Can Historical Institutionalism Explain the Reforms of the Common Agricultural Policy?

Nicoleta Lăşan*

Abstract. Historical institutionalism, one of the three variants of new institutionalism, has been largely employed by scholars to explain the development of one of the first policies developed at the European level, namely the Common Agricultural Policy (CAP). Due to historical institutionalism’s claim that policies tend to follow the path set at their creation, it is not surprising that it could easily account for the development of the CAP before 1990s since this was one of the most resistant policies set by the member states of the European Union. The main challenge for historical institutionalism is to explain the shifts that occurred in this policy due to the reforms agreed after 1990, reforms that are often mentioned in the literature as being crucial. The aim of this paper is to show that historical institutionalism can accommodate the 1992 and 2003 reforms of the Common Agricultural Policy, and from this we can infer that the changes needed to adapt this policy of the EU to the conditions of an ever enlarging Europe will take place slowly, if at all.

Keywords: European Union, Common Agricultural Policy (CAP), new institutionalism, historical institutionalism, path-dependence.

I. Introduction

New institutionalism is an approach that has been successfully applied in the latest decades to the study of the European Union, and this success in explaining the politics and processes that take place at the European level owes much to the fact that the European Union is “the most densely institutionalized international organization in the world, with a welter of intergovernmental and supranational institutions and a growing body of primary and secondary legislation”1.

Historical institutionalism, one of the three variants of new institutionalism, has largely been employed by scholars to explain the development of one of the first policies developed at the European level, namely the Common Agricultural Policy. Due to historical institutionalism’s claim that policies tend to follow the path set at their creation, it is not surprising that it could easily account for the development of the CAP before 1990s since this was one of the most resistant policies set by the member states of the European Union.

* Nicoleta Lăşan is PhD candidate in International Relations and European Studies at „Babeş-Bolyai” University Cluj Napoca, Faculty of History and Philosophy. E-mail: nicoclau2000@yahoo.com.

The main challenge for historical institutionalism is to explain the shifts in this policy that occurred due to the reforms agreed after 1990, reforms that are often mentioned in the literature as being crucial. The aim of this paper is to show that historical institutionalism can accommodate the 1992 and 2003 reforms of the Common Agricultural Policy. One of the strategies is to employ the so-called “critical junctures” approach, which states that changes take place in policies due to exogenous shocks. As this approach has its limitations because both of the reforms were also a result of internal causes, Paul Pierson’s theory regarding the tendency to undertake only incremental changes seems to be more useful. The drawbacks of the reforms and their failure to address the major problems in what regards agricultural policy show that the path settled for the CAP in the 1950s still influences the way policy looks nowadays and constraint the decision taken by reformers.

The first part of the essay has the role of identifying the main assumptions of historical institutionalism, while the second part will try to figure out how these assumptions can be applied in the case of the 1992 and 2003 reforms of the CAP. The main conclusions that can be drawn from this analysis are the subject of the last part of this paper.

II. Historical institutionalism as theoretical approach to the study of the European Union

It is a well-known idea in the literature on new institutionalism that this approach does not constitute a unified body of thought, as three types of approaches which call themselves “new institutionalism” have developed in the late 1980s and in the beginning of the 1990s. The three approaches, namely rational choice institutionalism, historical institutionalism and sociological institutionalism, developed independently of each other and, most important, they paint quite different pictures of the world. This different view of the world that characterize the three types of new institutionalism is a consequence of the fact that each derives from different hypotheses, each has a different idea on what institutions should be analyzed, and each has its own research program and questions to be answered to in what regards the role of institutions. In spite of the differences between the three types of new institutionalism, one should not underestimate their common features. The most important link between them is their interest in seeking to elucidate the role that institutions play in determining the political outcomes.

The main claim of historical institutionalism is that political relationships have to be viewed over time. As Paul Pierson states, in contrast to the snapshot approach that most political scientists employ, placing politics in time can enrich our understanding of complex social dynamics and can give us a better explanation for the social outcomes. In other words, history is important because it creates the context which shapes the choices of actors.

---

Institutions are defined by historical institutionalists in very broad terms as comprising both “formal and informal procedures, routines, norms and conventions embedded in the organizational structure of the polity or the political economy”\(^5\). In addition, it can be said that historical institutionalists take into account when talking about institutions the organizations and the rules promulgated by these organizations.

For a better understanding of the main concepts employed by historical institutionalists, an analysis of the main features of historical institutionalism as defined by Hall and Taylor will follow.

A. The first characteristic of historical institutionalism is its tendency to conceptualize the relationship between institutions and individual behaviour in rather broad terms. In fact, we can say historical institutionalists differ over the role that culture plays in institutional influence\(^6\), and thus we are confronted with two types of historical institutionalists, one camp writing from a “calculus” perspective and the other camp from a more “cultural” perspective. Therefore, the first camp is more close to the rational choice institutionalism, which sees institutions as being tools set by rational maximizing actors in order to solve the uncertainties that arise in any strategic interaction, while the second camp is more close to sociological institutionalism, which sees institutions as providing moral and cognitive templates for interpretation and action.

As Mark Pollack observes, the two camps make historical institutionalism a “theoretical big tent” which is capable of accommodating the insights of the rival rationalist and sociological institutionalists\(^7\). In general, historical institutionalists argue that not only the strategies but also the goals of the actors are shaped by the institutional context. Institutions can shape and constrain political strategies in important ways, being also the “outcome (conscious or unintended) of deliberate political strategies, of political conflict, and of choice”\(^8\).

B. The second feature of historical institutionalism is the prominent role given in such analyses to power and asymmetrical relations. Historical institutionalists have paid great attention to the way in which “institutions distribute power unevenly across social groups”\(^9\), making some groups better off than others, and thus having the capacity to shape institutions according to their preferences.

C. The third and probably the most important feature that characterizes historical institutionalism is its distinctive perspective on historical development, the so-called path-dependence perspective. Although there are many scholars writing from an historical institutionalist perspective, it is often mentioned in the literature that the concept of path-dependence has not been properly defined\(^10\), and most of the time scholars interpret it as meaning that history matters and that the choices made in the

\(^5\) Peter Hall and Rosemary Taylor, op. cit., p. 938.
\(^6\) Mark Aspinwall and Gerald Schneider, op. cit., p.11.
\(^7\) Mark A. Pollack, op. cit., p.139.
\(^9\) Peter Hall and Rosemary Taylor, op. cit., p. 941.
past influence the alternatives exiting in the present. James Mahoney\(^{11}\) has tried to explain the concept of path-dependence by stressing the main characteristics of any path-dependence analysis. The first characteristic is considered to be the fact that these analyses study the processes that are sensitive to events that took place in the early stages of a historical sequence. This means that events taking place at an earlier stage are much more important than later events, because earlier events constrain the options available at a later stage\(^{12}\). The second feature of path-dependence analyses is that early events are contingent, which implies that they can not be explained by theory. Inertia is considered to be the final characteristic of this type of analyses. In practice, this is understood as meaning that processes set into motion at a particular moment in time tend to stay in motion and to continue on the same path, thus reproducing themselves in time, even in the absence of the original conditions that made them possible. This process has also been termed “lock-in” by scholars as it suggests that actors get stuck in the institutional environment set in the past.

Paul Pierson\(^{13}\) is one of the historical institutionalists that tried to find the causes why the so called “gaps” appear between institutions on the one hand and the preferences of actors that set the institutions on the other hand, and why these gaps are difficult to close. The causes that he lists for the appearance of gaps are: the partial autonomy that institutions build up in time, the restricted time horizons in which political decision-makers act, unanticipated consequences of decisions taken in the past, and shifts in actors preferences in time. Moreover, not like in economy where the corrective mechanism such as learning and competition may close in time these gaps and eliminate path dependence, in politics these mechanisms do not function. Gaps are hard to close because of the resistance of supranational actors, institutional barriers to reform (meaning that institutions are sticky and often very difficult to reform), sunk costs and rising prices to exist from an institutional arrangement or a certain policy.

All these would make any observer believe that historical institutionalism actually offers explanations for continuity rather than change and certainly this is one of its main limits addressed in the literature\(^{14}\). But this is certainly not the case. Pierson analyzed the whole range of explanations for change that are present in the historical institutionalist literature\(^{15}\) and these can be summarized as being: the occurrence of critical junctures due to exogenous shocks which set the institutions on another path, the role of marginal groups in generating institutional change, the significance of overlapping processes and the role of institutional entrepreneurs. But at the same time, Pierson admitted that these attempts are rather unsuccessfully because they do not address the problem of when we should expect changes to occur and are generally derived from case-studies which cannot be always generalized\(^{16}\).

\(^{11}\) Ibid., p. 510-511.
\(^{12}\) Paul Pierson, Politics in Time. History, Institutions, and Social Analysis, p. 45.
\(^{14}\) Kathleen Thelen and Sven Steinmo, op. cit., p. 14.
\(^{15}\) Paul Pierson, Politics in Time. History, Institutions, and Social Analysis, p. 134-139.
\(^{16}\) Ibid., p. 139.
Despite this lack of theorizing the problem of changes in institutional settings, all historical institutionalists recognize that changes do occur, although we should expect them to be rather incremental and not radical. To use the words of Paul Pierson, “in institutions will generally be far from plastic, and when institutions have been in place for a long time most changes will be incremental”\(^\text{17}\).

The last feature of historical institutionalism is its recognition that although institutions are very important they are not the only causal force in politics. As Thelen and Steinmo assert “institutional analyses do not deny the broad political forces that animate various theories of politics. Instead they point to the ways institutions structure these battles and, in so doing, influence their outcomes”\(^\text{18}\).

Having established the theoretical assumptions of historical institutionalism, the next step is to analyze the way that these assumptions can accommodate the changes that took place in the Common Agricultural Policy due to the 1992 and 2003 reforms.

III. Can historical institutionalism explain the 1992 and 2003 reforms of the Common Agricultural Policy?

The Common Agricultural Policy has long been recognized as an ideal case study of a path dependent process\(^\text{19}\). A short overview of the setting of CAP and of the way in which it worked before the 1990s surely demonstrates that all the assumptions of historical institutionalism apply to this often considered special domain of European integration. Starting with the creation of CAP, although some scholars try to present the special features of agriculture as reasons for the emergence of CAP\(^\text{20}\), it cannot be denied that at the same time all states benefitted and gained more or less by setting the CAP. It was not only a bargain between France and Germany, the former pushing for a CAP as a price for its participation in the industrial market, but also a need recognized by all member states\(^\text{21}\).

The objectives of the CAP settled in the Treaty of Rome are as follow: to increase agricultural productivity, to ensure a fair standard of living for the agricultural community, to stabilize markets, to assure the availability of supplies, to ensure that prices are reasonable. The principles that should govern the CAP were settled by member states in 1960 and these are: a single market with a system of fixed prices, community preference and joint financing. These objectives and principles are very important because a simple analysis of them over time demonstrates that they have constrained the strategies available to members for managing and reforming the CAP during the last decades. To give just one of the most obvious examples listed in the literature, the system of fixed prices, although thought to be at the beginning just a transition solution, became in time very difficult to replace with the system of direct payments to farmers.

\(^{17}\) Ibid., p. 153.

\(^{18}\) Kathleen Thelen and Sven Steinmo, op. cit., p. 3.

\(^{19}\) Adrian Kay, “Path dependency and the CAP”, Journal of European Public Policy 10, no. 3 (June 2003): 408.


The second feature of historical institutionalism tells us that once a policy is being set it will induce some asymmetrical power relations between the actors that set them. The joint financing principle of CAP means in practice that there is a redistributive effect of the CAP and the reality is that some states are winning more than the others from this policy, making them reluctant to any changes in the system. Moreover, CAP has empowered farmers in the detriment of consumers, and the evolution of the CAP has shown that most of the times reforms took into account the interests of the former group rather than of the latter.

But probably the most significant feature that applies in the realm of agriculture at the EU level has been its resistance to significant changes before the 1990s and its tendency to path dependence. Although there could have been many incentives to reform CAP, to mention just a few: the budgetary burden of the CAP, its inefficiency, its redistributive character, pressures from non-EU states to liberalize this domain, and environmental problems, all the reforms conducted before 1990 were minimal and did not affect the understanding of the principles and objectives of CAP. There were even failed attempts to reform the CAP, as the Mansholt plan dating from 1960s shows.

If historical institutionalism is comfortable when it comes to explaining the CAP before the 1990s, not the same can be said when analyzing the reforms conducted in 1992 and 2003 in the agricultural sector at the EU level. Although in between these two reforms it is situated the 1999 reform, this will not be the subject of our analysis as it is considered to have made little changes in the functioning of the CAP.

At the first glance it would seem impossible for historical institutionalists to account for the 1992 reforms and 2003 reforms of the Common Agricultural Policy, as these are considered by some scholars to be major shifts in the evolution of the CAP that have undermined all of the principles and arrangements that used to characterize this policy before 1990. The new track on which the CAP was settled due to these reforms can be said to have eliminated the historical institutionalism claim that once a path has been established it is difficult to change it even if the preferences of the actors change in time, as it becomes deeply embedded in the system. In addition, historical institutionalism has not developed a strong theory in what regards major shifts in a policy and on the other hand it can only accommodate incremental changes in policies.

The 1992 reform let aside the original rationale of CAP, namely the system of high guaranteed prices, leading to a dramatic decrease in the level of support given to farmers: a reduction of 30 percent for cereals and oilseeds crops and a reduction of 15 percent for beef. To compensate for this loss in revenues, proportional, direct payments were granted to farmers on the basis of the area of land cultivated and according to historical estimates of yields. Also a set-aside scheme was introduced and its aim was to compensate for

---


taking 15 percent of their land out of production. This reform is considered to be crucial because, as Adrian Kay correctly states, “the first substantial cuts in support prices in the history of the CAP” became a reality.

The other focus of our analysis, the 2003 reform of the CAP, continued on the same track set by the MacSharry reform and comprised: the introduction of the single farm payment for European farmers, independent from production and subject to compliance with environment, food safety, animal and plant health and animal welfare standards, as well as requirements to maintain the land in good agricultural and environmental condition. The price support system was thus replaced to a certain extent by direct payments decoupled from production but the idea of subsidizing farmers and protecting them from the market remained intact.

The first way for historical institutionalism to accommodate these changes would be to employ the “critical junctures theory” that views the development of a policy as a “punctuated equilibrium” path, which means that at certain times, due to exogenous factors, critical junctures set the policy on a new path which is then followed until a new critical juncture occurs. Both 1992 and 2003 reforms were in part a consequence of exogenous shocks, namely the critical stage of the Uruguay Round which began in 1986 under the auspices of GATT. This round for the first time included the agriculture as another domain for liberalization and the European Union was forced by the other states participating in these multilateral talks to change at least some of the features of CAP in order for a deal to be made. In the case of the 2003 reform, again external pressures, this time from the Doha Round, made some changes necessary.

Some scholars even see the 1992 reform as being a critical juncture in the evolution of the CAP, as it set the main instruments for reforming the CAP and thus constrained the future reform decisions. The decoupling of direct payments from production, concern for the environment and successive reduction in the fixed prices for some products are going to be from now on the main topics to be addressed in any reform of CAP. But the truth is that “critical junctures” approach has its limitations as other factors, this time internal to the EU system, were also important in deciding the initiation of these reforms.

The other way for historical institutionalism to explain the reforms of the CAP is to demonstrate that these have not been as radical as some scholars thought and that the path set at the beginning of this policy still influences a lot the way it looks nowadays. This strategy is, from my point of view, much more successful since these reforms had many drawbacks and have not put into question some of the most crucial problems encountered in the agricultural sector.

The first point to be emphasized from this perspective is the limited change that has been decided in comparison to the generous proposals made by the European Commission in what regards the 1992 and the 2003 reforms. It can be said that the member states have been willing to make just some limited changes that were crucial in maintaining the European Union in the international negotiations conducted at GATT level. Both in 1992

---

26 Adrian Kay, op. cit., p. 414.
28 Peter Nedergaard, op. cit., p. 213.
29 Adrian Kay, op. cit., p. 417.
and 2003 the Commission has proposed fundamental changes in the agricultural policy. As Eve Fouilleux states, in 1992 the Commission’s original proposal has largely been rewritten in order to accommodate the interests of all member states and for that reason “the outcome of the 1992 was not quite as innovative as it might have been”\textsuperscript{30}. Moreover, the negotiations took no less than eighteen months, which demonstrates the reluctance to major changes in the system.

The same scenario could be seen in 2003, when negotiations took almost a year and in the end “the shift to direct payments was deferred until 2005, and states could apply for exceptions until 2007 to continue to subsidize production”\textsuperscript{31}. This difficulty to reform the system can be attributed to the number of actors that had a saying in the reform, and in this regard the most important ones are the agricultural lobby groups. Furthermore, it has been pointed by scholars the reluctance of member states to give any substantial power to the European Parliament in the agricultural sector, the main powers to agree substantial legislation having been retained by the Council of Ministers\textsuperscript{32}, one of the most conservative councils at the European level.

Looking more closely at the reforms it can be observed that only small reductions in the system of price support have been agreed on and these reductions applied only to some products. Moreover, it seems that the concerns for the farmers still retain much of the attention of reformers, this being demonstrated by the fact that even with the 2003 reform there was no plan to reduce the support given to the EU farming sector\textsuperscript{33}, although the burden place by agriculture on the EU budget impeded other sectors which are more efficient to properly develop. This is the consequence of including the responsibility for farmers’ income in the Treaty of Rome, part of the constitutional setting of the EU, which is difficult now to change due to the unanimity requirement for any changes in the treaties. Thus, decisions taken some fifty years ago based on the conditions exiting at that time still constrain the options of the reformers.

European leaders have even tried to label the 2003 reform as a reform with less bureaucracy. But, as Peter Nedergaard explains, the reform did nothing about the paperwork that has to be done by farmers and about the number of officials that administrate the CAP. Quite the contrary, the need for farmers to comply with some safety and environmental requirements is complicating more the handling of payments from the CAP system\textsuperscript{34}. The ‘cross-compliance’ principle will need an enormous system of surveillance to keep track with what is happening on the farm and to implement the reform as it was envisaged.

Furthermore, the unevenly distribution of payments within the agricultural sector remains not only in what concerns the distribution among member states but also between large and small farms. Although the shift to direct payments has improved transfer efficiency, large farms still receive most of the EU agricultural budget. The creation with the 2003 reform of a single agricultural support system has produced “an increase in

\textsuperscript{30} Eve Fouilleux, \textit{op. cit.}, p. 255.
\textsuperscript{31} Ian Bache and Stephen George, \textit{op. cit.}, p. 396.
\textsuperscript{32} Elmar Rieger, \textit{op. cit.}, p. 172.
\textsuperscript{33} Peter Nedergaard, \textit{op. cit.}, p. 218.
\textsuperscript{34} \textit{Ibid.}, p. 219.
social and economic inequalities, from which large farmers, with considerable political clout, have profited disproportionately.”

Another problem regards the implementation of the reforms of the CAP. Starting with the 1999 reform and more evident with the 2003 reform, member states have gained some powers in implementing the reforms. States have now not only several options on how to implement the new regime of decoupled income payments, but, as it was mentioned before, they can delay the implementation of the reforms if they consider it necessary. As Elmar Rieger notes, “because member governments decide themselves on the design of the environmental measures accompanying the new system of direct payments, there is no way that the Union - in the form of the Commission - will be able to allocate funds in the zones with the greatest agri-environmental problems and/or potential.” Not only did the Commission lose some of its powers in the implementation sector, but these areas where transferred under the responsibility of member states which can decide to do whatever is considered best for their national interests and not for the wellbeing of CAP.

There have already been doubts raised regarding the ‘greening’ of the CAP as the expected benefits from the reforms in the environmental sector, which is now one of the objectives of CAP, are not that obvious. Even with the so-called second pillar of the CAP, rural development, things are moving slowly as not many funds are allocated for it. This is just to demonstrate that reforms, even if they would have radical provisions, do not always succeed in attaining the objectives settled by the reformers. The reforms have been mostly incremental and this is exactly what historical institutionalism tells us about policies that are path-dependent.

**IV. Conclusion**

The CAP appears to have survived to major changes even if ten new members states, and from the 1st of January 2007 two other more, with farming sectors resembling those in Western Europe in the 1960s have joined the European Union. From the reluctance of member states we can see that CAP is a very highly politicized sector, in which reforms that are really radical are not likely to happen.

The analysis of the 1992 and 2003 reforms shows that the policy is likely to follow the path settled some fifty years ago and that the EU member states are reluctant to any changes that would radical change the CAP. This is because fifty years of practice in the agricultural realm cannot just be deleted from the memory of the member states and of the farmers. The reforms of the CAP can be seen as limited, constrained and incremental and this is exactly what historical institutionalists claim about institutions and policies that are path-dependent.

---

Can Historical Institutionalism Explain the Reforms of the Common Agricultural Policy?

References: