**Policy Continuity and Ideational Change: The Story of Direct Income Payment’s in the EU’s Common Agricultural Policy**

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***This paper is a very preliminary draft.***

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Abstract:

The EU’s Common Agricultural Policy has been characterized both by continuity and change over the past decades. While the treaty-based formal objectives of the policy have not changed in the nearly 60 years of its existence, both policy goals and policy instruments on the level of policy-execution have shifted. A major change was introduced in the 1992 MacSharry reform, that introduced direct payments in exchange for significant decreases in guarantee prices, signifying a shift from price-support policy to income-support policy.

Now, 25 years after the introduction of the direct-income support, this policy instrument still covers the largest part of the CAP-budget and, despite major criticisms form different sides, survived a number of reforms. How can this be explained?

This paper will combine and apply insights from Historical Institutionalism and Discursive Institutionalism to answer this question. It will show that despite the policy continuity – in terms of direct-income payments – there has been a significant change in the policy ideas underlying and legitimating this policy. One and the same policy has been rejustified through other means over the span of the last 25 years. While Historical Institutionalist concepts of *layering* and *conversion* explain part of the story, I will make the claim that the analysis of ideas is necessary to fully understand the continuity in policy and change in underlying policy ideas and legitimation. Applying a Discursive Institutionalist approach enables analyzing how actors arrive at new interpretations of existing institutions and policies and how the discursive interactions between policy agents – constrained and enabled by existing policy-making institutions – result in one policy choice being made over another.

The insights gained by this case study into EU agricultural policy will provide valuable input for research in other policy domains that are characterized by a mix of policy continuity and change together with shifts in underlying policy ideas. Moreover it will help establishing scope conditions for when ideational factors are more or less likely to explain policy stasis and policy change.

**Introduction**

This paper investigates why the direct income payments of the Common Agricultural Policy (CAP) – originally introduced with the MacSharry reforms in 1992 – has survived a number of reforms, despite the criticism leveled against it. Although a number of changes and additions have been made to this policy instrument, the basic policy instrument remained essentially the same: direct income transfers to farmers.

I will combine a histical institutionalist and discursive institutionalist approach in order to show:

1. That the *layering* of direct income payments as a new policy instrument in the CAP affected the actors involved in european agricultural policy and their interests, changing policy making dynamics;
2. That these changes in actors, interests and mobilization created demands that eventually necessitated additional layers of policy instruments and new legitimations for existing policy instruments by means of (discursive) *conversion*, all the while leaving the core of the policy in tact;
3. That the way in which and why the ‘policy instrument complex’ of direct income payments developed through *layering* and *conversion* can only be understood by analysing the developent in ideas and the discursive interactions during the CAP policy making process.
4. **Historical Institutionalism, Discursive Institutionalism, and Incremental Policy Change**

*1.1. Direct income payments in the CAP and incremental policy change*

The case under study in this paper, the development of the policy instrument of direct income payments in the CAP, presents an example of incremental policy change. Three policy paradigms are usually distinguished in agriculture: 1) the ‘state-assisted’ paradigm, advocating state intervention and special treatment of the agricultural sector; 2) the ‘competitive’ paradigm promoting market-forces; and 3) the ‘multifunctionality’ paradigm emphsizing the multiple environmental and social functions of farming for which farmers should be rewarded (Garzon 2006; Daugbjerg and Swinban 2009). However, many authors agree that the CAP has not witnessed clear shifts from one paradigm to the other, but rather that institutions in line with different paradigms coexist alongside one another in the CAP (Feindt 2017; Alons, forthcoming; add references).[[1]](#footnote-1) Although the introduction of direct income support in the 1992 MacSharry reform can be considered an important change in policy instruments, it did not discard the existing policy instrument of price support, nor did it change the overall goal of the CAP of securing farm income. The introduction of direct payments, as well as the later developments in the application and settings of this policy instrument are indicative of incremental policy change, rather than qualifying as paradigmatic change. The concept of paradigm and paradigmatic change (Hall 1993) are therefore not the most suitable for conceptualizing and explaining the development of direct income payments in the CAP.[[2]](#footnote-2) The new overarching policy goals that a paradigm shift requires cannot be found in the history of the CAP, but lower level objectives have certainly changed (Ackrill 2014: add page). In such a case, a focus on the overarching goals ‘might therefore underestimate the degree, pace, and impact of policy shift, and of political strategies that are particularly aimed at the practical and operational level’ (Feindt and Flynn 2009: add page). A theoretical focus on incremental change, combined with an empirical analysis that does not only focus on changes in overall policy programme, but also in policy instruments and settings, will allow for a better understanding of the developments in the direct income payment policy of the CAP.

*1.2. Incremental change: The Historical Institutionalist point of departure*

Historical Institutionalism – having advanced from an approach focusing on paradigmatic changes caused by exogenous factors, to one acknowledging the importance of incremental institutional and policy change instigated by endogenous developments – has advanced concepts and models on the basis of which incremental policy change can be described and analysed (Streeck and Thelen 2005; Mahoney and Thelen 2010). Two key types or strategies of incremental policy change for the purpose of the case studied in this paper, are *layering* and *conversion*.[[3]](#footnote-3) Layering is ‘the introduction of new rules on top of or alongside existing ones’, while conversion is characterized by ‘the changed enactment of existing rules due to their strategic redeployment’ (Mahoney and Thelen 2010: 15-16). The latter entails interpreting and enacting institutions in new ways, converting them to ‘new goals, functions or purposes’ (Mahoney and Thelen 2010: 17-18). Instead layering does not ‘entail shifting the interpretation or enforcement of rules’ (Mahoney and Thelen 2010: 22) but ‘adds new policy instruments, or redesigns existing ones, to address new concerns while pursuing the original objectives’ (Daugbjerg and Swinbank 2016: 269). Both strategies allow for a gradual adaptation of institutions to changed environments, while paradigmatic changes are undesirable or (politically) infeasible (Mahoney and Thelen 2010).

In an attempt to contribute to enhanced conceptual clarity and support the empirical analysis of incremental policy change, Rocco and Thursten (2014) developed additional indicators to distinguish between layering and conversion empirically. They emphasize that with layering, viable *alternative* policy instruments or institutions are created that (initially) exist alongside existing instruments and institutions, but can in the longer term also make the existing institutions obsolete, particularly if the new institution negatively affects public support for and usage of the existing institution (Rocco and Thursten 2014: 48-49). Here, institutional change precedes potential adjustments in application or even interpretation further down the line. Conversion, contrarily, starts with new understandings and interpretations of existing institutions, which then result in changes in policy implementation in line with these new understandings (48-49). Indicators of that are ‘differential definitions of policy goals expressed by political and administrative actors’ and/or changes in the application of policies and procedures (47-48). This conceptualization of layering and conversion allow for two lines of reasoning, that I would argue are of particular importance when analysing policy developments in the CAP.

First of all, layering and conversion can go together, both dynamics of change being at work simultaneously or consecutively within one institution or policy. This is a possiblity Mahoney and Thelen (2010) do not contemplate, but Rocco and Thursten acknowledge (2014: 57), albeit without detailing potential scenario’s. I argue that layering and conversion can either be consciously applied as subsequent strategies, or one can necessitate the other to ensure the policy’s viability and legitimacy in the longer term. Adding new institutions or policy instruments through layering can bring new constituencies to the fore with their own interests in and ideas about the policy ‘re-adjust[ing] the power balance and necessitat[ing] re-interpretations of older policies’ (Feindt and Flynn 2009: 409). Such changes in interest configurations potentially bring new demands on the policy that can subsequently be met by additional layering in of new or redesigned policy instruments (Daugbjerg and Swinbank 2016: 267-269), or by reinterpreting the existing policy instruments to contribute to new or other objectives and purposes (conversion). Conversely, if incremental changes commence with a reinterpretation and application of institutions through conversion, this may consecutively require additional changes in policy instruments to be able to convincingly claim that the policy actually reaches the new objectives and purposes and can thus succesfully be legitimated on the basis of them. This paper will argue that with respect to the policy development of direct payments in the CAP, these dynamics of gradual policy change were at work.

Secondly, the indicators Rocco and Thursten introduce for conversion appear to allow for a distinction between what I would term ‘discursive conversion’ and ‘substantive conversion’. The former is at play when policy makers attribute new objectives or purposes to a policy in their discourse only, while I speak of the latter if this discursive policy reinterpretation is also accompanied by changes in the application of policies in the implementation that effectively gear the policy towards obtaining the newly stated objectives or purposes. The distinction between these two levels of conversion is important in the dynamics between layering and conversion. If conversion remains at the discursive level, involving a relegitimation of existing institutions and policies through reinterpretation without gearing the policies to the new objectives and goals, then the renewed legitimation is very likely to come under pressure again in the longer term. Once actors interested in and mobilized as a result of the reinterpretation of the policy find that the policy does not meet its promises, they will exert pressure for policy change and the legitimacy of the existing policy is at stake. Changing policy instruments and/or settings – potentially through layering – is then a strategy to bring the policy in line with the objectives and purposes that were previously attributed to it through conversion.[[4]](#footnote-4)

* 1. *Bringing in ideas and discourse*

It is a matter of debate to what extent an historical institutionalist approach towards gradual institutional change already, implicitly, assumes that ideas play a role. Although they take a ‘power-distributional’ approach to institutions, focusing on material and not ideational dimensions of power and interests (Mahoney and Thelen 2010), their argumentation on conditions for incremental change, as well as some of the strategies of incremental change they distinguish, at least implicitly assume or even require a role for ideas. The emphasis on the ‘ambiguity of institutional rules’ as the condition enabling the strategies of incremental change, allowing for ‘interpretation’ on the part of actors, brings in the ideational. Interpretive processes are central to the strategy of conversion, while with respect to layering actors arguably ‘have to have an idea as to what they want to […] layer and why’ as the material context does not prescribes one specific policy solution (Blyth et al. 2016: 152). Blyth et al. (2016: p. 158), therefore argue that some historical institutionalists are already ‘smuggling a rather large ideational elephant into an otherwise neat materialist tent’ (see also Carstensen and Schmidt 2016 APSA paper).

Therefore, even though historical institutionalist scholars themselves may not embrace ideas explicitly, the concepts and models they espouse can certainly benefit from engaging with ideational approaches such as discursive institutionalism. Hall’s (1993) model of policy learning and policy change – distinguishing between policy objectives, instrument and settings – a model that is much applied in the historical institutionalist literature, assumes that change a paradigmatic policy change (including changes in the overal policy goals) or changes in policy instruments requires new ideas in the policy arena (cf. Feindt and Flynn 2009). Combined with the assumption that the material context usually does not constrain actor’s room for manoeuvre to one policy option, this begs the question why policy makers opted for one policy or institutional configuration and not another. As Feindt and Flynn (2009: 389) argue ‘other responses would have been possible, and the same new policies could have been embraced earlier’. I will argue that application of the layering and conversion concepts of historical institutionalism, combined with a discursive institutionalist focus on ideas and discourse, can help explain why ‘some of the innumerable ideas in circulation achieve prominence in the political realm at particular moments [while] others do not’ (Berman 2001: p. 233).

Historical institutionalism can describe the processes how incremental change around existing institutions can develop and show that rulemakers can succesfully redeploy institutions for new purposes, but it cannot account for how actors arrive at new interpretations of existing institutions and why a certain institutional configuration (in terms of substance) is the outcome, and not another (Carstensen and Schmidt 2016 APSA paper: p. 2, 5). By emphasising the interplay between ideas and institutions and through its focus on agents as ‘carriers’ of ideas, discursive institutionalism provides the concepts and analytical tools necessary to answer this outstanding question. Applying a discursive institutionalist approach entails analysing both the substantive content of ideas that shape how actors perceive institutions (and their interests in them), and the interactive process of discourse through which actors try to promote their interpretations or ideas. This allows for a reconstruction of political struggles and contested interpretations that define situations in ‘which established policies are challenged’ entailing ‘ multiple, competing and often contradictory ideas and institutions’ (Feindt and Flynn 2009: p. 294). This is the type of situation that was often characteric of the debate on CAP reform. At the same time, the discursive institutionalist approach takes due account of the institutional constraints that priviledge some actors over others and can be more or less conducive to certain ideas entering the policy making arena. Application of the approach will therefore help establish which agents acted as discursive entrepreneurs, how the discursive contestation evolved, and when and why a certain discourse or interpretation became dominant.

*1.4 Discursive institutionalism: assumptions and concepts*

Discursive institutionalism focuses on the role of ideas, which can be conceptualied as ‘the beliefs, theories and discourses that (re)construct or re(structure) how actors perceive, define, communicate and make their interests actionable in political strugles’ (Carstensen and Schmidt 2016: p. 3). These ideas are connected to agents, who, ‘as carriers of ideas and articulators of the discourse serve as drivers of change’ (Schmidt 2011: p 48). Ideas can empower agents, who can use ideas as political tools to affect other actors’ conception of their interests and preferences during processes of discursive interactions, deliberating and potentially reinterpreting institutions (Carstensen 2011: p. 603; Carstensen and Schmidt 2016: p. 10-11). Contrary to the historical institutionalist objective and materialist conceptualization of preferences and interests, discursive institutionalists thus assume preferences and interests are subjective. Changes in dominant ideas are then expected to affect preferences, discourses and potentially also institutions.

Understanding how ideas promote institutional change requires analysis of the substantive content of ideas as well as the interactive process of discourse, to investigate how ideas are generated among policy actors and diffused to the public by political actors (Schmidt 2011: 47, 55). Regarding the substantive content, three levels of ideas can be distinguished : 1) philosophical ideas (implicit values); 2) programmatic ideas (general assumptions and principles; and 3) policy ideas (specific solutions) (Schmidt 2008; 2010). Two types of arguments provide links between these three levels of ideas. *Cognitive* arguments justify positions and policies appealing to an interest-based logic, while *normative* arguments legitimate positions and policies through reference to their appropriateness, ‘linking values to appropriate courses of action’ (Gillard 2016: p. 27). With respect to the interactive process of discourse, a distinction is made between the *coordinative* discourse in the policy arena, where policy actors engage in deliberation, arguing and bargaining in order to reach agreement on policies, and the *communicative* discourse in the political arena between political actors and the public, where the policy ideas and policies that were prevalent in the policy sphere are contested and legitimated (Schmidt 2008b; 2011).

The empowering aspect of ideas does not mean that actors need not take account of vested interests linked to existing institutional settings (Carstensen 2011: 605). The institutional context affects which actors are involved in the deliberation, and the power-relations between the different actors, thus framing the discursive process (Schmidt 2000: p. 232). It affects the likely audiences and the argumentative logics that may be expected to appeal to them, something actors have to take into account in their usage of ideas and discourse (Gillard 2016: p. 27). Just like ideas, institutions then constrain and enable: ‘actors seek to promote their particular interpretations through the use of ideational elements and the institutional position they are privileged with (Carstensen and Schmidt 2016 APSA: p. 18). In *compound* polities like the EU, where government authority is dispersed, it is expected that the focus will particularly be on the coordinative discourse in the policy arena, where cognitive arguments are expected to be dominant (Schmidt 2006; 2008; Carstensen and Schmidt 2016). It should be noted, though, that in order to arrive at succesfull policy change, eventually, both are required: a coordinative discourse that can unite elite actors and a persuasive communicative discourse that speaks to the electorate (Schmidt 2002).

*1.5 Conversion, layering, and discursive institutionalism*

While the historical institutionalist concepts of layering and conversion enable analysis of the form of incremental policy change, discursive institutionalism makes the moments of layering and conversion the objects of explanation. It does so by investigating the ideas that led to the layering of one institution over another and the discourse and debates surrounding the reinterpretation associated with the conversion of institutions, to see whether ideas and discourse made a difference, serving to reconstruct institutions (Schmidt 2008b).

Both processes of conversion and layering are connected to ideas and ideational struggles. Layering implies new or additional ideas about what means can effectively contribute to existing ends, argued on the basis of cognitive arguments linking up means and ends, or normative argumentss about legitmate policy instruments to obtain existing goals. Conversion implies a reinterpreation of existing institutions or policy instruments, to serve new (additional) objectives or purposes. This is likely to be instigated by new normative ideas on what should be considered legitimate policy objectives or purposes, or changes in cognitive convictions on what type of objectives or purposes the existing policy instruments can effectively be considered to serve.

This paper will apply a discursive institutionalist approach, analysing agent’s discourses and the ideas and arguments reflected in them with repect to CAP reform. This allows to uncover the institutional interpretations of different actors in the policy proces, developments in them over time, as well as how policy debates translated in policy outcomes.

1. **Methods and sources**

The empirical section of this paper is based on a qualitative research design. The case will be presented and analysed in a chronological fashion, and is structured around the introduction of direct income payments in the 1992 MacSharry reform of the CAP, and subsequent changes to this policy instrument and its application that were introduced in later reforms. The analysis conducted around each moment of change proceeds in three parts: 1) A description of the policy change; 2) a (preliminary) qualification of the policy development in terms of conversion and layering; and 3) an analysis of the substantive ideas and discursive interactions in the policy debate that preceded the reform.

To conceptualize and describe the policy changes, I depart from Hall’s (1993) distinction between first-order change in policy settings, second-order change in policy instruments, and third-order change in policy goals, which lines up well with Schmidt’s three levels of ideas, introduced earlier. In order to allow for more fine-grained descriptions of lower-order policy change – as third-order paradigmatic change is uncommon in the CAP – I include Howlett and Cashore’s (2007) six elements of policy. This effectively introduces a split in each of Hall’s levels, by distinguishing between means and ends at each of the levels. This solves the problem of the large conceptual gap between Hall’s first and second as opposed to third order change, as in his conceptualization third order change only comes with changes in the overarching goals of a policy. In the reality of the CAP, however, objectives at lower levels of the policy (e.g. the objective of specific policy instruments) have often evolved, while the overall goals of the policy have remained intact (Kay and Ackrill 2010; Ackrill 2014). Howlett and Cashore’s conceptualization of policy allows for the identification of such changes. Table 1 shows how the conceptualizations of Schmidt, Hall, and Howlett and Cashore relate to one another.

**Table 1: Characterization of Policy change**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Philosophical level** | **Programme level** | **Policy level** |
| **Policy ends** | Goals | Objectives | Settings |
| **Policy means** | Instrument logic | Mechanisms/instruments | Calibration of instruments |

|  |
| --- |
|  |

Change required for Hall’s ‘paradigmatic’, ‘third-order’ change.

|  |
| --- |
|  |

Change required for Hall’s first-order and second-order change.

|  |  |
| --- | --- |
|  |  |

Change introduced with incremental policy change of the CAP, that application of Howlett and Cashore’s conceptualization of policy allows to identify.

The policy changes identified combined with analyses of CAP reform provided in existing analyses of the CAP from a historical institutionalist perspective (Daugbjerg, jaartallen; Daugbjerg and Swinbank 2016; Kay and Ackrill 2010; Ackrill 2014) allow for a *preliminary* qualification of the changes in terms of layering and conversion. Layering should be visible in the changes in instruments and settings, *without* changes in objectives and goals, while conversion would imply changes in the latter as instruments and settings remain intact. Only after the in-depth analysis of the ideas and discursive interactions in the policy making process can definitive conclusions on layering and conversion – as conceptualized in this paper – be reached, however, since both entail changes in ideas or reinterpretations of institutions. A combination of the policy change identification and analysis of ideas and discourse also allows to verify whether conversion was limited to the discursive level, or also covered the substantive level, the shift in objectives and purposes being accompanied with changes in the settings and applications of policy instruments to gear them towards the new or additional objectives and purposes. The third part of the analysis will furthermore enable answering the question *whether* (did ideas become dominant, affecting the policy outcome?) and *how* (through which ideational entreprenours and venues) ideas promoted institutional change.

The empirical analysis will focus on the European Commission (Commission), Council of Ministers (Council) and interest groups within the agricultural policy network to reconstruct the debate in the policy sphere as well as the ideas and coordinative discourse applied by the actors. This analysis will be based on Commission policy documents; Commissioner’s speeches aimed at the Council, the European Parliament and interest groups within the policy network; Council documents; interest group position papers and letters; and available news outlets that are known to be well versed in the European policy making process on the CAP (*Agra Europe*, *Agra Facts*, *Agra Focus*). For the reconstruction of the communicative discourse, Commission press releases, Commission documents related to the public debate preceding some of the CAP reforms, and Commission presentation of the reform outcome to broad/general audiences will be analysed. In the analysis of these documents, actor’s representation of the policy instrument of direct income payments will be analysed as well as the cognitive and normative arguments applied to legitimate or delegitimate the introduction of and later developments in the policy instrument.

1. **Direct income payments in the CAP**

[**Note that at this stage the empirical analysis is incomplete. The presentation below only includes the Commission’s interpretation and discourse, but not yet the interaction with other actors.]**

*3.1 Adding income support to price support*

Description of the policy change

Until the introduction of direct income payments in the 1992 MacSharry reform, the main policy instrument of the CAP to secure farm income had been price support (implemented through gurantee prices, variable import levies and export subsidies). This policy had come under pressure due to the surpluses, the adverse effects on relations with trading partners, and the environmental pressures it caused. In the MacSharry reform, the price support for a number of main commodities was reduced by 30 per cent, in exchange for ‘compensatory’ direct income payments to farmers. Additonally, larger farms had to set aside 10 per cent of their land in order to qualify for the direct payments.

With this reform, two new (connected) policy instruments were introduced: direct income payments and set aside, which signify changes in policy means at the programme level. Kay and Ackrill (2010: 134) argue that the instrument logic (means at the philosophical level) also changed, channeling domestic support through less trade-distorting mechanisms. Daugbjerg and Swinbank add that the set-aside scheme was adopted ‘to make it more compatible with environmental requirements’, alluding to a potential addition of mitigating environmental pressure to the policy objectives at the programme level. [nb: but main reason for its introduction at the time was tackling the problem of surpluses] The analysis of the ideas and discursive interactions in the policy process will help to evaluate whether these claims can be substantiated.

Qualification of the change in historical institutionalist concepts

The 1992 reform introduced new policy instruments, without discarding existing policy instruments, while the overarching goals of the CAP remained unchanged. The reform constitutes layering: the addition of income support and set-aside, and changes in the application of the existing instrument of price support. In addition, income support may be regarded a potential *alternative* to price support, thus meeting Rocco and Thursten’s (2014) requirement for layering. Daugbjerg and Swinbank (2016) also qualify the reform as an example of layering, although they speak of adding trade and environmental layers to the policy. I believe this usage of the term of layers corresponds less with how the concept is used in historical institutionalist theory, and I will therefore focus on changes in instruments and settings (the actual ‘institutions’) to qualify layering. The trade and environmental concerns mentioned by Daugbjerg and Swinbank will be important in the analysis of the policy process and may be indicative of a shift in policy ends at the programme and policy levels, short of an actual change in overarching policy goals.[[5]](#footnote-5)

Analysis of the ideas and discursive interactions in the policy process

Commission considerations on the future of the CAP in the 1980s and early 1990s indicate that the existing focus on price policy as the main instrument to support farm income is not effective, thus not sufficiently meeting the ‘social’ objective of the CAP. Despite increasing spending on the CAP, the purchasing power of farmers had hardly increased, while employment in the sector diminished at the same time (Commission 1985: p. 17; 1991a: p. 3). This was considered the main problem to be addressed, because employment in agriculture was indispensible ‘for maintaining social tissue and conserve natural environment and landscape’ (Commission 1985: ii, p. 3, p. 21, p. 55). What the price support policies did result in were incentivicing production, which led to surpluses and pressure on the environment as well as on the EU budget. By the early 1990s, when new CAP reforms were prepared, the Commission was convinced that only a fundamental reform of the CAP could solve these problems and that slightly more restrictive price support combined with production control – policies implemented in reforms in the late 1980s – would only provide temporary solutions at best, because they did not address the underlying problem that support remained proportionate to the quantity produced (1991a: p. 4). While in the 1980s, the Commission considered that solutions could be found by introducing direct income aid as an accompanying measure in a selective way (Commission 1985), it was now convinced that the direct aid should be an integral part of the commodity regimes, which implied it would apply to almost all farmers. The rationale for this reform remained the same: the existing focus on price policy for providing farm income support was not effective, so additional policy instruments were needed, a cognitive argument for policy change. Environmental and budgetary pressures were also considered problematic, but were not the prime motive for this element of the reform, although the Commission did want to see implementation geared towards environmental objectives as we will see later.

In its first reflection paper for the 1992 CAP reform (not official proposals yet), the Commission presented a case for significant reductions in price support – to ensure a better market balance by bringing the support prices closer to world market prices – in combination with direct income aid as a ‘compensation for loss of income’ resulting from the price reductions. It further argued these direct aids should be ‘modulated’, payments being lower for larger farms, and also varying on the basis of regional situations (Commission 1991a: 12). It anticipated that member states might resist modulation based on farm size, but argued it could be justified, because it was about ‘correcting inequalities by supporting those who dervie fewer advantages from the market organization’ (Commission 1991a: 16). This can be considered a normative argument in terms of combating inequality, correcting the situation that larger farms already received most of the CAP price support. The reflection document also stated that ‘linking payments of direct aids to engaging in sound farming practices’ – a sort of environmental conditionality *avant la lettre* for direct payments – should be considered (Commission 1991: p15). The tekst does not yet bring this into practice, though, even the set-aside requirement for larger farms in order to be eligible for direct aid is not explicitly linked to environmental requirements, only ‘multi-annual programmes’ – which would later be termed agri-environment measures – were explicitly linked to environmental objectives.

In the follow up to the first reflection paper – after the Commission had discussed the plans with member states and stakeholders – the Commission did not change its main line of argument, but it did adapt the plan to address the critique of particularly member states and farm organizations. The direct aids are still presented as a ‘compensation’ for lower price support, implemented in a way that will reduce production (set-aside requirement), reflecting greater concern for the environment (set aside implemented in a way that addresses minimal environmental standards)[[6]](#footnote-6) and better distribution of support (modulation) (Commission 1991b: p.3). Modulation based on farm size was removed from the proposal, however, a potential indication that in the policy debate, the view that this entailed *discrimination* against larger farm holdings may have dominated the Commission’s initial argument that this was about *correcting inequalities*.

While market-balance and increased market-orientation had been the main argument for the price-reduction part of the reform from the start – direct aids being added to ensure the social objective of the CAP to provide farmers with a fair standard of living, which was important to maintain farmers on the land and thereby maintaining the social tissue and conserving the natural environment and landscape – it is striking that in the Commission’s proposal for as well as the final legal text of the actual Regulations implementing the reform, only this market based argument is explicitly presented as the rationale for introducing a new support system (Commission 1991c; Council Regulations (EEC) 1765/92; 1766/92).

*3.2 Partially ‘decoupling’ payments from production and environmental conditionality*

Description of the policy change

The 1999 ‘Agenda 2000’ reform of the CAP mainly reinforced the changes introduced in 1992, by further reducing price support and increasing direct income payments – changing policy settings and the calibration of the policy instruments, but not the instruments themselves. In the 2003 Fischler reform, more extensive changes were made to the system of direct income payments. The direct income payments were partially decoupled (25% coupling was still allowed) from production by introduction of the Single Farm Payment which was based on past income transfers and not on current production. This meant a change within the policy instrument of direct payments (Kay and Ackrill 2010: 138), making support increasingly less market-distorting, in line with trade concerns in relation to the WTO Doha Round (Daugbjerg and Swinbank 2016). Kay and Ackrill argue decoupling also introduced a change in terms of instrument logic (means at the philoshopical level) shifting the basis for transfers to farmers away from production (2010: 138) in line with a more market-based and less trade-distorting logic.

The 2003 reform further made cross compliance (introduced on a voluntary basis in the 1999 reform) compulsory, making the direct income payments conditional on a number of basic environmental and animal husbandry conditions. This is another change within the policy instrument of direct payments.

Qualification of the change in historical institutionalist concepts

Partial decoupling essentially introduced a new policy instrument, decoupled Single Farm Payments, next to the existing coupled direct payments (Kay and Ackrill 2010: 138), without discontinuing existing policy instruments or adapting overarching policy goals, and thus constitutes layering. Cross compliance may either be considered a new policy instrument in itself,[[7]](#footnote-7) or a change within the policy instrument of direct payments. It is, however, in itself not a potential alternative to existing policy instruments, thus not conforming to Rocco and Thursten’s (2014) strict understanding of layering. [A solution to this issue would be to see the direct payments subject to environmental conditionality through cross compliance as the new policy instrument, replacing the direct payments without this conditionality. This should in essence be considered ‘displacement’ rather than layering, however, in historical institutionalist terms. A better way to move forward may be to relax Rocco and Thursten’s strict idea of new or changed institutions having to present an actual *alternative* to existing ones, particularly since the conceptualization used by the authors that coined the term does not seem to include this requirement. Cross compliance then exemplifies layering, being a change in existing policy instruments without changes in overarching goals.] The changes introduced in the 2003 reform support the environmental and trade ‘layers’ in the terminology applied by Daugbjerg and Swinbank.

Analysis of the ideas and discursive interactions in the policy process

The introduction of direct payments made the support to farmers more visible and transparent than income support through price support had been. In case of the latter, the consumer eventually pays, but it is unclear what part of the price consists of agricultural subsidies. With direct payments, it is clearly visible to taxpayers what they are paying for this type of farm support. This was one of the reasons why farm organizations in particular had initially objected to direct income support, fearing the transparancy of these payments would make them more susceptible to critique and more difficult to maintain in the longer term (Alons 2010). Indeed, the layering-in of this new policy instrument created and mobilized new interests, calling into question the legitimacy of these payments as farmers had feared, and creating new discursive dynamics in the CAP policy debate.

The Commission showed itself aware of this. Apart from making a market-orientation based argument for increased support price reductions in exchange for higher direct aids – aligning support prices more closely with world market prices to turn them into a ‘safety net’ for cases of ‘serious market disruption’ – it also saw the need to make adaptations to the direct payments instrument in line with societal demands (Commission 1997; Fischler 1997b; 1999). In a presentation of an early outline for the Agenda 2000 reform, the Commission stated:

*While the generalization of direct payments to farmers after the 1992 CAP reform made financial support for agriculture more transparent, it also increased the need for it to be economically sound and socially acceptable* (Commission 1997: p. 29)

Commissioner Fischler explained:

*For all sectors, the proposed shift from price support to direct income payments would transfer the overall cost of agricultural support from consumers to taxpayers and make it more transparent. This is likely, in turn, to lead to questions about how to distribute support amongst farmers’* (Fischler 1999)

With the argument to increase the acceptability of the direct payments instrument, the Commission proposed to make individual direct payments degressive above 100,000 EURO[[8]](#footnote-8) and give member states more flexibility (through ‘national envelopes’) to differentiate to gear the payments better towards environmental objectives or to farmers that needed them most (Commission 1997: p. 31; 1998a). Additionally, considering increasing societal awareness and demands in society as well as the Commission’s more general objective of better integrating the environment in the common market organizations, it enabled member states to make direct payments conditional on the respect of environmental provisions, a policy that would later be named ‘cross compliance’ (Commission 1997: p. 32; 1998: p. 19). Through such measures aimed at ‘meeting the expectations of society’, the Commission wanted to improve the image of the CAP that had suffered from critique on its unequal distribution of support and negative environmental effects (Commission 1998b: p. 3).[[9]](#footnote-9)

The fundamental aim, however, just like in the 1992 reform, remains ‘maintain[ing] farming throughout Europe and to safeguard farmers’ incomes’ (Commission 1998b: p. 8), and that is now intricately linked to both social and environmental functions of farming for which it is presented to be a prerequisite:

*We must increase the incentives for farmers to contribute to the protection of the environment and upkeep of our countryside. If we wish to maintain our traditional farming landscapes, to take account of the increasing environmental awareness throughout the Union, then we have to ensure that agricultural activity is maintained’* (Fischler 1997a)

The Commission’s depiction of the situation, seems to imply the normative argument that agricultural policy should take account of the environment, or – in a more cynical, but perhaps also more realistic, interpretation – that the policy should take account of societal demands, and should thus become more environmentally oriented. It believes that introducing environmental conditionality for direct payments can solve the legitimation problem. Cross compliance, considered as an additional policy instrument can be considered a strategy of layering (see Daugbjerg and Swinbank 2016), but at the same time I would argue that it constitutes an attempt at conversion. This conversion is not established by changing the overall goals of the CAP, but – at a lower level – by a reinterpretation of the policy instrument of direct payments to not only serve farm income support purposes, but environmental purposes as well. At this point such potential reinterpretation is still rather implicit in the discourse and substantial conversion remains limited because all measures introduced enabling gearing direct payments to more environmental pursoses (cross compliance, but to a lesser extent also the national envelopes) are voluntary.

In the Commission’s discourse surrounding the 2003 reform debate, it repeated its adherence to the goals and guidelines set out in the 1999 reform, but argued a number of policy instruments needed to be adapted in order for these goals to be fulfilled. One of the problems, the Commission considered, was that the policy was not yet sufficiently market-oriented, as the direct payments were still partly linked to production or means of production. As long is this was maintained, the policy would also provide incentives for increasing production, with potentially negative environmental effects. Furthermore, it was argued that over time the direct payments ‘have lost their compensatory character […] and have become income payments, raising the question of whether the distribution of direct support is optimal’. Under these circumstances the CAP would not be able to meet the demands of society.

Decoupling of direct income support from production and making the payments conditional on statutory standards in the field of environment, food safety, animal health and welfare and occupational safety (cross compliance) were the solutions the Commission introduced. Decoupling was considered the final step in the shift from product support to producer support that had started with the 1992 reform. It would take the form of a Single Farm Payment in which the link between production and subsidies was removed. This aimed to enhance market-orientation, environmental sustainability and farm income all at the same time. The potential risk of land abondonment was acknowledged, but additional conditions were proposed to prevent this. What the Commission did not seem to anticipate was that decoupling could also increase the need to legitimize the payment (Daugbjerg and Swinbank 2016: p. 273), for if it was not a payment for food production then what objective did the payment serve?

Despite the (now mandatory) cross compliance conditions, the direct payments could not convincingly be presented as payments for environmental services, for it was explicitly stated that:

*Good agricultural and environmental conditions [the cross compliance conditions] are an obligatory minimum requirement for all farmers to attain. They should not be confused with the higher standards (‘good agricultural practices’) involved in volutary agri-environment schemes (within rural development measures), where farmers may receive a payment for providing environmental services which go beyond basic mandatory legal standards*. (Commission 2004: p. 1).

The key rationale for and legitimization of the direct payments *per se* remained in their contribution to ‘a fair standard of living and stability of income for the agricultural community’ (Commission 2002: p. 7). In his speeches (2002, 2003) Commissioner Fischler adds a ‘multifunctionality’ argument for farm support in general:

*Farmers are right to demand due reward for the quality products they supply, the environmental services they perform and their role in the upkeep of the countryside – in orther words, for all the product and services that they provide for society. Direct payments remain essential in this context, since market prices alone are not enough.* (Fischler 2002)

While the idea of support as payments for public goods or services had previously been reserved to legitimate agri-environment payments in the rural development pillar, it now seems to be stretched to agricultural support more in general, including direct payments. This seems to be in line with Commission considerations during the 1999 reform process that ‘[c]ross compliance conditions may be considered also as a first step to relate the payments to their only rationale in the long run, being a payment for the delivery of public goods’ (Commission 1998: p. 103). It is questionable whether this was the dominant discourse surrounding the 2003 reform, however, and, clearly, it would also make the direct payments susceptible to the critique that the *de facto* services they provide were limited, or unproven at best.

With the increased ‘decoupling’ of direct income support, the policy is in line with the previously introduced change in policy logic that farm income support should be continued, albeit in a less market-distorting fashion (Kay and Ackrill 2010). Although the Commission connects a number of aims or purposes to decoupling, its main objective remains for the direct payments to maintain its ability to provide income support. It is the now mandatory cross compliance aspect that contributes to conversion by underpinning a new, additional *purpose* for the policy instrument of direct payments. The policy instrument in itself remains the same but through adding cross compliance (*layering*) it is now reinterpreted as serving additional purposes, establishing *conversion* and contributing the the continued legitimation of direct payments. Layering in of direct payments in 1992 affected actors interests and mobilization, putting the legitimacy of the policy instrument under pressure. This pressure was consequtively addressed by a combination of layering and conversion, both of which depended on ‘reinterpretations’ of the policy instrument and the purposes it is supposed to address. [reinterpretation from serving farm income to adding environmental and other services as purposes; also reinterpretation of direct payments from ‘compensatory’ to ‘income’ payment: for ‘compensation’ should have been temporarily (certainly was the idea in the Commission’s reflections in 1985), while ‘income’ support is more closely connected to the ‘need’ for it.]

*3.3 Further decoupling, discontinuing set aside, and greening of the first pillar*

**Conclusion**

[Analysis is incomplete: too early to draw conclusions]

**References**

To be added

1. An exception is Garzon (2006), who claims that the introduction of direct income support in the 1992 MacSharry reform indicated a shift from the state-assisted to the multifunctionality paradigm. Daugbjerg and Swinbank (2009; 2016) oppose this claim, arguing that the introduction of direct income payments next to the existing instrument of price support did not bring new policy goals, but only introduced a new means of achieving the goal that is central to the state-assited paradigm, supporting farm income. They even conclude that the multifunctionality paradigm should not be considered a new paradigm, but rather the state-assisted paradigm in disguise. [↑](#footnote-ref-1)
2. See Schmidt (2011) for a more elaborate argument on why the paradigm concept cannot account for incremental change, as it fails to explain the *process*, the *reasons for* and the *timing of* incremental change. [↑](#footnote-ref-2)
3. The other two are *displacement* and *drift*. Since the introduction and development of the direct income payments in the CAP did not replace existing institutions, but was added to existing policy instruments, displacement is not relevant here. [drift…] [↑](#footnote-ref-3)
4. It should be noted that this type of layering may not introduce a complete potential *alternative* to the existing institution as Rocco and Thursten’s conceptualization would require, but rather more subtle changes that can nevertheless introduce additional layers to the policy tool-kit. Much depends here, on the level of the policy where changes are introduced (objectives, instruments, settings). While Rocco and Thursten implicitly seem to assume that layering requires *additions* at the policy instrument level at least –for otherwise how could the new ‘layer’ act as a potential policy alternative – others would include the redesign of existing policy instruments or their settings in their understanding of layering (Daugbjerg and Swinbank 2016; Kay and Ackrill 2010; Ackrill 2014). [↑](#footnote-ref-4)
5. Since Daugbjerg and Swinbank (2016) only look at ends at the overarching philosophical level - policy goals - and argue that environmental and trade aspects have never become part of those goals, they speak of environmental and trade ‘concerns’ which can be layered into the CAP through different policy instruments, implicitly excluding conversion (since policy goals do not change). In this paper, these ‘concerns’ could however – depending on the outcome of the analysis of the discursive interactions in the policy process – be taken to constitute new objectives at the policy programme level, indicating potential processes of conversion as well. [↑](#footnote-ref-5)
6. The role of farmers as protectors of the rural environment and managmeent of the landscape was only explicitly appealed to in justifying the accompanying measures of agri-environmental measures as a way to implement remuneration for the environmental services provided by farmers (Commission 1991b, p. 33). [↑](#footnote-ref-6)
7. Although ‘new’ would be a big word, because the cross compliance rules partly brought together a number of existing regulations. What was new is that these now became a condition for the eligibility for direct income payments. [↑](#footnote-ref-7)
8. Originally the plan was to introduce ceilings (Commission 1997), but in later stages of the proposal the plan did not include an absolute ceiling, but percentage-wise reductions in payments over 100,000. [↑](#footnote-ref-8)
9. The environmental objectives of the CAP were most clear in the introduction of a second pillar to the CAP, bringing together all existing structural and environmental measures in one ‘Rural Development’ policy. The rationale for the spending applied here was that farmers deserved renumeration for the social and environmental services they provided for society (Commission 1998: p. 7; Fischler 1997a). At this point, a similar legitimation was not applied to the direct income payments yet. [↑](#footnote-ref-9)