**INSTITUTIONS AND EU DECISIONS-MAKING: DOES THERE
EXIST A "RESTAURANT TABLE EFFECT" IN THE COMMON
AGRICULTURAL POLICY?**

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DOES THERE EXIST A "RESTAURANT TABLE EFFECT" IN THE COMMON AGRICULTURAL POLICY?

1. Introduction

The Common Agricultural Policy (CAP) of the European Union (EU) has been widely criticized since its inception for transferring large subsidies to EU farmers at the detriment of EU consumers, EU taxpayers, and foreign producers, and for causing major disruptions of international markets. The literature argues that, besides domestic political economy factors inducing the agricultural ministers to push for higher protection, the institutional structure of the CAP is conducive to increasing overall protection to agriculture. The 'supra-national' characteristic of the CAP is identified as an upward bias on individual country support price preferences. For example, Pearce (1983) argues that common financing gives agricultural ministers greater freedom to take decisions entailing higher budgetary costs than they would have if the burden fell directly on their national exchequers.

There are two aspects on this "greater freedom". First, it may be that domestic constituencies (and Ministers of Finance presumably) are less informed about what is going on in Brussels than about political discussions that take place in their national capitals. In political economy terms this can be stated as information costs being higher for supra-national government decision-making than for national decision-making, and hence information imperfection larger. The second argument is that the institutional design of the EU's CAP changes the incentives for decision-makers, i.e. it causes them to opt for higher levels of agricultural protection than they would have chosen for if it were at the national level (even with perfect information).

One of the most quoted political economists, Nobel prize winner Gary Becker makes a powerful counter-argument to the first argument: “I find it difficult to believe that most voters are systematically fooled about the effects of policies like quotas and tariffs that have persisted for a long time. I prefer instead to assume that voters have unbiased expectations, at least of policies that have persisted. They may overestimate the dead weight loss from some policies and underestimate it from others; but on the average, they have a correct perception” (Becker 1976: 245 – 248).

In general, the second argument seems to be the main argument in the literature. For example, Hill (1984) argues that common financing is the crux of the problem because it divorces a country’s decision from financial responsibility and therefore encourages countries to lobby for higher protection through the EU in order to maximize their net receipts or minimize their contributions. Schmitt (1984), Runge and von Witzke (1987), and others refer to this phenomenon as the “restaurant table” effect. As members of the EU allegedly share the “bill” of agricultural support costs, they therefore have an incentive to “order” relatively “expensive” policies when they meet at the “dinner table” (the annual CAP review). The resulting level of protection of the CAP is deemed to be higher than if the CAP would not exist and if each country would have to pay the cost of its own “meal”.

While the “restaurant table” effect is widely referred to as a cause of the high EU agricultural protection, it has never been formally analyzed whether it holds under any condition or if it holds at all. Since it is the main argument for blaming high EU agricultural protection on the supra-national structure of the CAP this is a major deficiency.

One of the reasons why much discussion but little formal analysis is devoted to the CAP in the political economy literature is due to the complexity of modeling its two-

stage decision-making process. In the first stage, national governments decide on their politically optimal agricultural protection level. In the second stage, the final (EU-level) choice of the support level results from a joint decision-making of the EU member state governments in the Council of Ministers.

The objective of this paper is three-fold: we develop a formal model of the two-stage decision-making process on the CAP; we use this model to analyze whether there exists a “restaurant table” effect; and we analyze how the results are affected by assumption on the decision-making institutions.

We derive several results. We show that the preferred level of agricultural protection for each country changes when the country becomes a member of the EU, independent of the procedure of decision-making on the CAP. The reason is that the country may obtain additional benefits or face additional costs, depending on its agricultural economy, for a given level of protection.

In this perspective, we argue that the term “restaurant table” effect is somewhat misleading and that the decision-making procedure on the CAP may be more accurately compared to a “buffet” rather than to a “restaurant table”. The reason is that the EU member states cannot each order a different policy from the menu, but instead have to agree on one policy for all of the member states, with some member states benefiting more and some less, like a “buffet”.

The question then is whether the institutional design of the CAP decision-making pushes the average cost of this common policy above the average cost of the policies which each of the member states would have preferred separately?

The answer to that question depends on the institutional design of the decision-making. In this paper we show that under three different assumptions regarding the CAP decision-making procedure (unanimity rule, simple majority, and qualified majority rule)

the average agricultural protection level may be higher under the CAP than outside, but may also be lower, depending on either the economic structure of the member states or on the exogenous preferences of the agenda setter. However, we conclude there is no systematic upward bias in the agricultural protection level. Hence, under none of three plausible assumptions on decision-making rules do we find a “restaurant table” effect.

The paper is organized as follows: the next section uses a political economy model to assess a member state’s agricultural protection preference both inside and outside the EU. Section 3 defines the “restaurant table” effect. Section 4 discusses the decision-making process on the CAP. Sections 5 to 7 assess the presence of the “restaurant table” effect under unanimous agreement, a simple majority and a qualified weighted majority voting rules. The final section summarizes and draws conclusions.

2. National Preferences on Agricultural Protection

The CAP was first implemented at the end of the 1960s. The main aspect of the CAP was an intervention price for key commodities, including grains, sugar, beef, and milk, combined with the trade instruments (variable import levies and export refunds) needed to sustain this intervention price. The policy specifics differ between commodities and have changed over time. Due to several reforms of the CAP since then, the CAP has become more complex. However to keep the analysis tractable we assume in our model that there is one agricultural commodity and that the national governments and the Council of Ministers only have to decide on one policy variable: the intervention price for this agricultural commodity.

In this section, we first derive the politically optimal intervention price in a country when it is not part of the EU. Afterwards we derive how the politically optimal intervention price changes when the country becomes (or is) part of the EU, i.e. when it is

one of the member states to which the CAP is applied.

2.1. Politically optimal national intervention outside the EU

Assume there are two sectors in country j : agriculture (A_j) and the rest of the economy (B_j). Assume further that all individuals in the economy have identical preferences and maximize an indirect utility function $U(y_j^i)$, where y_j^i represents individual income and $i = A, B$. Each sector has n_j^i identical individuals with pre-policy income e_j^i .

Let P^0 denote the market price of the agricultural commodity and P_j the intervention price in country j . Then per unit subsidy is $s_j = P_j - P^0$. R_j^A is the total transfer of income to sector A_j . R_j^A depends on the intervention price and on agricultural production (Q_j^A): $R_j^A = (P_j - P^0) \cdot Q_j^A = s_j \cdot Q_j^A$.

For simplicity, we ignore deadweight costs. This may seem a rather strong assumption, given the impact of the CAP on distortions, which are therefore at the core of the debate on the CAP. However, in the context of this analysis it merely simplifies the notation, and does not significantly alter our conclusions.

The transfer of income is financed from a tax (R_j^B) imposed on sector B :¹ $R_j^B = (e_j^B - y_j^B) \cdot n_j^B$. As deadweight costs are assumed away, a balanced budget implies that $R_j^B = -R_j^A$.

The transfer entails the following changes in individuals' incomes:

$$\Delta y_j^A(P_j) = R_j^A / n_j^A = (P_j - P^0) \cdot Q_j^A / n_j^A = (s_j \cdot Q_j^A) / n_j^A \quad (1)$$

$$\Delta y_j^B(P_j) = -R_j^A / n_j^B = R_j^B / n_j^B \quad (2)$$

¹ The tax on sector B can be implemented through an income tax or through higher consumer prices. Given our no deadweight cost assumptions, both are possible interpretations of our model.

The politically optimal per unit subsidy is denoted as $s_j^* = P_j^* - P^0$ and P_j^* is the politically optimal intervention price in country j . By definition, the politically optimal intervention price implies that either increasing or decreasing the intervention price from the level P_j^* reduces political support for the government of country j . In other words, countries have Euclidean single-peaked preferences over the domain of the policy variable, i.e. the intervention price.

Formally this characteristic of P_j^* can be derived from several underlying models on decision-making in the countries. For example, one model which yields this result is the model of Swinnen (1994) and Swinnen and de Gorter (1993, 1998). In their model, individual political support S^i is assumed to be a strictly concave and an increasing function of the change in utility caused by the policy: $S_j^i = S_j[v^i(P_j)]$, where $v_j^i(P_j) = U_j^i(P_j) - U_j^i(0)$ and where all individuals are assumed to have identical support functions. The politically optimal domestic intervention price is then determined by the government maximizing total political support, Γ_j , i.e.:

$$\text{Max.}_{P_j} \Gamma_j(P_j) = n_j^A \cdot S_j(v^A(P_j)) + n_j^B \cdot S_j(v^B(P_j)) \quad (3)$$

Hence, country j 's politically optimal intervention price, P_j^* , is determined by:

$$\partial \Gamma_j(P_j^*) / \partial P_j = 0 \text{ or } S_j^{A'} / S_j^{B'} = U_j^{B'} / U_j^{A'}, \quad (4)$$

where $S_j^{A'}$, $S_j^{B'}$, $U_j^{B'}$, $U_j^{A'}$ refer to the first order derivatives of S^i , U^i respectively. This condition implies that $\partial \Gamma_j / \partial P_j < 0$ for $P_j > P_j^*$ and $\partial \Gamma_j / \partial P_j > 0$ for $P_j < P_j^*$.

2.2. Politically optimal national intervention inside the EU, with the CAP

Assume now that country j is part of the EU (i.e. member state j) and that the agricultural intervention price is part of the Common Agricultural Policy (CAP). More specifically, we consider the effect of two key characteristics of the CAP: common prices and financial solidarity. The principle of common prices implies that the intervention price is the same in all member states². Financial solidarity implies that the balanced budget equation does not have to hold for each member state. It is only the overall EU balanced budget equation that has to be satisfied ($R^A = R^B$) where $R^A = \sum R_j^A$ and $R^B = \sum R_j^B$ for $j = 1 \dots k$. Member states for which $R_j^A > R_j^B$ are net beneficiaries of the CAP while member states for which $R_j^A < R_j^B$ are net contributors to the CAP.

Let $P_j^\#$ denote the politically optimal intervention price and $s_j^\#$ the politically optimal per unit subsidy for a country inside the CAP. The politically optimal intervention price for a country outside the CAP (P_j^*) would be lower for a country which is a net beneficiary of the CAP and vice versa for a net contributor to the CAP than its politically preferred price inside the CAP ($P_j^\#$). Specifically:

If, $\forall P_j$:

$$R_j^A(P_j) > R_j^B(P_j) \Rightarrow P_j^* < P_j^\# \quad (5)$$

$$R_j^A(P_j) < R_j^B(P_j) \Rightarrow P_j^* > P_j^\# \quad (6)$$

The reasoning is straightforward. Some of the income going to agriculture of a net beneficiary of the CAP comes from taxes on other member states. Hence, the government can give higher subsidies to agriculture for a given tax on the rest of the domestic economy. Therefore, ceteris paribus, governments of net beneficiary member states will

prefer higher intervention price than their domestic optimal intervention price would have been outside the CAP. However, the opposite also holds: governments of net contributing member states will prefer lower intervention price than their domestic optimal intervention price would have been outside the CAP. For example, Mahé and Roe (1996) estimated inter-country transfers of income between member states of the EU caused by the CAP (table 1). According to their calculations, Belgium and Luxembourg, Germany, Italy, the Netherlands and Portugal were net contributors to the CAP in 1996 year. *Ceteris paribus*, these countries would therefore have higher politically optimal intervention prices on their own. Without financial solidarity under the CAP, transfers of income to domestic farmers would not require from domestic taxpayers and consumers to subsidize foreign farmers too. For a given tax on the rest of economy, agricultural producers would obtain more in net contributing countries without financial solidarity. On the other hand, Denmark, France, Ireland, United Kingdom, Greece, and Spain were net beneficiaries of the CAP in 1996. By analogy, their politically optimal prices would be lower without the financial solidarity, *ceteris paribus*.

3. "Restaurant Table" of "Buffet" Effect?

The institutional structure of the CAP is argued to cause higher agricultural protection, through the "restaurant table" effect (RTE). The RTE is best described by Runge and von Witzke (1987): *"When a group splits a restaurant bill, part of the marginal costs of a comparatively expensive meal for any individual may be passed on to the group, and an incentive exists to order comparatively expensive meals. The total bill (and the resulting individual expenses) is higher than in the case in which each bears his or her own cost."*

In terms of our model, the "restaurant table" effect can be defined as:

² We ignore exchange rate effects.

$$1/k(P_1^* + P_2^* + \dots + P_k^*) < P_{EU}^M \quad (7)$$

where P_{EU}^M is the common intervention price in the EU under the CAP chosen by the Council of Ministers, and k the number of member states. In other words, the RTE says that the average of politically optimal intervention prices of EU members outside the CAP is systematically lower than the EU common intervention price chosen in the EU under the CAP. It follows that whether the RTE holds depends on three factors:

- the optimal intervention price for each country outside the CAP: P_j^*
- the optimal intervention price for each country inside the CAP: $P_j^\#$
- the decision-making rule in the EU: how P_{EU}^M is decided

Before analyzing the impact of these various factors on the existence of a restaurant table effect, we would like to point out that the term restaurant table effect is somewhat misleading and that the decision-making procedure on the CAP may be more accurately compared to a “buffet” rather than to a “restaurant table”. The reason is that the EU member states cannot each order a different policy meal from the menu but instead have to agree on a common policy (the same “meal”) for all of the member states, with some member states benefiting (“eating”) more and some less, like a “buffet”.

4. A Model of the CAP Decision-Making Process

The decision concerning the common intervention prices is made in the annual CAP review by the Council of Agricultural Ministers³. A simple consultation procedure applies to most policy issues within the framework of the CAP. Under this procedure the EU Commission makes a proposal and the Council decides on the proposal, after receiving a non-binding opinion from the European Parliament. Decision-making in the

³ The CAP decision-making process is discussed in, for example, Tracy (1996) and Fearn (1991).

Council proceeds by vote and qualified weighted majority is used.

The great majority of agricultural legislation in the EU is based on Article 43 of the Treaty of Rome. According to this article, the Commission proposals on agricultural policy can be adopted by the Council by qualified weighted majority. Currently the distribution of votes is:

- 10 votes each for Germany, France, Italy and the UK;
- 8 votes for Spain;
- 5 votes each for Belgium, Netherlands, Greece and Portugal;
- 4 votes each for Austria and Sweden;
- 3 votes each for Denmark, Finland and Ireland;
- 2 votes for Luxembourg.

To be accepted by “qualified majority”, a proposal must obtain 62 out of a total of 87 votes.

Each member state can propose an amendment to the Commission proposal. The amendment is adopted if it is accepted unanimously. In practice, the Commission considers political acceptability of its proposal by the Council. Furthermore, in order to achieve the final compromise, the Commission may be “obliged” to adjust its proposals in accordance with the Council’s line of thinking (Fearne, 1991).

We model the CAP decision-making as a set of voting rounds to determine the equilibrium intervention price within the Council of Ministers. Define P_{EU}^0 as the existing common intervention price in the EU, i.e. the intervention price decided in last year’s decision-making round. We assume that at the beginning of the annual decision-making round, the Commission proposes a common intervention price for the next year, P_{EU}^N . This price can be the same as last year’s or a different one.

The Council of Ministers votes on the proposal. We assume that the voting

behavior of each minister is determined by the politically optimal intervention price for the government the minister represents. More specifically, a minister will vote in favor of the proposal if the proposed price P_{EU}^N is closer to his/her government's optimum than the current price P_{EU}^0 (or if it is the same). Formally:

$$v_j = 1 \text{ iff } |P_{EU}^N - P_j^\#| \leq |P_{EU}^0 - P_j^\#| \quad (8)$$

$$v_j = 0 \text{ iff } |P_{EU}^N - P_j^\#| > |P_{EU}^0 - P_j^\#| \quad (9)$$

where v_j is the voting decision by minister j (i.e. of country j). The proposal is accepted if

$$\sum_j n_j^v \cdot v_j \geq x \quad (10)$$

where n_j^v is the number of votes of country j and x the minimum amount of votes needed to approve the proposal.

We assume that, after the vote, either the Commission or a minister of a member state, can table a new proposal on which a new vote takes place. If the previous vote was approved, the newly approved common intervention price now becomes the price against which a new proposal is evaluated. Voting goes on until no new proposal is accepted. The intervention price which is chosen by the Council of Ministers, the “equilibrium intervention price” P_{EU}^M , is the last one which was approved.

It is obvious from equation (10) that the equilibrium intervention price will depend on the decision-making rules which determine the amount of votes needed, x , and on the distribution of votes, n_j^v . In the next sections we will discuss the equilibrium intervention price under three different decision-making rules which are used in the EU. While the qualified majority rule is officially used by the Council of Ministers on most

agricultural policy decisions, for expositional purposes we start with the analysis under assumption of a simple majority rule. This is simpler to analyze and it helps to understand the result in the more complicated analysis of qualified majority decision-making, which we turn to afterwards.

5. Simple Majority Voting

Assume the following order of the politically optimal intervention prices, $P_j^\#$, of member states: Country 1 has the lowest politically optimal price $P_1^\#$, country k has the highest politically optimal common price $P_k^\#$. $P_1^\# < P_2^\# \dots < P_k^\#$. Country 1 has n_1^v votes in the Council, country 2 has n_2^v votes, and country k has n_k^v votes. Assume further that the countries together have an uneven number of votes in the Council (as it is currently the case in the EU-15, 87 votes) and that $P_M^\#$ is the median politically optimal price. This is the politically optimal price of the country that has the 44th vote. We refer to the country with $P_M^\#$ as the politically optimal intervention price as the “median country”.

In a single-dimensional issue⁴, that is when, as assumed above, a decision concerns only one policy variable and if all voting agents have single-peaked preferences defined over the domain of the policy variable, then the median voter cannot lose under simple majority rule. This result is known as the “median voter” rule (Mueller, 1989). We have shown above that in the case we analyze the voters in the Council of Ministers, i.e. the Ministers, have single peaked preferences. The median voter rule therefore implies that the politically optimal price of the median country will be adopted as the common price.

What does this imply for the restaurant table effect? Consider a simple case as

⁴ In multidimensional case the necessary and sufficient condition for existence of a dominant point under simple majority rule requires that it be a median in all directions (Mueller, 1989).

illustrated by figure 1. Assume that the EU has only three member countries and each has one vote, and that $P_1^* < P_2^* < P_3^*$, and define P_a^* as the average politically optimal price outside the CAP, i.e. $P_a^* = (P_1^* + P_2^* + P_3^*)/3$. Since country two is the median, $P_{EU}^M = P_2^{\#}$. Hence, whether the RTE holds as defined by condition (7) depends on the relation between $P_2^{\#}$ and P_a^* . There are only two relevant possibilities: as represented by figure 1a and 1b respectively.

$$1a: P_1^{\#} < P_2^{\#} < P_a^* < P_3^{\#}$$

$$1b: P_1^{\#} < P_a^* < P_2^{\#} < P_3^{\#}$$

Under the scenario 1a, $P_2^{\#} < P_a^*$ and the RTE does not occur while under 1b, $P_a^* < P_2^{\#}$ and the RTE occurs. What is important is that there is nothing inherently causing systematically higher protection under this decision-making rule. The adoption of common EU intervention price does not necessarily create institutional pressure for higher agricultural prices. The EU's CAP can increase the level of protection of agriculture above the average of protection in member states outside the CAP. However, this does not occur in a *systematic* way. Higher protection to agriculture in the EU due to the supra-national character of the CAP than otherwise will be the case only if there is a particular distribution of politically optimal prices across countries. Indeed, the supra-national nature of the CAP does produce higher agricultural protection in the EU if countries with high politically optimal prices in the CAP are clustered closely to the median and countries with low politically optimal prices are far below the median level. If the reverse is true, then the CAP generates lower protection to agriculture than the average of all individual country protection outside the CAP.

6. The CAP Intervention Price Decision under Qualified Majority Voting

Assume again an ordering of the politically optimal intervention prices, $P_j^{\#}$ of member

states as we did under simple majority rule. That is, country 1 has the lowest politically optimal price $P_1^\#$, country k has the highest politically optimal common price $P_k^\#$. $P_1^\# < P_2^\# \dots < P_k^\#$. Country 1 has n_1^v votes in the Council, country 2 has n_2^v votes, and country k has n_k^v votes. The existing common price, the result of previous year's negotiation is P_{EU}^0 . European Commission makes a new proposal P_{EU}^N . The adoption of Commission's proposal requires at least 62 votes from Council members, otherwise the common price stays unchanged.

Define country X as follows:

- $\sum_{i=X+1}^k n_i^v < 62$, i.e. all countries with higher preferred optimal prices than country X cannot obtain 62 votes to approve Commission proposal without country X .
- $\sum_{i=X}^k n_i^v \geq 62$, i.e. country X and all countries with higher optimal prices can obtain at least 62 votes to approve the proposal.

As defined Country X is crucial for increasing the existing common price.

By analogy, define country Y as:

- $\sum_{i=1}^{Y-1} n_i^v < 62$, i.e. all countries with lower optimal prices than country Y cannot obtain 62 votes to approve a Commission proposal without country Y .
- $\sum_{i=1}^Y n_i^v \geq 62$, i.e. country Y and all countries with lower optimal prices can obtain at least 62 votes to approve the proposal.

Similarly, country Y is crucial for decreasing the existing common price.

Several results follow. First:

$$\text{If } P_X^\# > P_{EU}^0, P_{EU}^N \text{ will be adopted iff } |P_{EU}^N - P_X^\#| \leq |P_{EU}^0 - P_X^\#| \quad (11)$$

This implies that any proposal P_{EU}^N within the $P_{EU}^0 - P_X^\#$ range will always be accepted and hence that $P_{EU}^N \geq P_X^\#$. Analogously, it follows that $P_{EU}^N \leq P_Y^\#$ because:

$$\text{If } P_Y^\# < P_{EU}^0, P_{EU}^N \text{ will be adopted iff } |P_{EU}^N - P_Y^\#| \leq |P_{EU}^0 - P_Y^\#| \quad (12)$$

Hence, when the existing intervention price P_{EU}^0 is outside the $P_X^\# - P_Y^\#$ range, voting under the qualified majority rule will lead to the acceptance of a new price P_{EU}^N which is within the $P_X^\# - P_Y^\#$ range. Furthermore, when $P_X^\# < P_{EU}^0 < P_Y^\#$, no Commission proposal, P_{EU}^N will be adopted by a qualified majority in the Council. In other words, if the existing common price is located between the intervention prices of member states X and Y, then there is no qualified majority in the Council that agrees on its either increasing or decreasing. There is a stalemate that favors the maintenance of the status quo. What does this imply for the existence of a restaurant table effect under the qualified majority rule? The answer is simple.

Qualified majority voting rule does not favor higher protection to agriculture in a systematic way either. This rule is equally conducive to positive as to negative deviation from the median country preference. The symmetric nature of the single-peaked preferences insures that the adoption of the common price in the CAP is not systematically causing higher protection to the EU agriculture than otherwise would have been the case.

Under the qualified majority the equilibrium policy must lie in the segment $P_X^\# P_Y^\#$ in Figure 2. However, there is no systematic reason why the chosen intervention price P_{EU}^N should lie in the $P_a^* - P_Y^\#$ interval. It may also lie in the $P_X^\# - P_a^*$ interval. In one extreme, when $P_X^\#$ is selected the EU protection would be lower than the average protection of countries outside the EU's CAP. On the other hand, when the other extreme of $P_Y^\#$ is considered the EU protection would be higher than the protection of the countries outside the EU's CAP.

7. The CAP Intervention Price Decision under Unanimity Rule

Unanimity rule can be considered as an extreme version of the qualified majority rule. Unanimity rule requires all countries to agree with a new proposal, otherwise the status quo will prevail. In context of this model, this implies that the accepted price will always be between the lowest politically optimal intervention price of any country and the highest politically optimal prices inside the CAP. When the existing price is located between these extreme politically optimal intervention prices, there can be no unanimous agreement on a change of the common price. Hence, there is extreme propensity to favor the maintenance of status quo under the unanimous agreement rule. As under the other decision rules, there is no inherent reason why the resulting choice would be above the average political optimum P_a^* . Hence, the restaurant table effect does not hold either under the unanimity rule.

8. Conclusions

In this paper we consider a two stage decision-making in the EU on the Common Agricultural Policy and more specifically on the selection of a common intervention price. In the first stage (national level) national governments choose their optimum intervention price. Then we show that under various assumptions, the institutional structure of the CAP is not conducive to higher protection to agriculture than would be the average of protection levels of member states of the EU and participants in the CAP outside the CAP.

Whether the institutional structure of the CAP is conducive to higher protection to agriculture than would be the average of protection levels of member states of the EU and participants in the CAP outside the CAP is investigated.

The supra-national nature of the CAP can lead to higher agricultural protection

through higher prices and other policy instruments than would have been the average of EU countries outside the CAP only under very specific conditions. Indeed, the supra-national nature of the CAP does produce higher agricultural protection in the EU if countries with high politically optimal preferences for protection in the CAP are clustered closely to the median and countries with low politically optimal preferences for protection of agriculture are far below the median level. However, we find no evidence that the institutional structure of the CAP causes, in a systematic way, higher agricultural protection in the EU. In other words we conclude that there does not exist a restaurant table effect.

Tables and Figures:

Table 1 **Inter-country transfers of income between EU member states due to CAP (billion ECU)**

	1991	1996
UEBL	-318.5	-495.4
Denmark	782.2	764.3
France	1 565.4	2 195.2
Germany	-2 715.1	-3 965.1
Ireland	1 669.0	1 448.1
Italy	-2 875.5	-3 173.3
Netherlands	211.9	-348.0
UK	715.0	417.7
Greece	1 043.4	1 841.1
Spain	349.8	1 419.3
Portugal	-445.5	-157.8
EU	-	-

Source: Mahé and Roe (1996).

Figure 1. Distribution of politically optimal prices and the existence of the restaurant table effect.

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