

Economics, sustainable development and the greening  
of agricultural policy in the European Union

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**Summary:**

The goal of making agricultural policy in the EU compatible with the concept of sustainable development is an important one. With this objective in mind, this paper reviews the concept of sustainable development, assesses the extent to which recent agricultural policy reforms can be described as sustainable and explores the need for further policy changes.

**Annotation:**

Cíl zemědělské politiky EU, která se rámcově shoduje s konceptem trvale udržitelného rozvoje nabývá na důležitosti. Článek posuzuje koncept trvale udržitelného rozvoje, zamýšlí se, které současné kroky reformem zemědělské politiky mohou být udržitelné a které okolnosti si vyžádají další agrární - politické změny.

**Key words:**

Agricultural policy, European Union, sustainable development

**Klíčová slova:**

Zemědělská politika, Evropská unie, Udržitelný rozvoj

*"Change is not made inconvenience, even from worse to better."*  
Richard Hooker, English philosopher, 1594

**Introduction**

In recent years, economists, policy makers and politicians in the European Union (EU) have questioned the extent to which agricultural policy can be reformed to insure that it is compatible with the goal of sustainable development. Against this background, this paper sets out to three things: first, to review the concept of sustainable development; second, to assess the extent to which recent agricultural policy reforms can be described as sustainable; third, and finally, to explore the need for further policy changes.

**Sustainable Development**

When protection of the environment is considered in the context of the rising demands made upon it by society, it is inevitable that a balance must be found between ecology and development. There is considerable debate in the literature about when and where the concept of sustainable development originated. Some authors (e.g. Coyne (1993)) argue that

sustainability is a recent concept which emerged with the 1980 World Conservation Strategy of the International Union for the Conservation of Natural Resources. It is possible, however, to find much earlier references to the idea of sustainability; Eliot (1760) proposed a system of sustainable farming. In addition, the concept has been a familiar one in the literature of fisheries economics since Gordon's seminal paper in the *Journal of Political Economy* in 1954. References to sustainability can even be found in the mainstream economics literature, examples being Hicks (1939) and Kalecki (1972). Whatever its genesis, there is according to Pearce and Turner (1990) a generally accepted consensus that the publication of the World Commission on Environment and Development (WCED) report, *Our Common Future*, in 1987, made sustainable development a popular concept among a wide range of academic disciplines. Some examples of definitions of sustainable development, including that given in the WCED report, are:

"Sustainable development is development that is likely to achieve lasting satisfaction of human needs and improvement in the quality of life." (Allen, 1980)

"Sustainable development is a development strategy that manages all assets, natural resources, and human resources, as well as financial and physical assets, for increasing long-term wealth and well-being. Sustainable development as a goal rejects policies and practices that support current living standards by depleting the productive base, including natural resources, and leaves future generations with poorer prospects and greater risk than our own." (Repetto, 1986)

"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs." (WCED, 1987)

"Sustainable development is that which leaves our total patrimony, including natural environmental assets, intact over a particular period. We should bequeath to future generations the same capital, embodying opportunities for potential welfare, that we currently enjoy." (Winpenny, 1991)

"According to the sustainability principle all resources should be used in a manner which respects the needs of future generations." (Tietenberg, 1992)

All five of these definitions have a common preoccupation, namely the need to achieve a balance between the interaction of society and the resources of the natural environment in such a way as to produce for society the optimum level of consumption which it requires whilst not depleting the stock of environmental goods for future generations. (This observation is true of most of the many definitions of sustainable development.) It is important that achieving a balance between agriculture and the environment is and continues to be a goal of public policy in the EU.

## **Recent Policy Reforms and Future Prospects**

Before attempting to assess how far the 1992 Common Agricultural Policy (CAP) reforms and the 1993 General Agreement on Tariffs and Trade (GATT) agreement have contributed to redressing the balance between agriculture and the environment in the EU and suggesting further policy changes, it is useful to recap briefly what they are. The CAP reform package included the following policy changes:

1. Price reductions.
2. Supply control measures in the form of set-aside requirements and cuts in production quotas.
3. Compensatory measures in the form of direct payments to producers decoupled from production.
4. Structural measures to encourage less intensive and more environmentally friendly production practices and to promote the afforestation of farm land.

The GATT agreement, which has still to be ratified by many signatories, brings agriculture fully within the multilateral trade rules for the first time and includes measures designed to promote market access, reduce internal support and encourage export competition in agriculture.

A number of commentators (e.g. Food and Agriculture Organisation (1993)) have questioned how far these changes will lead to significant environmental improvements or solve some of the other problems (e.g. overproduction and budgetary cost) associated with agricultural policy in the EU and have suggested that further policy changes may be necessary.

It is commonly argued that society as a whole would be better off without agricultural support policies, provided that the Kaldor-Hicks compensation principle is satisfied (see Hill and Ray (1987) for further discussion of this point). However complete abolition of support arrangements in the EU would be politically difficult; the powerful farm lobby would fight hard to resist such a move. It is probable, therefore, that some form of agricultural support policy will be in operation for the foreseeable future. What form should this policy take? Could it be used to encourage environmental improvement? Before attempting to answer these questions, it is worth considering the criteria against which any future policy changes might be judged. Coyne, drawing on the work of Baumol and Oates (1979), suggests that environmental policies should fulfil the following eight criteria:

1. Dependability: does it work?
2. Permanence: will it always work?
3. Adaptability: when growth occurs will the policy adapt?
4. Equity: is it fair in its burden between individuals?
5. Incentives: does it encourage maximum adjustment or minimal compliance?
6. Economy: is it cheap?
7. Political attractiveness: will politicians back it?
8. Minimal interference: will it interfere with individual decision as little as possible?

One proposal for reform of the CAP that would satisfy most of these criteria is the system of Producers' Entitlement Guarantees suggested by Harvey (1990). Under this system eligible producers would only get price support for a fixed quantity of output. Output above this fixed quantity would be sold on the open market. PEGs would allow a base level of support on the basis of eligible producers' past production. According to Harvey, PEGs could assist in promoting the development of environmentally friendly farming by having specific environmental conditions attached to them. Also, as long as PEGs were independent of farm assets, land prices would be likely to fall, making alternative, perhaps more environmentally friendly, land uses easier and cheaper.

### **Conclusion**

In conclusion, it can be argued that although the EU has taken first steps towards making the CAP compatible with the concept of sustainable development there is still a long way to go. If there is to be further progress, then perhaps more radical policy reforms of the type advocated by Harvey deserve more active consideration by policy makers and politicians.

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