

# UC-BERKELEY

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## Notes for Berkeley Conference

Harry de Gorter

Institute of Governmental Studies  
University of California, Berkeley

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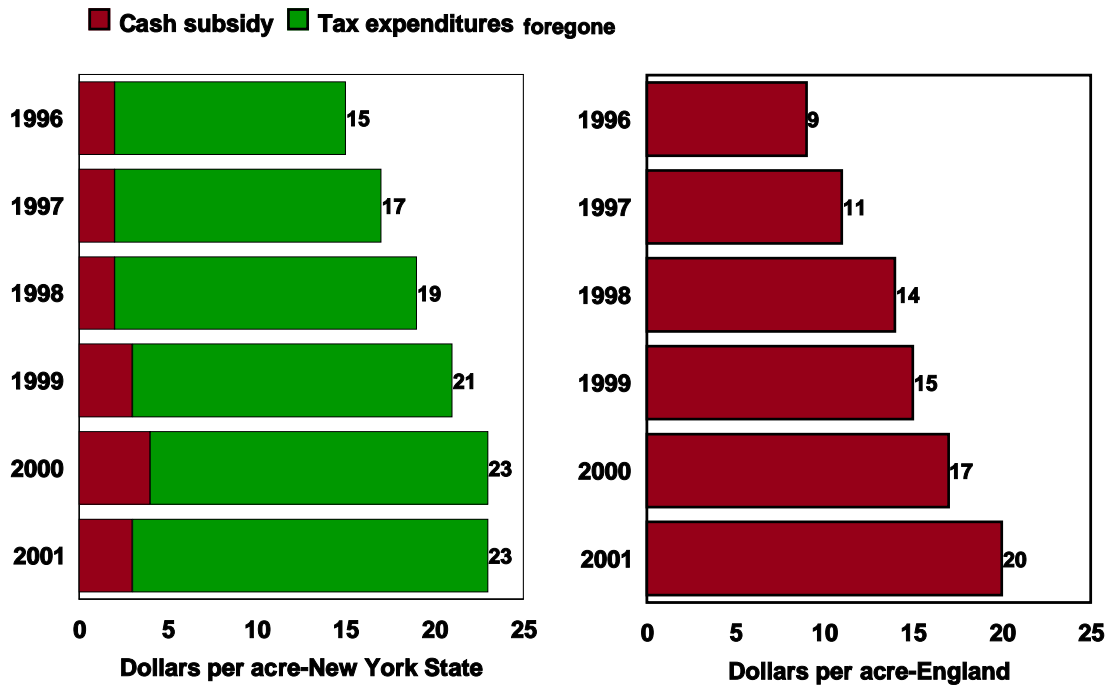
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## Notes for Berkeley Conference

### Comparing the Political Economies of EU and U.S. Agri-environmental Policies

Who spends more? Tax expenditures versus tax revenue foregone

#### Estimated Per Acre State/National Agri-environmental Subsidies for New York and England, 1996-2001



Source: N. Bills and D. Gross. "Sustaining multifunctional agricultural landscapes: comparing stakeholder perspectives in New York (US) and England (UK)", Article in press, *Land Use policy*, June 2004.

but gap narrows from 1996 to 2001

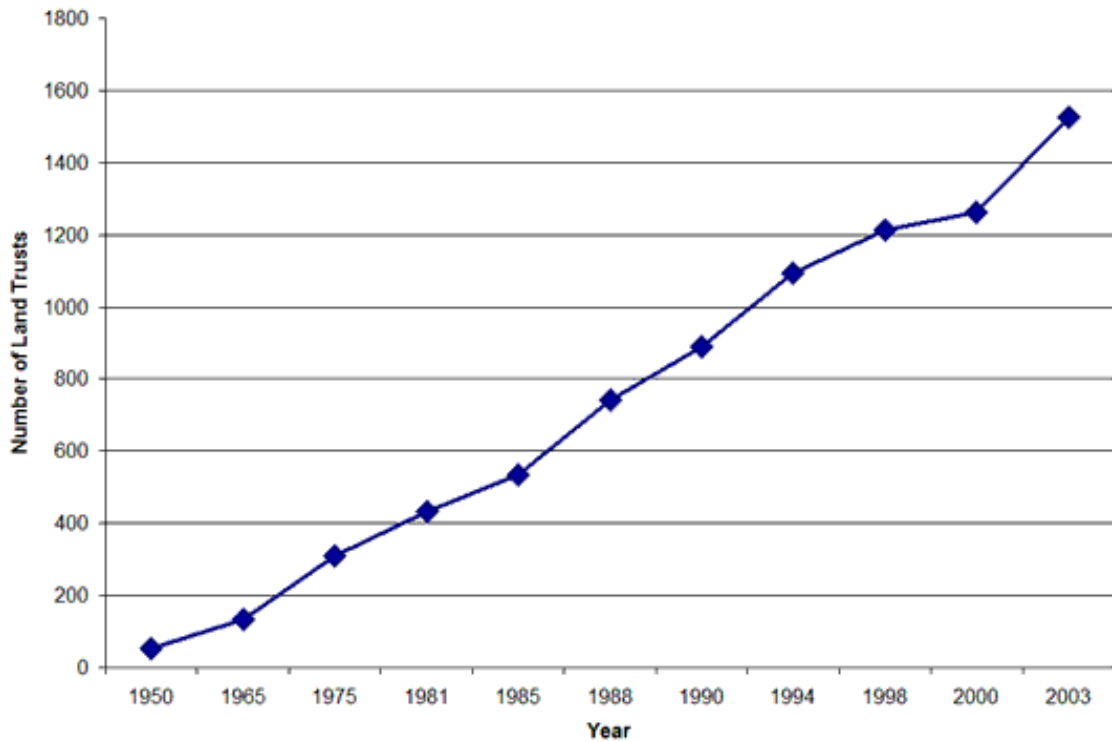
#### WTO Notifications on Environmental Expenditures

	EU mil. €	U.S. mil. \$
Land conservation	568	1,625
Environment	4,623	281
Total	5,191	1,906
Share of PSE	4.9%	4.1%

3 key players in the United States:

- Federal government (water quality/soil erosion but NYC watershed made a deal with farmers in the 1950s...)
- State/local governments (land protection; rural/urban relations; green field development)
- Private initiatives (land trusts etc.)

**Graph 1: Growth in the Number of Land Trusts, 1950 - 2003**



- Is there evidence of EU ignoring negative externalities more than the U.S.? (e.g., The Netherlands)
- EU more into amenities at national level (unlike at local level in the U.S.)
  - Land per capita and geographic uniformity of population in the EU does bias them towards amenities
- Regulations vs. subsidies
  - e.g., U.S. provides standards for organic farming
- Production process matters also in the U.S. (ask my bankrupt neighbor veal farmer; WTO tuna case brought against the U.S.)
- US into ethanol/biomass subsidies (old fashioned interest group politics live & well)
- Family farm valued in the U.S. too (both regions have 80% of payments going to 20% of farmers)
- Natural habitat matters in the US too (wetlands; owl) - is it a public good or negative externality?

But is amenities bias in EU disguised protectionism? Is the U.S. more into globalization?

### **Comparative attitudes towards environmental risk – seems schizophrenic**

- Beef hormones vs. unpasteurized cheese
- GMOs vs. smoking
- Differential consumer response to BSE
- Tobacco lawsuits (“American infantilization of French culture”)
- Princess Diana

### **Explanation?**

#### **Psychology**

- Risk dismissal
- Overweight low probabilities
- Higher risk aversion for new things

But how to explain EU vs. U.S. flip flops? Not based on risk analysis or cost/benefit analysis but is culture, ideology, social norms, historical experience, etc. (sociology)

### **Does this all translate into global rivalry and group identity politics?**

Economists’ think world a positive sum game but reality is otherwise and reflected in politics (whole literature in IR, based on how “countries” behave)

EU’s response to beef hormones, GMOs etc. reflects resistance to globalization and free trade in agriculture in general (but US protectionist too.....)

Bias towards amenities (“multifonctionnalité”), and emphasis on the precautionary principle and process standards seems to reflect cultural values that manifests itself in more collectivists ideas and hence protectionism

### **Global rivalry and power politics**

- Does the EU tend to define in contradistinction to USA? (identity, loyalty, patriotism but vice-versa in the USA)
- Seems like a lot of political rhetoric on “having to counter hyperpuissance” etc.
- e.g., EU case to WTO on U.S. export tax exemptions ongoing for over 30 years - just to counter beef hormone and GMO Panels ..... so plain power politics
- historically, GATT an EU-U.S. gladiatorial contest (emergence of CAIRNS and G-20)

What is the model to explain this? Group identity,..... (economic sociology; Akerlof recent paper; Sen is writing a book,.....)

### **And what of the USA? Why say one thing (neo-liberal) and do otherwise (protectionism)?**

- Historically, U.S. puts more emphasis on international institutions for trade and investment b/c...
- U.S. political marketplace more diverse and contestable
- U.S. tries to use multilateral organizations to change domestic interest group politics (mobilize exporters and make credible commitments)
- Examples
  - Yeutter/Reagan’s 0-0 proposal on agriculture in Uruguay Round
  - Bush I’s UN resolution on Gulf war to get Senate to vote in favor
  - U.S. agriculture proposal in 2002 very liberal but...

Reverted to mean with EU/U.S. Framework Agreement right before Cancun

Zoellick’s compromise may have passed the global test but it galvanized developing country opposition so G-20 scuttled Cancun

U.S. then stated 2002 Farm Bill on WTO negotiating table (is Paarlberg correct that WTO makes things worse? And that having to fulfill WTO obligation will be politically unpopular b/c an infringement on sovereignty?)

U.S. reverts to protectionism too often (e.g., Seattle; 2002 Farm Bill; steel tariffs;.....)