The Political Economy of Agricultural Protection: Europe in the 19th and 20th Century

Swinnen Johan F.M. 1

1 LICOS Centre for Institutions and Economic Performance
University of Leuven (KUL)

Abstract—Important changes took place in agricultural policies in Europe in the 19th and 20th century. The dramatic nature of the changes are illustrated by two years, a century apart: 1860 and 1960. In the 1860s European nations agree on a series of trade agreements which spread free trade across the continent. In the 1960s European nations conclude an international agreement which spreads heavy government intervention and protection against imports across the continent. This paper reviews the nature and the causes of these dramatic changes in agricultural and trade policies, from the beginning of the 19th century to the second half of the 20th century, when agricultural policies are integrated in (what is to become) the European Union.

Keywords—Political Economy, Agricultural Policy, Europe, Historical Perspective.

I. INTRODUCTION AND SUMMARY 1

European countries spend more than fifty billions of euro annually on subsidizing their farmers. Over the past decades, European farmers have been protected against imports from other countries by import tariffs and other policies. This is not only the case in countries belonging to the European Union (EU), but also in countries such as Norway and Switzerland who have highly protected agricultural sectors. The most important form of government intervention in European agricultural markets is undoubtedly the Common Agricultural Policy (CAP) of the EU. While the EU has introduced several reforms of the CAP over the past decade, the introduction of the CAP in 1968 installed a highly protectionist and distortive system of government intervention in agricultural markets across a large part of the continent.

How things had changed in a century. Exactly a century before the introduction of the CAP, Europe was characterized by free trade in agricultural and food products. The abolishment of the Corn Laws in 1848 signaled the end of import protection in England and the English-French trade agreement of 1860 was the start of a series of trade agreements across Europe, effectively removing most trade constraints in agricultural markets.

These contrasting observations beg the questions: how and when did this change in policy occur? And why? Which events triggered these dramatic changes in policy preferences in Europe over the course of a century and what were the fundamental causes that made them possible? These are the questions that this paper tries to answer.

The methodology used in our analysis is a combination of qualitative argumentation and quantitative analysis. We have collected long-run data and calculated policy indicators and structural variables. The paper presents indicators of agricultural protection and various explanatory variables for several European countries, including France, UK, Germany, Belgium, the Netherlands, Finland, and Sweden. Data are collected at commodity level (eg protection indicators), at sector level (eg incomes; value added; etc) or at country level (eg political institutions; electoral rules; etc). The paper uses these indicators to document changes in agricultural policies and relates the indicators with a qualitative discussion of the factors behind the changes (such as political and policy changes).

A key element in the paper is how institutional changes have affected government decision-making on agricultural protection. Over the long period analyzed there were important institutional changes in the political system, such as changes in voting rights. There is a burgeoning literature on the impact of political institutions on economic performance (e.g. Acemoglu and Robinson, 2006; North, 1991; Persson...
and Tabellini, 2000; Przeworski and Limongi, 1993). The impact of political systems on trade policy has been the subject of a series of theoretical and econometric studies (e.g. Beghin and Kherallah, 1994; Beghin et al. 1996; Dutt and Mitra, 2005; Grossmann and Helpman, 2005; Olper 2001; Swinnen et al. 2001). However most of these studies focus on cross-section data and there is relatively little insights from long run studies on the historical relationship between these political systems and trade protection. Our paper will attempt to make a contribution in this field.

Another important part of the analysis is how the changing role of agriculture and food in the economy with economic development affect the costs and benefits of protection – and thereby the political equilibria. Changes in the structure of the economy affect the distribution and the size of political costs and benefits of agricultural protection and thus the government’s political incentives in decision-making. In Swinnen (1994, p.2) I argued that “structural changes typically coinciding with economic development induce an increase in agricultural protection” and that “the empirically observed correlation between agricultural protection and economic development is caused by a multiplicity of factors”. This is consistent with hypotheses from other political economy studies which have analyzed the impact of several of these factors and have concluded that governments adjust agricultural policies in response to changes in structural changes which affect the costs and benefits of agricultural protection for different interest groups, and their ability to organize politically and influence the government (Anderson, 1995; Anderson and Hayami, 1986; Bullock, 1992; de Gorter and Tsur, 1991; Honma and Hayami, 1986; Riethmuller and Roe, 1986; Swinnen, 1994, 1996; von Witzke, 1990)\(^2\). In this paper we review evidence on European agriculture to see whether these arguments are consistent with empirical evidence and whether they can explain the growth in protection over the past century and a half.

One argument which is related to structural changes, but which shows much more dynamic volatility and historical fluctuation is the relative income situation of farmers. Both theoretical and empirical studies show that changes in market returns will induced political activities of farmers as well as changes in political incentives for governments to intervene (de Gorter and Tsur, 1991; Gardner, 1987; Swinnen and de Gorter, 1993). From the evidence presented here it will become clear that this was a very important element in government decision-making on agricultural policies.

The period covered in this paper is from the beginning of the 19\(^{th}\) century until the countries join the Common Agricultural Policy of the European Union – which is at the end of the 1960s for the initial members of the EU. For analyses of more recent periods, I refer to the studies by, among others, Grant (1997), Moyers and Josling (2002), Josling (2007a), Olper (1998) and Pokrivcak et al. (2006). This paper relates to other studies who have tried to document the evolution of European agricultural policy (such as Tracy, 1989 and Josling 2007b) and those that have tried to explain the variation in protection between commodities and over time (such as Anderson and Hayami, 1986; Krueger et al., 1992; Gardner 1987). Some of these studies which use long-run data (such as Gardner (1987) and Swinnen et al. (2001)) show that important insights can be gained from long run analyses in addition to studies focusing on cross-country differences.

In the next sections I will attempt to measure changes in agricultural policy and I will review economic and political changes that took place in the 19\(^{th}\) and 20\(^{th}\) century in Europe to try to explain what caused the agricultural policy changes themselves.

ACKNOWLEDGMENT

Paper prepared for the second stage of the World Bank project “Distortions to Agricultural Incentives”, directed by Kym Anderson and Will Martin. I thank Liesbeth Colen, Anja Crommelynck, Isabelle Lindemans, Joris Stiers, Gunilde Simeons, and Els Compernolle for assistance with the data analysis.

REFERENCES

\(^2\) See de Gorter and Swinnen (2002) for a survey.


