, with the speed of change surprising those who (justifiably) base their predictions on the continuation of the status quo.

This chapter is about the process of APR in the USA and in the EC in the past decade. The discussion will be focused on three questions.

1. Have agricultural policies changed significantly in the 1980s as a result of pressures for reform?
2. Have these policies ‘improved’ in the sense of achieving their objectives with less cost and less conflict?
3. Are these policies headed in the ‘right’ direction, even if reform seems to be a slow process, or is there a likelihood of a reversion to the old ways of doing things?

To answer these questions it is necessary to describe the pressures under which agricultural policy has been working in the 1980s; to examine the policy changes and their significance; to give some empirical evidence on policy efficiency; to look at some possible future paths of US and EC policy; and to consider how the policies, reformed or not, are likely to stand up to future pressures.

3.2 THE PRESSURES ON FARM POLICY IN THE 1980s

Agricultural policy reform is a response to pressure. Left alone, policies tend to go on unchanged. Reform occurs when the benefits to change