

The logic of the CAP: Politics or Economics?

Christian H.C.A. Henning, Carsten Struve* and Martina Brockmeier†

Presented at the World Bank's Conference on the Political Economy
of Distortions to Agricultural Incentives, Washington DC, 23-24 May
2008

Agricultural Distortions Working Paper 77

This Working Paper series is designed to promptly disseminate the findings of work in progress for comment before they are finalized. The views expressed are the authors' alone and not necessarily those of the World Bank and its Executive Directors, nor the countries they represent, nor of the institutions providing funds for this research project.

Abstract

This paper derives an applied general political economy model incorporating a model of political decision-making into a computable general economic equilibrium model. Political decision-making among a set of legislators is modeled via a *mean voter decision rule* derived from a *modified non-cooperative legislative bargaining game of a Baron-Ferejohn type*. The model allows a simultaneous analysis of political and economic factors determining policy outcome and is applied to simulate future Common Agricultural Policy (CAP) under various political and economic scenarios.

Keywords: Political economy of the EU, comparative politics, common agricultural policy, legislative norms

*Department of Agricultural Economics, Christian-Albrechts-University of Kiel, Germany,
Tel.: +49-431-8804453, Fax: +49-431-8801397, chenning@ae.uni-kiel.de

†FAL, Braunschweig, Germany