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Cultivating trust : how do public policies become trusted

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CHAPTER 5

The Milk Quota System

5.1 INTRODUCTION

In the previous chapter, I analysed how farmers and public officials came to trust a variety of structural policies. Nearly all expected and believed that Dutch agriculture would (and should) grow continuously in its level of production and technical innovation. This modernisation was to many the sole goal of Dutch agriculture.¹

Up until the mid 1970s, these expectations and beliefs persisted with both farmers and state officials. Yet, from the late 70s onwards, the increasing environmental and economic problems from continuous production growth triggered debates about reforming the policies implemented after the Second World War. In other words, the expectations about the future of Dutch agriculture started to change at this time. The first policy in which this change of perspective clearly manifested was the introduction of the milk quota system. It consisted of regulations to limit, rather than to stimulate, milk production, contrary to the previous ideals.

The cases analysed in this as well as in the following chapter are important to this study because they pertain to situations where individuals disagree about policy changes. Hence, they provide the opportunity to study how unfavourable expectations are established and how collective favourable expectations are lost.

Although this chapter analyses one particular policy, the milk quota system, I have to discuss three important contextual factors before analysing it. First, I start with a description of a general trend in Dutch society: the erosion of the pillarized societal structures (*Section 5.2.1*). This is necessary because it is part of the broader social context in which the milk quota system was introduced. Second, I discuss the declining support for the price and income policies in *Section 5.2.2*. Third, because the milk quota system belongs to Europe's Common Agricultural Policy (CAP), I analyse how trust is established for the European policies in general in *Section 5.3*. After discussing these three contextual factors, I move on to the description and analysis of the milk quota

1. Some scholars refer to this shared set of collective intentional states as the *modernisation project* of Dutch agriculture (*cf. Van der Ploeg 1999, 260-272*).

system (*Section 5.4*). The European Community's decision making style, which has had a decisive impact on the formulation of this quota-system, is discussed in *Section 5.5*. In *Section 5.6*, I analyse the impact of this policy on the relationship between farmers and state-officials. Several theoretical remarks conclude the chapter (*Section 5.7*).

The organisation of each section is the same as in the previous chapters. The methodological steps two and three, the interpretation and hermeneutical dialogue, are integrated into the texts.² These contain discussions about how individual (the process of trust, part A of the theory) or how collective trust (part B of the theory) is established (see *Section 2.6*). The last paragraph of every section provides data corroborating whether individual or collective expectations were indeed established. Except for a few, all sections end with "discussion and notes" part that contains methodological step 4: the sub-interpretations. The analyses performed in this chapter are summarized in *Appendix A* from table A12 until A21.

5.2 SHIFTING EXPECTATIONS

As mentioned in *Chapter 3*, Dutch society was arranged according to ideological pillars. I posited that information about new ideas, values, and norms were diffused and institutionalised through these pillars, which had led to deep social cleavages. Like the rest of society, farmers were also organised in line with these pillars.

This section first shows how the diffusion of ideas started hampering because the religious and ideological backgrounds began falling apart. Then, it will illustrate that the church networks were replaced by the newly established corporatist network (*Section 5.2.1*). Accordingly, the analysis is mainly associated with the B-set of concepts. In the second part of this section, I analyse how the dominant interpretation about the price and income policies came under scrutiny because the associations, closely cooperating with the government, failed to maintain trust for them (*Section 5.2.2*).

5.2.1 Pillarization and professional networks (B)

General societal trends

In his work *Politics of Accommodation: Pluralism and Democracy in the Netherlands* (1975), Lijphart describes the rise and decline of the characteristic civic structures in the Netherlands associated with pillarization. According to him, this began in 1967 particularly due to the declining importance of religious principles and the societal role of the churches as promoters of rules of conduct. With this "civic liberation", flow-

2. Remember that step one was done in Chapter 1.

ing through many other western societies, individuals no longer defined their actions from a collective intentionality.

As a result of these changes, the cleavages between the pillars became less sharp. In the political arena, for instance, the Protestant parties ARP and CHU merged with the Catholic KVP – first on a provincial level (1970, 1974), and later on national level (1977). This was unthinkable in the 50s and early 60s. New political parties and other institutions that did not belong to a specific ideological pillar were also established (*cf.* Lijphart 1975, 18-24). Moreover, individuals that traditionally belonged to a certain pillar, no longer passively followed its leaders. They were more politically active outside their own pillars. That is, instead of channelling their protest through the existing institutions, they created single-issue groups. Clearly, the collective intentional states, such as believing or expecting something together, as in the pillarized period, were fading away.

Trends in the Dutch agricultural sub-society

Until 1967, the agricultural corporatist organisations had been divided in accordance with the pillarized networks. After 1967, however, farmers, especially the young ones, became less involved in religion and more critical of the church. This led to many discussion about the importance of the Catholic or Protestant identity of the various farmer associations. For example, from 1965 until 1975, the Catholic farmer-associations often discussed whether they should hold on to their religious identity. In 1967, a committee of the Catholic farmer party (KNBTB) concluded that the farmer associations and organisations still retained a 'pastoral task'. It namely had to encourage farmers to participate in their churches, and support and advise them about handling specific situations according to Christian values. Only two years later, however, many leaders from local departments of the Catholic association doubted the importance of their Catholic identity. From that time onwards Catholic leaders expressed the wish to merge with Protestant farmer organisations into large "neutral-Christian" interest organisation for farmers.

The Dutch historian Duffhues gives several illustrations about how the influence of religious principles declined in this period. In 1969, for example, the priest advisor to the Catholic farmer-association, A. Merckx, stated in a speech to the Catholic farmers that 'the time of rules, interdictions and regulations (provided by the clergymen) was over. From now on, every individual Catholic farmer had to make his own decisions and take responsibility' (Duffhues 1996, 342). Later, in 1976, a local Catholic department inquired him as to whether farmers were allowed to work on Sundays or not. He answered that the church should not decide what kind of activities are to be undertaken on Sundays. Instead, farmers had to judge and decide for themselves about what to do. Although Merckx still thought the daily activities of the farmers should still

be religiously inspired, he no longer believed that individuals were to be instructed in detail about their actions.

In contrast to the ideologically based associations, the corporatist and newly founded professional, sector specific organisations grew strongly.³ These had no religious background, but organised farmers according to their activities. Examples are the production board for dairy farmers, the association for flower bulb traders and the Dutch association for the wholesale of eggs etcetera. Ideas, knowledge and new products were increasingly diffused through these professional organisations. Farmers preferred these organisations over the ideologically based associations because they desired more business consultations concerning such issues as technical training, corporate business and finance.

How does one see that the collective intentional states concerning the pillarized organisations were declining? First, it is shown through the declining memberships of the ideologically based associations illustrated in *Figure 5.1* (cf. Van der Woude 2001, 510). Second, the decline in the collective intentional states are shown by the rise in the amount of corporate representative bodies of various groups of farmers (productschappen); it illustrates the increasing importance of product specific networks. As already mentioned in *Section 4.3.2*, the number of product boards increased from 20 in 1954 to 56 in 1965. This means the collective intentional states based on ideological or religious grounds were increasingly replaced by collective intentional states based on economics.

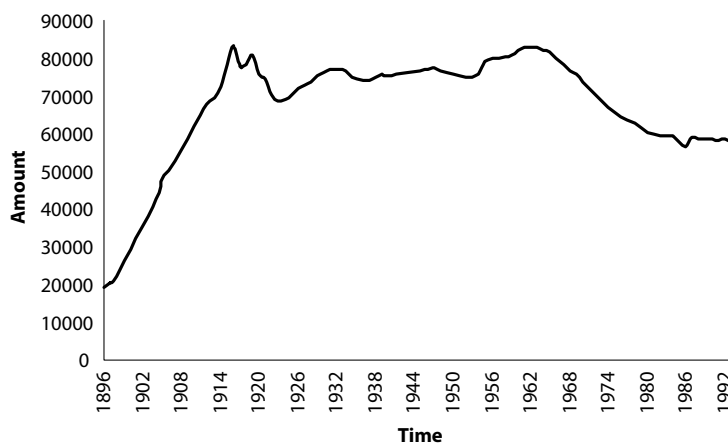


Figure 5.1 Membership KNBTB (Smits 1996, 310 f.)

3. By professional organisations I mean the many corporatist as well as private organisations established in the 60s and 70s.

Discussion and notes

The trends in agricultural society as described above hold the lesson that individuals in a group can lose their shared intentional states. The density of individuals in the group who are thinking in the we-mode and the intensity of this mode, then decline. This meant that for a lot farmers the collective intention to join and maintain the ideologically based farmer associations disappeared. Or, in other words, secularization came together with an increasing disinterest in the ideologically based farmer associations, especially among the young.

In order to prevent the farmer associations from becoming completely irrelevant, the representatives and clergy relaxed their religious backgrounds. In contrast to the fiery dogmatism of Van den Elsen (*cf. Chapter 3*), for instance, Merx was much more lenient. Strong ideological guidance from the church would no longer win farmers for the Catholic good; on the contrary, it would alienate them from the church as well as from the rest of society (Duffhues 1996, 341-342). In other words, the Catholic farmer associations had to allow for an increase in the number of intentional states. That is, they had to allow their members to have differing expectations, desires, beliefs, etc.

A second lesson disclosed in the previous analysis is that two networks of diffusion existed at the same time with entirely disparate backgrounds: the pillarized associations and the professional corporatist organisations. The economic boom and technological innovation after the Second World War decreased the ideological motivation to become involved in the farmer associations. The network of the church was even forced to loosen their ideological grip in order not to be completely outdone by more economically inspired diffusion network. This case then clearly implies that dominant collective intentional states can be replaced by other collective mental states.

5.2.2 Price and income policies (B)

Introduction

Besides the changing ideas about ideologically based farmer associations, the favorable expectations of the price and income policies was also changing. Initially, as mentioned in *Chapter 4*, these policies were highly supported. And as long as world market prices were higher than in the Netherlands, the price and income policies did not cause budgetary problems for the Dutch government (*cf. Section 4.2.1*). From 1953 onwards, however, world market prices began to decline while production costs rose. Some products then fell below their minimum official price level. This was particularly the case with milk of which the price quickly descended in this period. This meant that, instead of earning from export levies, the government had to pay export restitution.

During the 50s and 60s, these costs were the subject of many discussions between the agricultural minister, government officials, the LEI (agricultural economic research institute), the farmer associations and corporatist organisations. The government con-

cern over the rising costs was criticised by farmers who claimed that it was slowly trying to switch from a fair income policy to a solemn budgetary policy aimed at reducing the costs. Due to this fierce opposition, the whole system would only come under serious scrutiny for the first time in the mid-70s.

When the social and economic positions of Dutch farmers worsened in the early 70s, they called upon the leaders of the farmer associations to take action against the price and income policies. As demonstrated in *Chapter 4*, these leaders were highly involved in the policy making process, and were therefore expected to use their influence for solving the economic problems in a co-operative way with the government. They were expected to benefit the farmers. In 1974, the economic problems became a real economic crisis. The energy crisis in 1973 had quadrupled the price of oil, resulting in high inflation. Traditionally, the much trusted response to economic crises was the promotion and stimulation of farmers' productivity. As a consequence, previous economic crises had generally led to increased co-operation and integration between farmers, state-officials and Members of Parliament (MPs). The crisis of 1974, however, was different.

The Crisis of 1974

Until 1974, farmers and their organisations generally supported the price and income system. One of this policy's detrimental but accepted consequences, was the draining of small farmers from the agricultural sector. Since the compensation payments declined, farmers had to reapear their incomes by improving their production efficiency, which especially small farmers could not (Nooij 1976). Since the economic prospects in other sectors were good during the 60s, finding another job was relatively easy, for them. In the 70s, however, labour market prospects tumbled and unemployment increased. As a consequence, protest against the price and income system, which put such a strain on small farmers, began to arise. This was not so much directed at the Dutch government, but more so at the EC, because since the late 1960s most agricultural policies came from "Brussels".

In 1958, the former Dutch minister of Agriculture Mansholt was appointed EC commissioner for agriculture. During his tenure, he basically constructed a price and income system as part of the Common Agricultural Policy (CAP) that was similar to the system he had developed for the Netherlands after the war. He did this for the dairy industry in 1964.

Technological improvement and increases in production efficiency had led to a fast rise in milk production from the 50s onwards especially in the Netherlands. Inevitably, the EC's milk market was saturated from 1968 onwards, but still the production numbers were increasing. Moreover, the target price for milk in the EC was persistently higher than the world market price. This situation meant the EC's Commission was forced to subsidize exports, resulting in large budgetary problems. In response,

the Commission started lowering the fixed price levels, which led to even more milk production because farmers had to compensate their loss in income. When the European Commission froze the milk price completely in 1973 and 1974, a time when inflation was rapidly rising, farmers became enraged.

The tense situation was further exacerbated by drought in 1973, and culminated in vehement protests against the common agricultural policy (CAP). When, in contrast to the Dutch government, the Belgium, Danish, French, and German governments provided supplemental policies to soften the financial burdens of their farmers, Dutch farmers began aiming their protests against the Dutch government and leaders of the associations for their presumed reluctant behaviour.

The protest meeting

The protests started in the north of the Netherlands where a group of small farmers blockaded the German border on the July 29, 1974. In response to the growing unrest among farmers, the leader of the Catholic associations, Mertens, said in an interview on the July 31 that more small farmers should terminate their business to overcome the economic crisis (*Algemeen Dagblad* 31/07/1974). According to him, about another 30% of them needed to go. This statement was in itself not unique. The government and farmer associations had steadily been formulating and implementing the structural adjustment policies of the 50s and 60s that forced many small farmers to pack up. By 1974, however, circumstances had changed so drastically that farmers no longer supported these policies.

After Mertens' statements, similar actions rapidly spread to other parts of the country. The leaders of the farmer associations, however, maintained their full confidence in the traditional negotiations with the minister rather than direct communication with the farmers. In a magazine on August 1, a chairman of one of the associations stated: 'We can achieve much more in negotiations with rational thinking partners, with well-founded arguments, than with spontaneous and inconsiderate actions on roads and crossings' (*Boer en Tuinder* 01/08/1974). In previous situations such appeals to normalcy would have worked, but not anymore. Now these statements made farmers even angrier (Nooij 1977, 32 note 3). The actions continued. The farmer associations then realized they had to speak to the farmers directly. On August 10, a mass meeting at a football stadium was organised. When Mertens came to speak, however, the enormous noise prohibited him from doing so. Similarly, the minister of agriculture was unable to speak. Only unofficial leaders involved in the roadblocks with no links to the traditional associations obtained the ability to address the crowd. The criticism from these leaders enthralled the other farmers.

One of these unofficial leaders was Olieman, a farmer from Zevenhuizen (ZH) who had initiated various protest committees. He particularly criticized the awkward position of the farmer associations' representatives. They were responsible for the interests

of farmers on the one hand, but were also closely involved in formulating official policies. According to Olieman, this meant they were simply negotiating with themselves. Hence, the representatives were in no position to further the interests of the farmers and should no longer be trusted.

Discussion and notes

What does the 1974 Crisis reveal? First, the mass meeting was an important indication that the concurrence of collective intentions among the various actors of the agricultural sector was diminishing. Although intended to reinforce collective intentions, it actually resulted in a further fragmentation (Nooij 1977, 21). New protest groups were formed, such as the group around Olieman, and after the meeting more protest groups were formed. The support for the regular associations and their leaders declined, although Mertens was still communicating in the we-mode. Some scholars have subsequently stated that during the mass meeting of 1974 “the green front” had its Waterloo (Van Dijk *et al.* 1999, 75).

Second, it shows that the crisis social mechanism works both ways. A crisis can both bring human beings together and tear them apart. In contrast to previous economic crises (the 1880s, 1930s, and the post-war crises), the 1974 crisis did not result in sharing collective intentional states. Instead, it resulted in the loss of them. Especially the former collective expectation about the policies of increasing efficiency by enlarging production disappeared due to the crisis circumstances. Farmers no longer trusted this perspective on agricultural policies.

Attempts by the chairmen of the farmer associations to persuade farmers to keep cool and co-operate were in vain, and actually counterproductive. The individual and spontaneous protests, and the fragmentation in the farmer organisations are empirical “evidence” that the collective intentionality was eroding. That is, due to the crisis, the we-mode of thinking switched back into a I-mode. This was exacerbated by the mass meeting of 1974.

Third, the 1974 crisis illustrates that when collective intentional states, such as collective expectations, fade, new groups may form against it. New collective intentional states arose among other farmers groups. They then have a same enemy resulting in a “we-them” relationship. This was seen with protests of farmers against the price and income policies, and policymaking apparatus operating in the 1970s. Hence, apparently many layers of collective intentionality exist in societal life, and switching between a we-mode and I-mode of thinking can result in new groups sharing collective intentional states.

5.3 COMMON AGRICULTURAL POLICY (CAP)

Since the milk quota system is part of the European Common Agricultural Policy, understanding the latter is imperative to understanding the former. After its foundation in 1961/1962 the CAP became, at least initially, very much supported by Dutch farmers, the government, and the farmer representatives.

After the Second World War, all European governments were, in response to the general crisis, preoccupied with securing their nations' food supply. Many of their policies aimed 'to expand agricultural production by all possible means' (Tracy 1989, 219). The commonly held view at this time was that agriculture deserved special treatment by public institutions. Although many European nations achieved self-sufficiency within twenty years of the war, agriculture continued to be a special policy domain: the protection of agricultural production had to be maintained. Even by the time the argument for retaining a strategic food reserve had lost its credibility and agriculture's share of the GNP had fallen dramatically, agricultural production continued to be protected (Grant 1997, 29). The foundation of the Common Agricultural Policy is generally considered as the ultimate institutional consequence of this (Hendriks 1995, 59).

The CAP is particularly based on article 33 of the treaty establishing the European Community, also known as the treaty of Rome (article 33-EC (ex 39)). This paragraph unified the national policies and contained the following objectives:

- a. Increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labor.
- b. Ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture.
- c. Stabilize markets.
- d. Assure the availability of supplies.
- e. Ensure that supplies reach consumers at reasonable prices.

To continue achieving these objectives, the Commission would calculate a target price at which farmers could produce without losses (*Figure 5.2*). The intervention price, and the threshold price are derived from this target price. The intervention price is a guaranteed minimum price that the EC ensures. So if market prices drop below this intervention level, the EC buys dairy products in the form of butter and milk powder at the intervention price. An export restitution covers the gap between the world-market price and this intervention price. It is offered to encourage export, although the world market price is far below the EC market. The threshold price is higher than the target price and sets the maximum of the import levy. This levy then is determined by the difference between the world-market price and the threshold price.

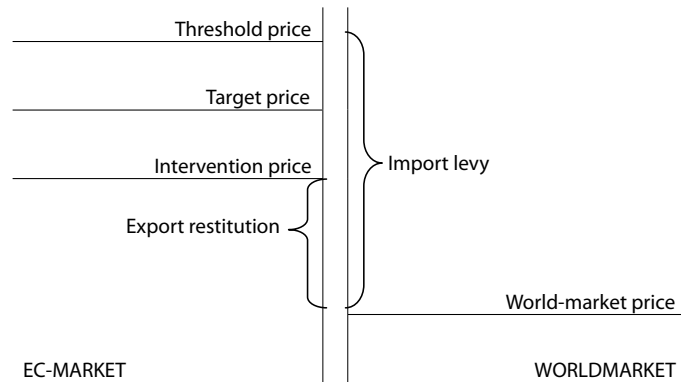


Figure 5.2 EC price and market system for dairy products (NAJK 1984, 5).

Like the national governments before, the EC generally supported the large and efficient farmers. Although the European ministers of agriculture and the national farmer associations often had discussion about the level of the target-prices, the main objectives of the CAP were commonly supported. The CAP mainly concerned price and income objectives, whereas the restructuring policies to improve the efficiency continued to be the policy domain of national governments (article 35-EC (ex 41)).

5.4 THE MILK QUOTA SYSTEM (A)

This section is somewhat different from the previous ones in that the texts used for the analysis differ. The aim in the following sections is to find out whether analyzing official documents, such as laws and regulations, are helpful for developing social mechanisms. Hence, similar to all the other sections, I try to find “evidence” for the concepts of the initial theoretical framework in the texts. In the hermeneutical dialogue questions have been asked such as: does this regulation or law tell us something about (the suspension) of risks or a specific interpretation? Just as in the other sections, the analyses are summarized in *Appendix A*, tables A 15 to A 17.

5.4.1 Increasing production

Between 1964 and 1969, milk prices in the Netherlands rose rapidly. Dairy farmers also steadily expanded their milk production in line with the existent agricultural paradigm.

In order to retain the Dutch competitive edge, the government and the farmer organisations tried to improve productivity by: restructuring the sector, draining labour from the sector, terminating small farmers, and improving efficiency. In due time, these measures resulted in large milk surpluses. Other European countries similarly stimulated production and soon the EC was left with large milk surpluses.

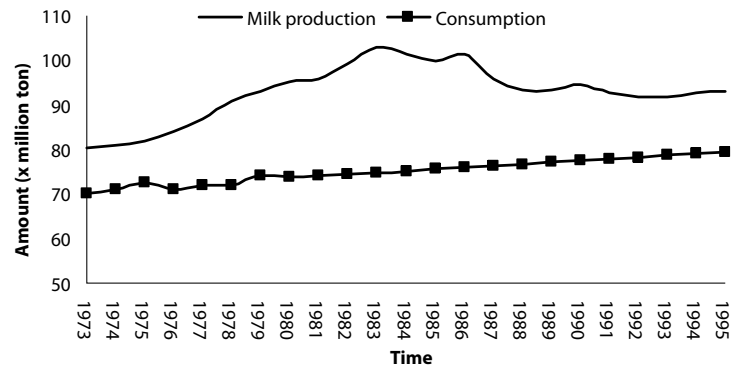


Figure 5.3 EEC milk production and consumption (NAJK 1984, 12; Eurostat; estimated consumption in period 1981-1995).

This stimulation of production continued until the introduction of the milk quota system on 1 April 1984. It was the first European regulation that limited rather than stimulated production in an agricultural industry, and marked the end of the European dairy industry's post-war economic expansion. This measure was introduced because the CAP-system of fixed minimum prices, initially established to improve production efficiency, had resulted in unacceptably high milk surpluses (*Figure 5.3*).

Scholars have provided different explanations as to why the CAP resulted in such a high production surplus of milk. Moyer and Josling argue that 'dairy farmers had particularly strong incentives to produce a surplus in that they could use low-cost cereal substitutes and soybeans for feed while the EC guaranteed them a high price for whatever amount of milk they marketed' (Moyer and Josling 1990, 67). Moreover, they contend that 'the particular sets of institutions involved in the setting of the policy and the structures of the decision frameworks' led to high price levels (Moyer and Josling 1990, 203). The continuous deliberations among the national negotiators resulted in fixed prices that were well above world prices, which, as a consequence, also produced an incentive to overproduce.

The Dutch economist De Hoogh offers another explanation. He claims the immobility of production factors caused the continuous high level of agricultural production in general and the milk production in particular (De Hoogh 1994, 1-12; Burger 1993, 116-117). In most economic sectors, production factors are transferred elsewhere when profits start to decline. Agricultural production factors, however, are hard to transfer to other sectors. Think of expensive agricultural machinery or agricultural know-how, for instance. Hence, even if profits decline, agriculture's production factors generally do not shift meaning production levels do not decline. Despite that the dairy industry became less profitable, it still continued to produce.

5.4.2 The EC's milk quota system

Previous attempts to control overproduction

In order to solve the problem of overproduction, the EC proposed and experimented with various policy proposals before the 1984 milk quota system. Most of these plans, however, had no or a limited effect, or were simply not implemented at all.

The first attempt to control production was stipulated in a proposal by Mansholt in 1968. He already foresaw the large production surpluses and huge financial burdens that would arise with the price and income policies if European farmers ever failed to compete on the world market. Mansholt thought that only large production companies could avoid being outcompeted on the world market. Therefore, his solution was to promote structural policies that forced small farmers to either upgrade or otherwise terminate their business in the long run. This plan was poorly received in political circles.

A second strategy to control production was specifically related to the dairy industry, and was to freeze the milk price for a period. This was basically done from 1968 to 1971, when the EC leveled the minimum price and increased it only slightly from 1971 onwards. Nonetheless, milk production continued to grow.

A third effort to control production was introduced in May 1977. At this time, the EC implemented a premium regulation for farmers that would stop farming. This was referred to as the SLOM regulation, which is short for 'slaughter and shift regulation'. It had some effects in regions where farmers were able – technically and structurally – to shift to other products. In most other regions, milk production nevertheless continued to increase (NAJK 1984, 8).

The fourth attempt to control the milk production was in September 1977 when the co-responsibility levy was introduced, by the EC. This levy forced all dairy farmers to pay a certain percentage of the target price per 100 kilos milk. The EC thought this would make them co-responsible for the financial problems of the overproduction. But to farmers, this levy only implied an extra decline in income, not an incentive to produce less (NAJK 1984, 10-11).

The fifth attempt in 1980-1981 was based on a proposal by the Commission to impose a super-levy on the amount of milk dairy farmers produced that was in excess of 99% of the amount delivered to the dairy factories in 1979. The Council rejected this proposal because the export possibilities had significantly improved in 1980 (*ibid.*). To conclude, all the initiatives before the 1984 milk quota system were either not successful or not implemented.

The quota system

The huge milk surpluses stocked in warehouses across the EC imposed large financial constraints on the Commission's budget. Representatives of the EC-member states be-

lieved that 'the dairy sector would bankrupt the CAP and the Community as a whole if unless some remedial action was taken' (Grant 1997, 107). Unless the agricultural ministers of the member countries took major steps, the Commission calculated that the milk price would have to drop with 12% and the co-responsibility levy would have to be increased considerably to ameliorate the budgetary deficits. According to Petit (130-131), this ultimatum by the Commission sparked the council and was 'the engine to start up the bargaining process'. On 31 March 1984, based upon article 37-EC (ex.43) the Council of agricultural ministers accepted two directives that introduced a common arrangement for the milk and dairy markets.⁴ These two directives introduced a quota system, also known as the super-levy. The purpose of this system was to control the production of all individual dairy farmers.

Initially, the ministers decided to maintain the quota system for five years. The system, however, is still in place.⁵ From 1984 onwards all individual farmers hold a quota for an amount of milk production or a dairy product per year. If a farmer exceeds his quota of milk deliveries, he has to pay a punitive levy. This is the so-called super-levy. Council directive 856/84 contains the list of the total quota per member-state. They are based upon the total amount of milk-deliveries in 1981 plus 1%.

For the Netherlands this national quota was 11,979,000 tons of milk per year.⁶ All milk produced above this amount was subject to the 75% super-levy of the target price. In the first year, this meant a super-levy of *f* 0.56 (€ 0.25) per kg of milk.⁷ The EC directives offered two methods for collecting the levies. Method A was based on the direct link between the quota of the individual farmer and his deliveries to a factory. If he exceeded his personal quota, he had to pay. Method B, on the other hand, linked the amount of quota of a dairy factory and the milk that was delivered by the farmers.⁸ If the total amount of deliveries to the factory exceeded the quota of the factory, it had to pay the levy. The factory, of course, in turn had to fine the farmers that had exceeded their individual quota. Method B was a more flexible system that offered opportunities to use the quota of farmers that had delivered less milk than they were entitled to. Method A was adjusted accordingly and all farmers could now use the quotas not used by other farmers.

Besides the milk that was delivered to the factories, farmers could also obtain quota for deliveries directly to the market. In the Netherlands, these direct sales quotas only added up to 95,000 tons of milk.

4. These directives are 0856/84/EC and 0857/84/EC.

5. It has already been extended several times, and will last at least until 2008.

6. In the first year, the national quota was raised to 12,052,000 tons as a transitional regulation. This meant that the total national quota in 1984/1985 was based upon the deliveries of 1981 plus 2%.

7. The superlevy increased to 100% in 1987 and to 115% in 1990.

8. The superlevy under method B was 100% from the start, and was also raised to 115% in 1990.

The EC and the national governments maintained a quota-reserve meant to solve problems when appointing quotas to the individual farmers or dairy factories. EC directive 857/84 summarised the specific problems when governments were allowed to appoint extra quota. Farmers who had, for example, submitted plans to start a dairy before 1 March 1984 were assigned part of this reserve quota. Those who had had a severe setback in terms of natural catastrophe or disease during the year of reference, also obtained a higher quota.

5.4.3 The milk quota system in the Netherlands

The Dutch government supplemented the two EC directives with a whole set of ministerial decrees, regulations, directions and circulars.⁹ The *Superlevy* ministerial decree (J.1731) was the most important of these. It stated that the year of reference for determining the quota of all individual farmers following method A would be 1983.¹⁰

Since the national quota set by the EC, however, was set at 1981 plus 1%, a production reduction of 6.6% was in order. In order to create a national reserve, the department of agriculture also decided to cut each individual quota with another 2.05%. This meant that Dutch farmers were each assigned a total quota based on 1983 deliveries minus 8.65%. Small farmers who had not expanded their production between 1981 and 1983 formed the exception to this rule. They only had to subtract 5.65% (the so-called *niet-groeiers-regeling*; article 13 of the ministerial decree). Besides these general levies on milk production, an extra levy was raised if the amount of fat increased with 1 gram per kg milk compared to the level in 1984. The levy was instituted because raising the amount of fat per kg in milk increases the amount of butter that can be produced from it. Hence, the processing industry can pay more per kg of milk to the farmer justifying the levy. When in 1985 the fat percentages increased (Krijger 1991, 27), the levies on fat were raised as well.

In articles eleven and twelve of the Dutch superlevy decree, Dutch farmers received more quota according to two circumstances. First, farmers that had invested substantial amounts of money in new stables or the enlargement of existing ones between 1982 and 1984 (March) but had not yet used this newly added production capacity, were entitled to more quota. More than half (1.25%) of the 2.05% national reserve in quota was reassigned to companies that fell under this article. In May 1986, the minister of agriculture, Braks, added the possibility to assign more quotas to young farmers, who had not yet reached their optimal production quota in 1983, the year of reference (ministerial decree J.2955). Second, farmers that had suffered from external

9. Not only the department of agriculture, but also the corporate representative body of the dairy farmers, industry and trade – the *Produktschap voor Zuivel* (PZ) – was involved in implementing the quota system.

10. According to the EC regulations memberstates were allowed to choose their year of reference, as long as they did not exceed the national amount of appointed quota. In 1988, the Netherlands switched to method B.

catastrophes in 1983, were allowed to choose either 1981 or 1982 as their reference year and received a higher milk quota. The following external catastrophes were mentioned: a severe natural disaster, the accidental destruction of food supplies, a contagious animal disease, the expropriation of land, sickness of the owner and loss or theft of cattle stock.

The national decrees also contained regulations concerning ground transactions, quota trade and official buy-up programs of quotas. Initially, each quotas was attached to the holding meaning it remained with the land even when its owners had moved. The minister, however, made some exceptions to this rule, particularly if small pieces of land were involved.¹¹ Later on when the leasing of quotas became possible, this rule of a direct link between the land and quotas was dropped.

In due time, the national quota, as well as the individual quotas, were slowly cut down and the superlevy was raised (Krijger 1991, 21-23). Beside these increasingly constraining regulations, the department of agriculture also introduced buy-up programs. With these programs the department simply bought quota from farmers and so reducing the production of milk. In 1984, the government offered £ 0.65 per kg of milk. The results were meagre because the average price that was offered when farmers sold their quota to colleagues was much higher. In 1987, it was estimated to be between £2 and £2.50 (Krijger 1991, 47). Despite these various constraining regulations, the amount of intervention stocks increased due to worsening world-market conditions (*ibid.* 27). Although intervention stocks were increasing, the system had been relatively successful in diminishing milk production. Within six years, a reduction of almost two million tons of milk (16%) was achieved (*ibid.* 52).

Discussion and notes

As said at the beginning of this section, I mentioned the sources for this analysis (laws and regulations) were different than in the other sections. This was done in order find out if these types of texts deliver insights into the concepts of the trust process. As shown by the description above, these texts only illustrate that the formulation of a sound policy about milk production was politically and technically difficult to achieve. Many attempts were made to control production before the milk quota system was finally introduced. And after this system was introduced, many adjustments and exceptions were made. On a purely speculative basis, one could argue a lot of uncertainties and different interpretations probably existed, which made formulating a straightforward policy program difficult. Thus, in this case, the analysis of formal texts does not reveal much about the trust proces, but only reveals that the policy was hard to formulate and difficult to implement.

11. In 1984, only 0.5 hectare could be transferred without a quota. This was, however, raised to 5.5 hectares in 1985.

5.5 EC DECISION-MAKING

5.5.1 Bargaining (A)

Introduction

The formulation of a sound solution to the milk surpluses was difficult. Most observers who want to explain the outcomes of the laborious EC procedures point at the decision-making rules of the Commission as the source of problems. They claim the outcome of an EC policy is not primarily a result of joint problem solving, but mainly a result of bargaining ((Dinan 1994, 10-11; Scharpf 1988, 1997). Apparently, this laborious bargaining style is more trusted than any other form of policy making style. Hence, as long as bargaining is in place, formulating policies is difficult.

In this section, I analyse why individual member-states has been trusting the EC decision-making procedures. Although this might seem somewhat different than the previous analyses, it really is not. Recall from *Chapter 2* that the target of trust can be anything. Hence, similar to policies, a bargaining style can also be trusted. The analysis first continues in this section with a description of the EC's dominant bargaining style. In *Section 5.5.2*, I show how the crisis over the milk surpluses triggered the European Union's actors to temporarily break with their traditional decision-making style.

Bargaining in the EC

Most research on decision-making in the EC is conducted using theories of political bargaining such as game theory. This is justified by many history books which suggest that the roots of the community spring from such intensive bargaining games. Dinan (1994), for example, wrote that 'just as the Schuman Declaration was itself the product of clever political calculation, the institutions to which it ultimately gave rise were the result of intense intergovernmental bargaining' (Dinan 1994, 11).

Because of the laborious bargaining style in the European Council, policy output will continue to be sub-optimal in the EC compared to a system with a unilateral decision-maker. The German political scientist Scharpf already showed this in 1988. He called this situation the "joint decision trap". Scharpf came to this conclusion by trying to explain why the 'Common Agricultural Policy, had become an almost universally considered grandiose failure' (Scharpf 1988, 241). His key argument about this observation was that it resulted from the direct involvement of the member states in the central, intergovernmental decision processes. Because of this, nation states mainly pursue their national interests and only reflect on a general, European, interest in a secondary fashion. For instance, national politicians obtain more political benefits when they pull money out of Brussels than when they concern themselves with the Commission's (budgetary) problems. The institution intended to reflect on the general interest of the European Community, the Commission, is, on the other hand, not free

to creatively respond to external demands; its actions are directly determined by the immediate self-interest of the member states (*cf.* Scharpf 1988, 255). Hence, Scharpf concludes that, due to this decision system, the 'joint European programmes seem to increase expenditures beyond the level that would be politically acceptable within a unitary government' (*ibid.* 255).

Scharpf furthermore shows that the rule of unanimity within the European council furthers the inefficiency of the system. Once a member state is benefitted by a decision, then, given the assumption of national self-interest, it will not easily agree on an adjustment in the status quo. Only if a new proposal was made that improved its overall position even further would the member state refrain from using its veto. In terms of utility-theory, the joint decision system produces sub-optimal policy outputs that are not easy to change. Scharpf concludes that, to overcome this decision-trap, the decision making style should shift from bargaining to "problem solving". The more balanced perception between self-interest and a recognised common interest in the latter style is assumed to neutralise distributive conflicts (Scharpf 1988, 273).

The bargaining system caused the failure of the many plans prior the milk quota to control the milk production (*cf.* Section 5.4). Mansholt's 1968-plan, for example, was ambitious in terms of common "problem solving". In a memorandum to the Council, he suggested that the CAP had to be extensively reformed. He wanted to introduce programs that would enable small farmers to withdraw from agricultural production and provide more opportunities for larger farms to increase their scale. This, he believed, would make European agriculture more competitive on the world market. Especially the French reacted with disbelief. France namely was particularly keen on protecting and supporting small family run farms. The existent price and income policies did just that and were 'encouraging marginal farms to stay in business' (Grant 1997, 71). Consequently, the French vetoed the plan. 'The plan proved too radical to be politically acceptable' (European Commission 1994, 13).

The EC's bargaining style resulted in sub-optimal policies, but most member-states supported it because it protected their national interests best. That is, the member states believed this type of decision-making contributed best to their national interests. The case discussed in this chapter, milk overproduction, illustrates the potential risks that come along with this interpretation. The various attempts – at least five – to make packaged deals through bargains support the thesis that the member states indeed favoured the bargaining decision making style.

Discussion and notes

This section shows that actors can indeed have favourable expectations about abstract things such as decision-making procedures. These were so high about bargaining in the EC, that it was even maintained until budget deficits nearly bankrupted the EC. Apparently, the individual member states ignored the negative side effects of this

style. That is, the risks of bargaining were suspended because they had the view that the bargains would have a more beneficial effect.

5.5.2 Political crisis management (B)

One question still remains. How, in the end, did the European Council come to support a restrictive policy for the regulation of the milk-production? According to Petit, an EC observer, the answer should be sought in the financial crisis of the CAP in the early 1980s (Petit 1987, 130).

Petit claims the increasing budget deficit was mainly caused by the high amount of restitutions due to the level of milk production. The deepening crisis was the engine that led to joint problem solving among the member states (Petit 1987, 130). Through the financial crisis, the parties were “forced” to find a solution that was in the general interest of the EC, and not so much in the interest of the member states.

Especially the Commission’s threat to lower milk prices with 12% and to increase the co-responsibility levy if no decision was made, advanced the decision making. Hence, the main initial problem discussed by the EC was the increasingly dire financial situation, *not* the high levels of production, intervention-stocks or the disturbances to the (world) market caused by the EC’s dumping activities.

The communications and actions of the ministers indicate that they had collective intentional states through the financial crisis. Instead of promoting their national interests, they realized a solution to the budgetary crisis was necessary to safeguard the existence of the EC. Especially the French minister of agriculture, Rocard, had a lot to lose because the status quo of the dairy policies was most beneficial to French farmers (Petit 1987, 3). Although some member states still had doubts about the plan – Ireland and Italy thought it would block structural improvement, and the Netherlands did not feel the plan went far enough – they all agreed unanimously on the quota system (NRC 31/03/1984).

Discussion and notes

The financial crisis resulted in a shared collective intentional state to solve the problem. That is, the member states came to realize that they were playing the game together, as it were. They had to solve a joint problem. Apparently, other crises in the EC have shown similar effects. They induce the member states to switch to a collective intention. The crisis-mechanism is very well applicable to much of the decision making in the EC. One of the founding fathers of the EC, Monnet, already loved to say in the EC’s early stages that ‘people only accept change when they are faced with necessity, and only recognize necessity when a crisis is upon them’ (Dinan 1994, 14).

5.6 RESTRICTIVE POLICIES

Many Dutch farmers and association representatives said that they were shocked by the introduction of the milk quota system. For the first time in history, agricultural production was constrained rather than stimulated.

This section analyses the process of trust in the period that the dominant policy production-paradigm was adjusted.¹² The change was so drastic that some scholars even talk about a policy-somersault (Bekke *et al.* 1994). Hence, one can expect that in such situation, trust must be won for new ideas and that, at the same time, policy-makers lose trust for breaking down existent securities.

5.6.1 The Civil servant's perspective (A)

The transformation of agricultural policy's goals, or maybe even its entire policy paradigm, resulted in many uncertainties and risks. Both public officials and farmers had to find a way to suspend these.

Although the minister of agriculture, Braks, slowly developed a positive attitude concerning the quota system, civil servants also had to make the transition. They were accustomed to developing policies directed at increasing production and improving farmers' social and economic positions. The relation between state officials and farmers was based on these shared goals and engrained in the institutions guiding this relationship. Now, however, public officials were required to formulate restrictive policies contrary to the previous paradigm. This role conflict caused much uncertainty among civil servants, and many wondered whether or not to support the restrictive regulations.

This uncertainty among public officials was illustrated during the negotiations over the quota system in Brussels. On the one hand, state officials had to defend the interests of Dutch farmers on the European level as much as possible. But on the other hand, they also had to implement the EC's restrictive policies at the national level. In order to serve the interests of the Dutch farmers, the negotiators delayed the introduction of the quota regulations as much as possible. Dutch farmers were increasing their milk production relatively faster than the rest of Europe's farmers. Hence, the longer Dutch state officials delayed the negotiations, the more the "point of reference" for determining the total amount of quota would be delayed increasing the relative amount of quota for Dutch farmers (Van Dijk, Klep, and Merckx 1999, 49). Nonetheless, when civil servants in Den Haag, had to formulate and implement the restrictive policies, it marked 'the end of the uncomplicated trust in an ever increasing production' (*ibid.*).

12. A policy paradigm refers to the whole set of values upon which policies are based as well as the instruments that are used to implement the policy.

Discussion and notes

This paragraph shows that the drastic change in agricultural policy forced civil servants to deal with an huge indeterminacy of what was expected from them. That is, they were confronted with two conflicting roles based on two contrasting policy goals. Maintaining trust in such cases is difficult because two conflicting targets for trusting exist. In this case, these were postponing the introduction of restrictive regulations (in Brussels) as well as implementing restrictive regulations.

5.6.2 The Farmer's perspective (A/B)

The dairy farmers were infuriated by the introduction of the milk quota system. They saw it as a form of treason (Schnabel 2001, 29). One of their basic farming goals, producing food, had now become restricted without any new prospects. The quota system, thus, meant a violent break with the traditional collective orientations. Yet, farmers were not only confronted with altered expectations about farming. They also felt that the intentions of the civil servants were changing. Their "traditional allies" had gradually started observing agriculture in another fashion. Naturally, the relation between farmers and civil servants became quite problematic.

In the deliberations between state officials and farmer representatives about these new ideas and goals, the farmer representatives were understandably emphasizing the more traditional interpretation of farming. As indicated above, many civil servants were also struggling with the changing goals, which resulted in a lot of discussions among them. Many retained their traditional collective orientation of what farming was all about. Bekke *et al.* even suggest that in order to formulate and impose the restrictive policies, the minister had to appoint a new staff: Civil servants who had no agricultural background (Bekke *et al.*, 1994, 43-45). Due to these contrasting viewpoints, the discussions between civil servants, and the farmers and their organizations resulted in various exceptions and changes of the quota regulation. This consequently produced a complicated system of additional regulations. *Table 5.1* summarizes the regulations and the changes made between March 1984 and September 1986.

Table 5.1 Amount of quota system Regulations 1984-1986 (LNV 1985-1992)

Type of regulation	Amount of changes made
5 EC directives	21 changes
6 Ministerial decrees	15 changes
2 Implementation regulations	3 changes
23 Internal regulations	
6 Regulations of PZ	2 changes
10 Circular letters of PZ	
6 Decisions for flank policies	6 changes
58 regulations ^a	46 changes

^a Here I use regulation as a general term and not a judicial one.

As a result of the many changes in the EC directives, regulations and decrees, the uncertainties among civil servants, farmers and their organisations increased even further (Van der Giessen 1985, 30; Krijger 1991, 37). This only pushed farmers to hold on to the traditional goals more and they tried to safeguard their right to expand production capacity as much as possible. Article 19 of the superlevy decree, which said that the minister could allocate extra quotas under specific conditions, provoked many farmers to appeal for more quota. Farmers that had built new stables in 1981, for example, claimed to be disadvantaged. The legal advisory councils of the farmer associations assisted their members with these lawsuits. *Figure 5.4* illustrates the legal attempts to safeguard traditional farming.

The restrictive policies also increased competitiveness among farmers. This exacerbated the uncertainties even more. Moreover, the government allowed farmers to sell their quota, which suddenly gave them a new form of capital. As a consequence of these changes, farmers, on a community level, became uncertain about how to behave towards each other. Their relationships were put under pressure. In an interview I held with a farmer, for example, he said: 'the business of our next-door neighbour is going badly. They have forgotten to specialise – still breeding cattle and growing grain and corn – and now the company is too small to survive. He is already deliberating with his bank how to terminate his business. This situation causes a lot of distrust between us. We used to help each other when we had problems, but this has become difficult. Now that he is ending his business, everybody around wants to buy his milk-quota. This is really an awkward situation and I feel a bit guilty when I speak to him; it is almost as I feel ashamed that my farm is doing well' (J. Theunissen, april 1999).

Other agricultural actors emphasized different types of risks and uncertainties. The Foundation for Nature preservation and Environment, for example, was concerned about the possibly unintended consequences the milk quota may have for the

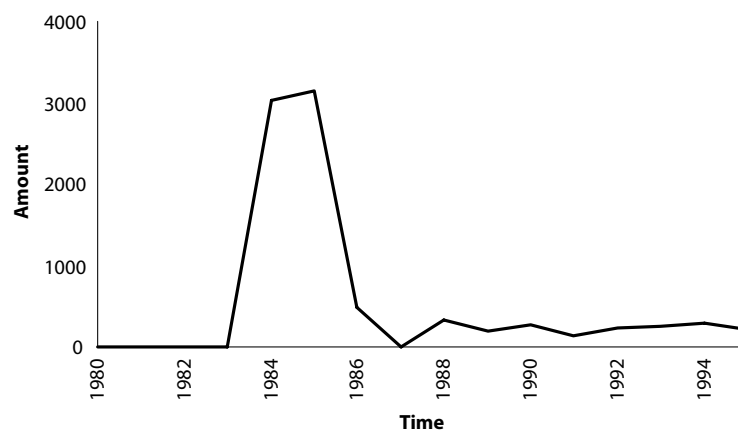


Figure 5.4 Legal protest against the department of agriculture (Public Management Onderzoek & Advies 1998, 9)

environment and the sustainability of farming.¹³ Although the foundation supported the constraining character of the milk quota system, it wondered how farmers were going to compensate for their loss in income. 'Will farmers, then, try to compensate their income by increasing their production in other sectors? This would be a catastrophe for their colleagues in these other sectors, as well as for the environment if they would switch to bio-intensive production' (Dinkelaar, Joosten, and Logemann 1984, 1). Hence, the foundation drew attention to some unidentified problems that might. It therefore pled for additional social and environmental policy regulations in addition to the milk quota.

Table 5.1, Figure 5.4, and the interview quotes above, illustrate that farmers and civil servants were fiercely debating over the future of Dutch agriculture. None of the involved actors were certain about the direction Dutch agriculture was heading in.

Discussion and notes

This milk quota system case shows that a policy reform can produce a lot of uncertainties from two sides. First, uncertainties may arise due to the new policy. The civil-servants, for example, seemed to be quite insecure about the new production restrictive outlook in agriculture. Second, uncertainties can manifest because of the break-down of the existent policy. The farmers, for example, feared that it would become much more difficult to enlarge their farms after the milk quota introduction. The change made maintaining trust in agricultural policy difficult because the status quo, which had often worked succesfully in the past, was about to change for a new, unclear perspective.

The introduction of the quota system should be seen as part of a larger transformation concerning the department of agriculture's societal function. It now increasingly had to deal with qualitative goals and policies rather than quantitative aims, which was further inspired by the rise of new environmental issue groups and other European regulations for production-control. In 1980, the then minister of agriculture, Braks appropriately said that the department had to consider itself with qualitative aims.¹⁴ This shift marked by the introduction of the milk quota system is sometimes referred to as the somersault of the department and its policies (Bekke *et al.* 1994; Bekke and De Vries 2001).

13. The Foundation for Nature preservation and Environment stands for Stichting Natuur en Milieu (SNM).

14. Cf. TK 18897 003XIV 80-81.

5.7 THEORETICAL REFLECTIONS

This chapter has been dealing with the question: what happens to trust when an existent policy changes? The foremost observation is that, if a policy is changed, the debates about the underlying interpretations of both the new and old policies can result in conflicts and uncertainties. In a way, the different sets of background intentional states (the “interpretations”) are drawn into a competitive relationship where one group of individuals still supports the existing policy and others promote the new one (*cf. Section 5.6*). In short, changing a policy implies both establishing and losing trust at the same time.

5.7.1 The process of trust

The observation that with a change in policy trust is established and lost at the same time, has significant consequences for the trust process. As shown in this chapter, the various views can be drawn into a competitive relationship in which no one is dominant. This produces uncertainties. In this case, collective trust in the policy goal of never ending increases in production no longer existed, whereas large groups of farmers also did not trust the new restrictive policies. Establishing trust in a situation with contrasting goals based on conflicting sets of intentional states is difficult. The uncertainties produced in this situation resulted in legal procedures and lawsuits.

The lack of a dominant set of intentional states had a large impact on Dutch agricultural policy-making in the period after 1984. In terms of perspectives for the future, the sector fell into a vacuum. No dominant view existed and, hence, actors had no clear target to which to direct their trust.

5.7.2 The social mechanisms

“We-them” relations

The cases in this chapter help to explain further the concepts of the social mechanisms presented in part B of the initial theoretical framework. I have especially been using the diffusion social mechanism to explain how groups of farmers switched back from a we-mode of thinking to an I-mode. In this case, it resulted in a “we-them” situation. In reaction to the changed policies, individual farmers started protest groups producing a new collective intentionality among them. In *Chapter 3*, I stated that the diffusion social mechanism explains how new ideas are spread through a network, and due to which individuals switch to a we-mode of thinking (*Section 3.5*). The case in which the market and price policy was changed illustrates that networks are also used to diffuse disagreement easily, evoking protests.

Explaining “we-them” relations

The question now remains as to what unrest and a we-them situation implies for collective intentionality? The answer appears to be that, if a policy changes, the *variation* in intentional states also seems to increase. For instance, the party implementing the policy change has changed its intentional state. In the milk quota case, the minister of agriculture and some of his civil servants started having different beliefs, desires and expectations concerning the future of agricultural policies. Nonetheless, many civil servants and farmers still held on to the old intentional states and protested against the policy proposals. They maintained and promoted the paradigm of limitless agricultural expansion. Hence, in this case, the variation of intentional states (expectations, beliefs, desires, etc) clearly increased.

While the variation in intentional states increased, the *intensity* of the collectiveness of these intentional states also seems to have been declining. Instead of a large pool of actors sharing some collective intentional state, various new sub-groups were formed each with different collective intentional states. Obviously, if the number of intentional states increases, the groups sharing intentional states will increase. That is, a dominant collective intentional state, which was broadly dispersed among a large group of actors, was replaced by a mixture of sometimes conflicting collective intentional states. The result of this was a we-them situation

An even further declining level of intensity of collectivity could mean that individuals completely revert back to an I-mode of thinking and leave all the networks and groups. They then believe that neither the actors that changed the policy – the government – nor the groups that are (still) protesting against these new ideas, can offer them anything. In an interview about the milk quota policy, for instance, a young farmer said the following about his membership of the farmers association: ‘They do not have any influence whatsoever, so why should I get involved. It is a waste of time. I just wait and see what happens. The departments in Den Haag and in Brussels formulate new rules every month without deliberating with us. So I’ll do my best to meet these rules time after time. If I can’t, I’ll terminate or move to Canada like many farmers already have done’ (interview J. Theunissen). One can image that, while many young farmers had had this attitude, the network fragmented and disintegrated. As a consequence both the Catholic and Protestant farmer organisation, as well as the top-level corporatist institutions, the *Landbouwschap*, ceased to exist in 1996.