

---

## Public choice theory as a tool for CMO wine reform analysis

---

Paola Corsinovi\*, Diego Begalli and  
Davide Gaeta

Department of Business Economics,  
University of Verona,  
Via della Pieve 70, 37012,  
San Pietro in Cariano, Verona, Italy  
Fax: +39-045-68-35-674

E-mail: [paola.corsinovi@univr.it](mailto:paola.corsinovi@univr.it)

E-mail: [diego.begalli@univr.it](mailto:diego.begalli@univr.it)

E-mail: [davide.gaeta@univr.it](mailto:davide.gaeta@univr.it)

\*Corresponding author

**Abstract:** The purpose of this paper is a partial reconstruction of the role of agricultural lobbyist and national alliances, determining the effort of re-opening the Common Market Organisation (CMO) of wine Reg. 479/2008. The case considered is the liberalisation of replanting rights chosen as a tool of public choice (PC) analysis. The paper is divided into three parts. The first is a brief summary of PC literature and methodological applications. The second is a study of the structure, behaviour and the relationship of the main actors involved in the policy genesis of the CMO. Third analyses the effects that lobbyist actions have generated in the case of vineyard liberalisation. The methodological approach is the PC model derived from Pokrivcak et al. (2006). This is partially used in this discussion, to explain the general idea and concept of bargaining and trade-offs in wine policy by the major actors in a simplified scenario.

**Keywords:** CMO wine; public choice; PC; policy reform; agricultural lobbyist.

**Reference** to this paper should be made as follows: Corsinovi, P., Begalli, D. and Gaeta, D. (2013) 'Public choice theory as a tool for CMO wine reform analysis', *World Review of Entrepreneurship, Management and Sustainable Development*, Vol. 9, No. 2, pp.216–229.

**Biographical notes:** Paola Corsinovi is a PhD student in Wine Economic and Rural Development at the University of Verona, Italy.

Diego Begalli is a Full Professor in Wine Marketing at the University of Verona.

Davide Gaeta is Researcher and Professor of Wine Politics and Law.

This paper is a revised and expanded version of a paper entitled 'The public choice theory as a tool for CMO wine analysis' presented at 4th Annual EuroMed Conference 'Business Research Challenges in a Turbulent Era', Elounda, Crete, Greece, 19–22 October 2011.

## **1 Introduction**

In public policy making process, political and economic forces are at play in resolving the strategic interactions among the various interests. Public choice (PC) is one of the most important approaches used to draw attention to the processes of interaction between politicians and the agricultural associations. The aim of the paper is to analyse the role of agricultural lobbyist and the national alliances, to determine the possible reasons behind the failure of the objective to re-open one of the strongest items of the wine reform: the liberalisation of replanting rights. The background of ‘casus belli’ is necessary to understand the genesis of the problem. During the discussions about the CMO wine reform, the EU Commission (EUC) has argued, over a long period, to obtain the liberalisation of vineyards surface through the abolition of replanting rights. The reasons which led to defend this thesis were two fold. Firstly, the EUC proposed a financial measure of vineyards grubbing up in marginal areas to reduce surplus production. Secondly, through the vineyard liberalisation from December 31st, 2015 [2018 if the member states (MS) decides to extend it], the EU could be aligned to the extra EU MS without rules and a limitation in ‘quota’ production. The debate was very animated, but the EUC was the real winner of the CMO wine bargaining: despite the reduction of the vineyards grubbing up surface, it leaves the decision to plant new vineyards to the producers, and closed a period of blocking for the new wine land, which lasted over 20 years. After one year of CMO application, some agricultural pressure groups lobbied to EU wine MS producing such as France, Spain and Italy and the European Parliament (EUP), to re-opening the wine regulation and in particular, Article No. 92 of vineyard replanting rights<sup>1</sup>.

As will be explained in the present paper, in the absence of a consensus, qualified majority voting is the Council’s key process of decision-making for re-opening and modifying a dossier<sup>2</sup>. Despite the lobbying activity, the necessary votes for re opening the dossier, have not yet been obtained, probably due to the closure and strenuous defence of the EUC. Why did the vote fail? Have the agricultural lobbies lost a battle or the war?

## **2 A brief review of public choice literature**

PC can be defined as the economic study of non-market decision-making, or, simply the application of economics to political science. The school of PC, identifies as pressure groups or lobbies, stakeholders involved in the political process with the aim to explain the role played by decision makers to guide the action. Sometimes it is called the ‘economic theory of politics’ or ‘(new) political economy’, through the studies of political processes and the interaction between the economy and the policy by using the tools of neoclassical analysis. The core in these studies can be summarised in three definitions:

- 1 methodological individualism
- 2 rational choice
- 3 political trade-offs favours and benefits.

As Buchanan and Tullock (1962) artfully defined it, PC is ‘politics without romance’, “in the conventional ‘public interest’ view, public officials are portrayed as Public choice theory as a tool for CMO wine reform analysis 3 benevolent ‘public servants’ who faithfully carry out the ‘will of the people’. In tending to the public’s business, voters, politicians, and policy makers are supposed somehow to rise above their own private interests concerns.”

The theory has two principal variants: the ‘Chicago School’, which considers the allocation of policy goods through a political market as relatively benign; which concern about how competition over government largess undermines social welfare through deadweight costs and inefficiencies. Stigler (1971), Peltzman (1976), and Becker (1983) focuses on the impact of regulation and government on the allocation of resources. The vote-maximising regulator is constrained to make trade-offs among a variety of interests so that politically determined prices are always the result of trade-offs or compromises at the margin. The other branch of the interest group theory has been defined by ‘Virginia Political Economy School’. Scholars in this tradition have focused on the impact of institutions on the wealth transfer process. Landes and Posner (1975) introduced the independent judiciary as an enforcer of long-term contracts between the legislators and interest groups. Tollison (1988, 1991) showed the impact of legislative institutions on the costs and benefits of lobbying. The size of the pressure group is the base of Olson’s (1965) theory: “the smaller groups are more likely to provide themselves with a collective good simply because of the attraction of the collective good to the individual member”. In 1999, Rausser argued that the political power of the organised interest group derives from its capacity to affect the well being of policy makers. The analysis induces a political governance structure whose maximisation, with respect to the policy instrument, given the prevailing economic structure, leads to a political-economic equilibrium (Rausser et al. 2010).

Although the PC method borrows from economics, its main purposes have been focused on the analysis of a variety of political contexts, trade protection (Goulder and Eichengreen, 1989), public good provision (Olson, 1965; Downs 1957), and economic sanctions (Kaempfer and Lowenberg, 1992). In the agricultural policy’s field, PC approaches, have been further developed to cover a wide range of quantitative political economic models based on partial economic equilibrium (Henning, 2007; Magee et al., 1989; Tyres and Andreson, 1992). This includes extensions of the economists Buchanan and Tullock (1962). The authors note that farm support is often given through inefficient market manipulation, as opposed to more efficient cash subsidies, in order to conceal the real scope of the super-normal returns to farming interests through the political process. Gardner (1987) explain the intervention in USA commodity markets in aid to farmers variables associated with the cost to producers of generating political pressure and the social cost of redistribution. The Grossman and Helpman (1994, 1995) model is applied in the field of the political economy of food trade policies and electoral competition. They study how special interest groups influence political outcome to benefit their members. Henning (2008) provides a simple legislative bargaining model that analyses the role enlargement plays in common agriculture policies (CAP) reforms (Anderson, 1995). In particular the author demonstrates that owing to the specific nature of the logic of policy formulation in the CAP system, enlargement in fact has diverse effects. The wide spread literature in agricultural economics tackles the specific roles of agenda setting power and financial solidarity in CAP legislative decision making. Coleman and Tangermann (1999) view the EUC as an independent body which plays a role as an

entrepreneurial leader, and which pursues its own preferences. On the other hand, Moravcsik (1994) argues that the commission just decreases transaction costs of inter-country bargaining. Modelling this multi-stage and multi-agent decision-making process is complicated and, therefore, relatively little formal analysis is devoted to the CAP in the political economy literature (Crombez and Swinnen, 2002). A good overview of this study is provided by de Gorter et al. (2002). Among the many studies cited above, Pokrivcak et al. (2006, 2008), Crombez (2008) and Swinnen (2008, 2010, 2010b) provide an interesting formal analysis of CAP decision making, which also highlights the agenda setting power of EUC and the role this plays. The model is used to evaluate under which conditions CAP reform occurs and how they influence the EUC in the CAP reform.

### 3 Political framework: CMO wine reform genesis

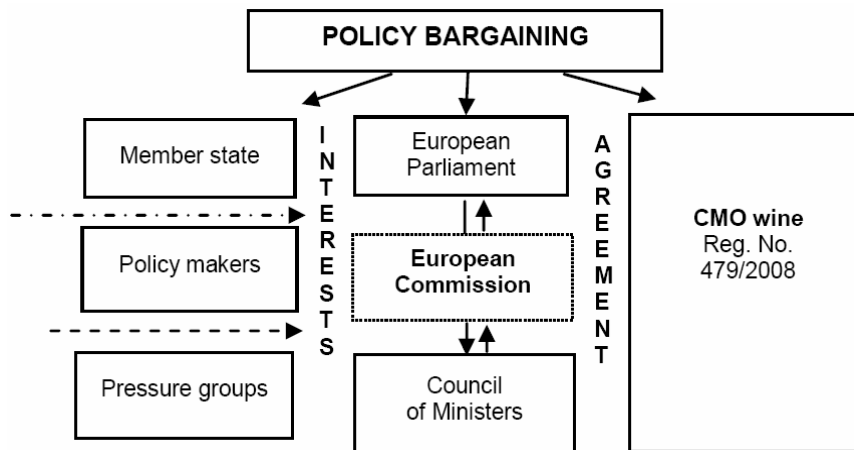
The Common Market Organisation (CMO) of wine is the legal and regulatory basis of European wine market covering vineyards to wine production. For the breadth of its scope, CMO wine is one of the most articulate laws of the CAP and this is due to the complexity and heterogeneity of actors involved more than real market and economical needs. The CMO has gradually been established under the CAP since 1962. The most important regulations being adopted in 1987 (Reg. 822/1987) and then in 1999 (Reg. 1493/99) (Crombez et al., 2006; Olper, 1998). After less than ten years, the EUC had the opinion that a fundamental reform of the wine CMO was necessary and the new reform entered into force on 1st August 2009 (Reg. 479/2008). But why the *Reform of the Reform*? This question is not paradoxical: the wine sector in the global context of the CAP, has been partially treated in a different way. Regardless of the market considerations, there are many political reasons that allow to positively answer the above question and understand why and how it was modified and accelerated the reform process, compared to the guidelines of the programme that had characterised the beginning of the debate. CMO is a market regulation with market and policies objectives. The aim of new reform was income stabilisation by influencing market equilibrium through market intervention measures, on the one hand, and regulation and support for the development of a competitive European wine sector on the other. For many decades now, the European wine market has suffered recurring overproduction problems, although the scale of the imbalance has risen and fallen over time. However, the action to rebalance of the market was a dominant concern at the dawn of the revision of Reg. 1493/99. In particular, the EUC has repeatedly expressed the need for drastic action on the surplus of the system called 'structural'. The problem of overproduction has been addressed by means of a policy of limiting production potential, with a 'quota' on new plantations and an incentive for the permanent abandonment of production through a grubbing-up premium. The EUC suggested an intervention based on grubbing up of marginal surfaces were growers who wish to leave the sector will be offered a voluntary grubbing-up premium. At the same time, EU wine consumption has decreased significantly and steadily in recent decades. Wine consumption in Europe has shown a significant and continuous decline in the last decades, falling by an average of 750,000 hl per year, or 15 million hl in the last 20 years, although in the most recent years the decline in consumption has been less pronounced<sup>3</sup>. Together with over production and wine decrease, one of the greatest fears for the EUC, was the 'attack' of new wine players on EU market. Since 1996, the volume of wine imports into the EU-25 has been growing

at a rate of 10% a year, reaching almost 11.8 million hl in 2005. So-called ‘new world’ wines have gained considerable market share from EU wines<sup>4</sup>. The great and true expectation, from the wine political and farmer’s actors, was based on the budget that the new OCM would have generated: this was to be the main turning point, also for giving the right signal to the role that the wine sector has acquired in recent years. In front of this objective it can be said that the new CMO has partially failed<sup>5</sup> (Gaeta and Corsinovi, 2009; Gaeta, 2009). Nevertheless the CMO wine Reform was approved and has been included in the CAP unique<sup>6</sup>.

#### 4 The main actors involved in wine reform process

The key to understanding the lobbying activities of business interests in wine EU lobbying is to conceive the relationship between these private and public actors as an exchange relationship between two groups of interdependent organisations (Bouwen, 2004). According to these theories, Figure 1 show the multiple and complex interests involved influencing the outcome of the political process and role of EUC. The single interests are represented by policy makers, MS and pressure groups. The EUC is a central venue for lobbying activities of interest groups because of its central role in the EU legislative process (Greenwood, 2003). As agenda-setter, the commission has the formal right to initiate legislation and is thus responsible for the drafting of legislative proposals (Bouwen and McCown, 2007). The European Parliament (EP) is increasingly attractive to interest groups as a result of its increased legislative power. The EP has the competence to amend the commission’s proposals. All legislative proposals and other documents must be considered in the committees, so EP is the right venue for lobbyists seeking to influence the legislation (Greenwood, 2003). The council of minister, is the most intergovernmental institution in EU legislative procedure. The influence of national interests prevails in the council, and it is therefore crucial for the MS to identify their national interests.

**Figure 1** Decision making model in CMO wine: interest, bargaining and agreement



Source: Our reconstruction on Bouwen’ (2004) model

The, so called, ‘third role’ of the EUC represents a central theme in the PC game theory. This should have a different function in respect to that of the other policy actors. How to divide the European interests, maximising the collective welfare and optimising interests and objectives, of the MS? In the context of the EU decision making process, private and public actors become interdependent because they need resource and private favours (in the welfare of collective) from each other. The results are ‘trade-off’ between pressure groups and decision makers.

Among the European pressure groups considered the main position and lobbying action of two wine and agriculture farm organisations: EFOR and COPA-COGECA. The EFOR is the voice of European wine origin. It is a Brussels-based organisation representing wines with an Appellation of Origin or Geographical Indication from the EU. In 2003, the French Organisation (CNAOC) and the Italian Association of Geographical Indication wine (FEDERDOC) decided to work jointly on promoting their views towards EU decision-maker. Today EFOR also represents, the Conferencia Española Vitivinícola (CECRV), Port and Douro Wines Institute (IVDP) and The National Council of Wine (HNT) Hungary.

COPA is a Committee of Professional Agricultural Organisations and represents the most ‘viticultral soul’, expressed at Community level. COPA has been recognised by the EU authorities such as the organisation that is expressed on behalf of the European agricultural sector as a whole. COGECA is the General Confederation of Agricultural Cooperatives in the EU. It represents the interests of some agricultural cooperatives. Following the recent enlargements of the EU, COPA and COGECA are committed together to strengthen their position as major agricultural organisations of the European representation.

Among the Italian pressure groups, are considered the main position two of the most important agriculture unions: Confagricoltura and Coldiretti. The first has traditionally outlined the interests of capitalist enterprises and those of medium to large size, while Coldiretti is the first agricultural union for number of associates and represented the interests of small vineyards property.

## **5 The case of liberalisation of replanting rights**

Planting rights are an instrument of market regulation in France since 1953, adopted across all Europe from 1970 with the first OCM. From 1987 the system of planting regulations has been kept unchanged until 2008, when the CMO reform decided to abolish these rights.

The planting rights are an important benchmark (like litres of milk in milk quotas, like acres of vineyards in the case of wine) for each wine company as well as a sort of ‘productive licence’ if the planting rights are directly linked to a denomination of origin (DO). This system in the mind of the legislator enables growers to follow the market evolution and, at the same time, it avoids the production excesses in euphoria times, as a supply regulator. Replanting rights granted shall correspond to the equivalent of the grubbed-up area in terms of pure crop. The sale of the right represents a real sale of intangible assets of the farm. Like all goods the planting right or ‘production quota’, is part of the landed property and it assumes a value that constitutes part of the corporate assets.

The EUC has justified the decision to abolish these planting rights mainly with economic arguments; for a lack of competitiveness of the European wines caused by complex and too restrictive measures. The liberalisation should serve to remove these obstacles, enhance competitiveness, while safeguarding the reputation and image of wine products in the world. The MS which produce wine were divided on the issue and defended different priorities. Only EFOR, COPA-COGECA and a few production MS (France, Italy, Germany) were opposed to it.

COPA-COGECA were concerned about the impact on the EU wine sector if planting rights were abolished liberalisation of planting rights would cause major changes to Europe's wine-growing areas. It would imply moving from a system where the producer or their cooperative makes the wine to a more intensive industrialised model. It would also create huge market imbalances, and result in excess production. Through planting rights, European farmers have been able to add value to their produce and to keep it within the farming sector<sup>7</sup>.

**Table 1** Vineyards liberalisation: wine actors' position

<i>EU commission proposal</i>	<i>Pressure group</i>	<i>Political agreement – December, 2007</i>
Liberalisation of replanting right – from 2013	The EFOR, COPA COGECA are opposed	334 votes favourable 331 votes against 16 abstentions 334 favourable
Even for DO and IGT wine	Italy, France, Spanish, Germany – are opposed  Which future for DO?	Abolition of replanting right The end of 2015 in Europe The end of 2018 in Italy

*Source:* Our elaboration from EU Commission and pressure groups report

Most of the EP members stated that they were in favour of maintaining planting rights. The main concerns of mainly pressure group are summarised in Table 1. It shows a synthesis of the positions and the results that were obtained, in particular:

- the extension of the wine-growing areas, for the most successful ones, with vineyards outside of the traditional area and with consequently poor performance
- contamination of traditional production areas limited by DO, with wines from the border areas
- the consequent loss of quality and/or reputation of established products due to increased production of uncontrolled borders, perhaps obtained even with the same varieties of the DO
- the extension of the wine-growing areas may in fact create vine-growing in the plains, with poor viticulture character, for the production of varietal wines or indication geographical typical (IGT), taking advantage of the high yields of these vineyards.

The proposal to eliminate planting rights was approved in 2008 during the reform of the wine growing provisions. The EUC published in October 2011 its legislative proposal on

the reform of the CAP post-2014. The text includes the disappearance of the planting rights regime for viticulture as from January 1st 2016. The commission remains silent despite the strong position taken by 12 MS and the EP against the liberalisation of the system. Thus, if the text is not amended by the parliament and the council (co-decision procedure) on the occasion of the reform of the CAP, the liberalisation of planting rights will apply from January 1st 2016. The EU Consilium, must decide against the measure of liberalisation in favour of resetting of replanting, but would it require the qualified majority and no blocking minority.

## **6 The lobbying action in vineyards liberalisation: a model to interpret the results obtained**

Referring to the PC theory and cooperative game model's, our paper tries to explain how some organisations, even though they account for a restricted basic trade union and in some cases expression of a group of farmer oligopolistic firms, are not sufficiently able to influence CMO wine reform to the re-opening planting rights dossier.

The optimistic view that has characterised the liberalisation proposal from the EU, have come up against, a sector wrapped in a deep crisis: a reduction in grape prices; grapes not harvested; thousands of hectolitres of wine stored in cellars and the request from many regions to apply a measure of crisis distillation.

Considering our case of an amended proposal and a re-opening the dossier about vineyards liberalisation: each MS could vote in favour of the proposal mainly promoted by the EFOW and the wine EU MS.

The Pokrivcak et al. (2006) (PCS-model's), propose a decision making system on the CAP that includes two phase. The first one determining the national preferences on the agriculture policy for each EU MS (net beneficiary of the CAP and net contributor to the CAP)<sup>8</sup>; the second one the decision making processes that are model presented. The authors show how these results change under institutional assumptions such as voting procedures (majority rules), and how they are affected by changes in the external environment (Swinnen and Olper, 2008).

In the present paper, we discussed and applied only the partial model of CAP decision making as a set of voting rounds to determine the qualified majoring voting or 'equilibrium intervention price' within the council of minister as PCS-model's describing.

The main reason is that the decision-making process is an institutionally complex procedure, in which the member state governments, the EUC, and the Council of Agricultural Ministers all play an important role. While the council of ministers ultimately takes the decisions, the EUC has the sole right of proposal. The council of ministers cannot formally consider any proposal that has not come from the commission. If the qualified majority in the council does not approve the proposal, the commission drafts a new proposal until a final compromise is reached. Each MS can propose an amendment to the commission proposal. In practice, the commission considers political acceptability of its proposal by the council and may be 'obliged' to adjust its proposals in accordance with the council's line of thinking (Fearne, 1991).

The PCS-model' assumes that:



- $P_{EU}^0$  the ‘status quo of subsidy’ – as the existing common intervention price in EU.
- $P_{EU}^N$  the ‘commission proposal of subsidy’ – as commission proposal a common intervention price for the next year. Commission proposal  $P_{EU}^N$  can be same as last year’s or not to  $P_{EU}^0$ .
- $P_j^\#$  the politically optimal per unit subsidy for a country.
- $j$  part of EU, i.e., member state.
- $v_j$  the voting decision by the minister of country  $j$ .
- $\Gamma$  the minimum number of votes needed to approve the proposal.

The council of minister votes. Their votes, will be in favour of the proposal if the proposed price  $P_{EU}^N$  is nearer to his government’s optimum than the current subsidy  $P_{EU}^0$ .

The first equation represent the case were the  $v_j = 1$  and we assume that voting decision by the ministers of each EU state is positive (favourable) – the difference between a subsidy proposed  $P_{EU}^N$  and  $P_j^\#$  politically optimal per unit subsidy for a country is less than or equal to the different between  $P_{EU}^0$  and  $P_j^\#$

$$v_j = 1 \text{ iff } |P_{EU}^N - P_j^\#| \leq |P_{EU}^0 - P_j^\#| \quad (1)$$

The second equation represent the case were the  $v_j = 0$  and we assume that the voting decision by the ministers of each EU state is negative (un-favourable) – the difference between a subsidy proposed  $P_{EU}^N$  and  $P_j^\#$  politically optimal per unit subsidy for a country is greater than the different between  $P_{EU}^0$  and  $P_j^\#$

$$v_j = 0 \text{ iff } |P_{EU}^N - P_j^\#| > |P_{EU}^0 - P_j^\#| \quad (2)$$

The proposal is accepted if the sum of  $n_j^v$  is the number of votes of country  $j$  should and is than or equal to  $\Gamma$ , the minimum number of votes needed to approve the proposal.

$$\sum_j n_j^v * v_j \geq \Gamma \quad (3)$$

The equation (3) represented an ‘equilibrium intervention price’, that will depend on the decision making rules which determine the amount of votes needed and on the distribution of votes  $n_j^v$ .

As stated considering our case, the liberalisation of replanting votes.

The commission has the right to amend or withdraw its proposal as a long as council has not taken a decision and it has the right to change its proposal during the legislative process.

Table 2 shows the distribution of votes for each MS opposed to vineyards liberalisation and favourable to re-opening of dossier. The sum of the votes obtained by 12 MS is not sufficient to reach a qualified majority vote.<sup>9</sup>

This provision enables a group of MS to demonstrate their opposition to a text even if the group is not large enough in number to constitute a blocking majority<sup>10</sup>. In fact, another 2 MS, 66 votes, and 1% of the population are needed.

**Table 2** Vineyards liberalisation: Member State in favour of reopening to dossier

<i>Member states</i>	<i>Votes</i>	<i>% of population</i>
Germany	29	16.5
France	29	12.9
Italy	29	12.0
Spanish	27	9.0
Cyprus	4	0.2
Romania	14	4.3
Portugal	12	2.1
Hungary	12	2.0
Luxembourg	4	0.1
Austria	10	1.7
Czech Republic	12	2.1
Republic of Slovakia	7	1.1
Total votes	189	64.0%
Qualified majority	255	65.0%

*Source:* Our elaboration from EU Commission and EFOR reports

In PCS-model's (scenario 1), the subsidy purposed for the UE member in the new legislation ( $P_{EU}^N$ ) must be higher than the past one ( $P_{EU}^0$ ) or that  $P_{EU}^N - P_j^\# \leq P_{EU}^0 - P_j^\#$ .

Not having clearly defined a subsidy policy for the liberalisation scheme, penalised the re-opening of the dossier for each member country ( $P_j^\#$ ). In fact, this was defended only for the production MS but not for the other countries (especially north Europe) which had no direct benefit the item ( $P_j^\#$ ).

If the direct benefits are lower with the reopening of the liberalisation dossier, confirming the validity by of the PCS-model's, even with 'negative response' (3a) and without equilibrium intervention price as represented in equation (3).

In our case [equation (3a)]:

$$\sum_i n_j^v * v_j < \Gamma \quad (3a)$$

$$n_j^v = 189 < 255 \Gamma$$

Compared to PCS-model's proposed, in this paper it has not been possible to quantify the level of subsidies for vineyard liberalisation.

The pressure of EFOR actor' was sufficient to obtain 12 countries voting for the reopening the dossier about vineyard liberalisation ( $n_j^v = 189$ , see Table 2).

## 7 Conclusions

The 'battle' on the surfaces of vineyards liberalisations sees two main lobby protagonists: farmers unions and EFOR.

The case is particularly interesting because it represents a perfect example of 'false order' in the political negotiations and a lack of cooperation. The obstruction that

COPA-COGECA have played against the DGAGRI proposal, was not intended to prevent the action on the proposal itself, but for the financial ‘fiche’ that it could be transferred to other measures more ‘remunerative trade union’<sup>11</sup>. The low and restricted CMO wine budget made a trade-off necessary between trade unions and pressure groups.

On the one hand the ‘agricultural pressure groups’, which had to take home, as a result of his lobbying, the ‘apparent’ defence of productions. On the other hand the EFOR want to show its strength inside the European Parliament and between producers MS. The two lobbies didn’t cooperate. This situation confirmed that individuals will act collectively to provide private goods, but not to provide public goods. Often, the more concentrated the lobby becomes the more effective it is. As shown by Olson (1965) and the scenario has verified, the natural cooperation between a relatively large number of people or groups, is less probable than with a smaller group: mainly because when the group size increases, it becomes more difficult for social control actions, even informally, it is necessary to ensure the implementation of conditional cooperation strategies. Buchanan and Tullock’s (1962) view is that each ‘political outcome’ emerges from a process, a mechanism of exchange, a compromise agreement between people, each has private inclinations about possible alternatives. When this private preference is satisfied, it is possible to explain collective action and a team player.

The behaviour of the commission and member state seem to respond to the theory of PC: politicians find themselves in front of a trade off in choosing a policy in the general interest of the community that would lose the support of the lobby or encourage the latter and unleash the electorate: they choose the policy that best maximises their objective function and generated the condition of win set between pressure groups and public decisions (Olson, 1965; Putman, 1988; Rausser and Freebairn, 1974; Rausser and Roland, 2009).

The reasons for this partial failure lobbyist action are probably partly attributable to the fragmented action that the agriculture and lobbying system has always expressed its inability to act with appropriate means of pressure, if not for individual corporate battles aimed more to justify the existence of different organisation, rather than worrying about the overall effects of the new economic policy and the future of CAP and wine sector post 2013.

## References

- Anderson, K. (1995) ‘Lobbying incentives and the pattern of protection in rich and poor countries’, *Economic Development and Cultural Change*, January, Vol. 43, No. 2, pp.401–423.
- Becker, G.S. (1983) ‘A theory of competition among pressure groups for political influence’, *Quarterly Journal of Economics*, Vol. 98, No. 3, pp.371–400.
- Bouwen, P. (2004) ‘Exchanging access goods for access: a comparative study of business lobbying in the EU institutions’, *European Journal of Political Research*, Vol. 43, No. 3, pp.337–369.
- Bouwen, P. and McCown, M. (2007) ‘Lobbying versus litigation: political and legal strategies of interest representation in the European Union’, *Journal of European Public Policy*, Vol. 14, No. 3, pp.422–430.
- Buchanan, J.M. and Tullock, G. (1962) *The Calculus of Consent*, University of Michigan Press, Ann Arbor.
- Coleman, W.D. and Tangemann, S. (1999) ‘The 1992 reform, the Uruguay round and the commission: conceptualizing linked policy games’, *Journal of Common Markets*, Vol. 37, No. 3, pp.385–405.

- Crombez, C. (2008) 'Institutional reform and agricultural policy reform in the EU', in Swinnen, J.F.M. (Eds.): *The Perfect Storm, The Political Economy of the Fischler Reforms of the Common Agricultural Policy*, CEPS Publications, Brussels.
- Crombez, C.T. and Swinnen, J.F.M. (2002) 'Agenda setting, influence, and voting rules: the influence of the European commission and status quo bias in the common agricultural policy of the Eu. American Agricultural Economics Association', *2002 Annual Meeting*, 28–3 July, Long Beach.
- Crombez, C.T., Groseclose, T. and Krehbiel, K. (2006) 'Gatekeeping', *Journal of Politics*, Vol. 68, No. 2, pp.322–340.
- de Gorter, H., Pokrivcak, J. and Swinnen, J.F.M. (2002) 'Political economy of agricultural policies', in Raussler, G. and Gardner, B. (Eds.): *The Handbook of Agricultural Economics*, Vol. 2, Elsevier Science/North Holland, Amsterdam.
- Downs, A. (1957) 'An economic theory of political action in a democracy', *Journal of Political Economy*, Vol. 65, No. 2, pp.135–150.
- Fearne, A. (1991) 'The CAP decision-making process', in Ritson, C. and Harvey, D. (Eds.): *The Common Agricultural Policy and the World Economy*, pp.101–116, C.A.B International, Wallingford.
- Gaeta, D. (2009) 'Chapter 4: evolution of the reform processes of market changes, pressure groups and national alliances', in Pomarici, E. and Sardone, R. (Eds.): *L'OCM VINO. La Difficile Transazione verso Una Strategia di Comparto*, pp.49–69, INEA, Roma.
- Gaeta, D. and Corsinovi, P. (2009) 'Gli attori della riforma e le posizioni 'ex ante – ex post'', in Pomarici, E. and Sardone, R. (Eds.): *Evoluzione del Processo di Riforma tra Mutamenti del Mercato, Gruppi di Pressione e Alleanze Nazionali*, Chapter 4, Paragraph 4.4, pp.52–60, *L'OCM VINO. La Difficile Transazione verso Una Strategia di Comparto*, pp.49–69, INEA, Roma.
- Gardner, B. (1987) 'Causes of U.S. farm commodity programs', *Journal of Political Economy*, Vol. 95, No. 2, pp.290–310.
- Goulder, L. and Eichengreen, B. (1989) 'Trade liberalization in general equilibrium: intertemporal and inter-industry effects', May, Working Paper No. 2965, National Bureau of Economic Research (NBER), Cambridge.
- Greenwood, J. (Ed.) (2003) *The Challenge of Change in EU Business Association*, Palgrave Macmillan, Basingstoke.
- Grossman, G.M. and Helpman, E. (1994) 'Protection for sale', *American Economic Review*, Vol. 84, No. 4, pp.833–850.
- Grossman, G.M. and Helpman, E. (1995) 'Trade wars and trade talks', *The Journal of Political Economy*, Vol. 103, No. 4, pp.675–708.
- Henning, C.H.C.A. (2007) 'Legislative bargaining in the EU agricultural policy: derivation and application of a modified Baron-Ferejohn model', University of Kiel, mimeo.
- Henning, C.H.C.A. (2008) 'EU enlargement: driver of or obstacle to future CAP reformers?', in Swinnen, J.F.M. (Ed.): *The Perfect Storm, The Political Economy of the Fischler Reforms of the Common Agricultural Policy*, CEPS publications, Brussels.
- Kaempfer, W.H. and Lowenberg, A.D. (1992) *International Economic Sanctions: A Public Choice Perspective*, Westview Press, Boulder, CO.
- Landes, W.M. and Posner, R.A. (1975) 'The independent judiciary in an interest group perspective', *Journal of Law and Economics*, December, Vol. 18, pp.875–901.
- Magee, S.P., Brook, W.A. and Young, L. (1989) *Black Hole Tariffs and Endogenous Policy Theory: Political Economy in General Equilibrium*, University Press, Cambridge.
- Moravcsik, A. (1994) 'Preferences and power in the European community: a liberal intergovernmentalist approach', in Bulmer, S. and Scott, A. (Eds.): *Economic and Political Integration in Europe: Internal Dynamics and Global Context*, pp.19, 29–80, Blackwell, Oxford.

- Olper, A. (1998) 'Political economy determinants of agricultural protection levels in EU member states: an empirical investigation', *European Review of Agricultural Economics*, Vol. 25, No. 4, pp.463–487.
- Olson, M. (1965) *The Logic of Collective Action: Public Goods and the Theory of Groups*, Harvard University Press, Cambridge, MA.
- Peltzman, S. (1976) 'Toward a more general theory of regulation', *Journal of Law and Economics*, Vol. 19, No. 2, pp.211–240, Conference on the Economics of Politics and Regulation, August.
- Pokrivcak, J., Crombez, C. and Swinnen, J.F.M. (2006) 'The status quo bias and reform of the common agricultural policy: impact of voting rules, the European Commission and external changes', *European Review of Agricultural Economics*, Vol. 33, No. 4, pp.562–590.
- Pokrivcak, J., Crombez, C. and Swinnen, J.F.M. (2008) 'Impact of external changes and the European Commission of CAP reforms: insights of theory', in Swinnen, J.F.M. (Ed.): *The Perfect Storm, The Political Economy of the Fischler Reforms of the Common Agricultural Policy*, CEPS publications, Brussels.
- Putman, R. (1988) 'Diplomacy and domestic politics: the logic of two level games', *International Organization*, Vol. 42, No. 3, pp.427–460.
- Rausser, G. and Freebairn, J. (1974) 'Estimation of policy preference functions: an application to U.S. beef import quotas', *Review of Economic & Statistics*, Vol. 56, pp.437–449.
- Rausser, G.C. and Roland, G. (2009) 'Special interests versus the public interest: the determination of policy instruments', Agricultural Distortions Working Paper 78, May.
- Rausser, G.C., Swinnen, J.F.M and Forthcoming, P.Z. (2010) *Political Power and Endogenous Policy Formation*, Cambridge University Press, New York.
- Stigler, G.J. (1971) 'The theory of economic regulation', *Bell Journal of Economics and Management Science*, Spring, Vol. 2, No. 1, pp.3–21.
- Swinnen, J.F.M. (2008) *The Perfect Storm: The Political Economy of the Fischler Reforms of the Common Agricultural Policy*, CEPS publications, Brussels.
- Swinnen, J.F.M. (2010a) 'The political economy of agricultural and food policies: recent contributions, new insights, and areas for further research', *Applied Economic Perspectives and Policy*, Vol. 32, No. 1, pp.33–58.
- Swinnen, J.F.M. (2010b) 'The political economy of agricultural distortions: the literature to date', Agricultural Distortions Working Paper 77, 2009, May.
- Swinnen, J.F.M. and Olper, A. (2008) *The Political Economy of Instrument Choice in Agricultural and Food Policies, Theory and Evidence from OECD Countries*, July, Aracne Editrice S.r.l.
- Tollison, R.D. (1988) 'Public choice and legislation', *Virginia Law Review*, March, Vol. 74, pp.339–371.
- Tollison, R.D. (1991) 'Regulation and interest groups', in High, J. (Ed.): *Regulation*, pp.59–76, University of Michigan Press, Ann Arbor.
- Tyres, R. and Anderson, K. (1992) *Disarray in World Food Markets*, Cambridge University Press, Cambridge, New York, Melbourne.

## Notes

- 1 Title V, Production Potential, Chapter II. Reg.479/2008.
- 2 The currently applicable voting system of the Council is defined in the Treaty of Nice since its entry into force on 1 February 2003.
- 3 Proposal for a Council Regulation on the Common Organisation of the market in wine and amending certain regulations. Brussels, 4 July 2007.

- 4 European Commission, D.G. for Agriculture and Rural Development (2006a) 'Wine – common market organisation', Working paper, February; European Commission, D.G. for Agriculture and Rural Development (2006b) *Towards a Sustainable European Wine Sector*, Communication from the Commission to the Council and the European Parliament Brussels, 22.06.2006 COM(2006) 319 final.
- 5 The wine total budget is 1.4 billion of € from 2009 to 2014.
- 6 *Council Regulation No.1234/2007* establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products.
- 7 Communication of Thierry Coste, Chairman of COPA – COGECA's wine working group. 30 November 2011.
- 8 Belgium, Germany, Luxembourg, Italy, Netherlands, Sweden and, UK, Portugal were net contributor countries whereas France, Denmark, Poland, Ireland, Greece, Spain Czech Republic, Hungary, Cyprus and Slovenia were net beneficiaries.
- 9 Since 1st January 2007, a qualified majority was achieved if 255 out of 345 votes were cast by at least 14 MS. The vote distribution is 29 votes for Germany, France, Italy and UK; 22 for Spanish and Poland; 14 for Romania; 13 for Netherlands; 12 for Greece, Belgium and Czech Republic; Hungary and Portugal; 10 for Sweden, Austria, Bulgaria; 7 for Slovakia, Denmark, Finland, Ireland and Lithuania; 4 for Latvia, Estonia, Slovenia, Cyprus and Luxembourg; 3 from Malta.
- 10 In this case, the group of MS must notify the council of its opposition to the adoption of the act. The council must then do everything within its power to find a satisfactory solution in order to address the concerns raised by the group of MS. Moreover, these deliberations within the council are completed within a reasonable period and should not prejudice the time-limits laid down by the law of the EU.
- 11 Such as the payments for crisis distillation (the initial proposal was the abolition of the market measure); the restructuring of vineyards and aid for concentrated grape must (in the Italian case).