



Who finances the Queen's CAP payments?

The CAP as a dooH niboR Scheme

Richard E. Baldwin*

Thanks to the British Freedom of Information Act, the list of all CAP payments to English farms is public. It shows that the CAP is a dooH niboR scheme (that's Robin Hood spelled backwards). Table 1 records the CAP receipts for some of Britain's richest royalty. Why do royalty get paid? The CAP makes payments to farm owners, not to farmers, and about 40% of EU farmland is not farmed by its owner.¹

Table 1. CAP payments to English Royalty for English farms, 2003-04 farm year

	English CAP payments ^a	Estimated personal wealth ^b
Queen of England	€ 231,559	€ 368,000,000
Prince of Wales	€ 130,705	€ 573,000,000
Duke of Westminster	€ 259,710	€ 7,100,000,000
Duke of Marlborough	€ 296,232	€ 1,390,000,000
Duke of Bedford	€ 212,174	€ 600,000,000
Earl of Plymouth	€ 266,087	€ 43,000,000

^a These payments do not include payments to royal farms in Scotland, Wales or Northern Ireland; they also exclude the income transfer from EU consumers due to prices that the CAP holds artificially high via direct market interventions.

^b Personal wealth is notoriously difficult to estimate; these are from the Council of Europe (2005), which is based on the Sunday Times "rich list".

Source: CAP payments from the Guardian newspaper, 7/4/05 (see image.guardian.co.uk/sys-files/Guardian/documents/2005/03/23/CAP.pdf for the full list) and the Oxfam 22 March 2005 press release (<http://www.oxfam.org.uk/press/releases/subsidies220305.htm>).

There is nothing unusual or wrong with rich people earning money on their assets – land in this case. That is the heart-and-soul of the social market economy: the market allocates production and the government redistributes income to make the allocation of consumption fair. What is desperately wrong with these payments is that they are financed in part by some of the EU's poorest citizens. Worse yet, the EU is thinking about taking away money from the needy newcomers to maintain the CAP system that hands out billions to rich landowners.

The EU budget is financed by a flat tax, or at least that is how the complex system operates in practice.² Contributions work out to about 1% of GDP, regardless of national income level (see Appendix for discussion). What this means is that each euro of EU expenditure is financed by the member states in proportion to their GDPs. Accordingly, it is a simple matter to work out how much of the Queen's future CAP payments will be financed by each member. To be concrete, I take the actual payments from the 2003-04 farm year (latest year available).

The fruits of this calculation are in Table 2. All 10 newcomers together will pay only about €11,000 a year to the Queen and only €64,000 a year to all of the British nobility listed in Table 1. While the sums are small the injustice is mammoth. Latvians, with their average per capita income of less than €5000, will be transferring money to people who are wont to spend that much on wine in a single family meal. The wealth of the Duke of Westminster alone exceeds the entire GDP of Malta and rivals Estonia's GDP. (Of course wealth and GDP measure different things, but the comparison highlights the disparity.)

Life on the other side of the tracks. Including the Queen, there are 87,559 recipients on the list. A quarter of the money goes to just 39 'customers' (as the English Rural Payments Agency calls the recipients); half the money goes to the top 2,000. The 'small fish' beneficiaries who get less than £20,000 – there are 63,812 of them – split just 14% of the money among themselves, and even this is far from evenly split. 1,700 farmers got less than a £100; on lowest rung of the payments ladder was M. Kelman; he got 31 pence.

The facts show that at least in England, the CAP pays peanuts to most farmers while handing impressive sums to big landowners, with the financing for all this split pro rata among all EU members, rich and poor alike. The story is the same everywhere the detailed data has been released.

* Professor of International Economics at the Graduate Institute of International Studies, Geneva (<http://hei.unige.ch/~baldwin/>).

¹ OECD (2003).

² The EU's so-called 'Own Resources' system is head-splittingly complex in detail, but simple in its effect. See Baldwin (2005) or Baldwin & Wyplosz (2006).

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Table 2. Simulated new member state payments to British nobility

	Queen of England	Prince of Wales	Duke of Westminster	Duke of Marlborough	Duke of Bedford	Earl of Plymouth	Income level
Latvia	€ 246	€ 139	€ 276	€ 315	€ 226	€ 283	€ 4,772
Poland	€ 4,359	€ 2,460	€ 4,888	€ 5,576	€ 3,994	€ 5,009	€ 5,107
Lithuania	€ 404	€ 228	€ 453	€ 517	€ 370	€ 464	€ 5,240
Slovakia	€ 739	€ 417	€ 829	€ 946	€ 678	€ 850	€ 6,154
Estonia	€ 202	€ 114	€ 226	€ 258	€ 185	€ 232	€ 6,676
Hungary	€ 1,811	€ 1,022	€ 2,031	€ 2,317	€ 1,660	€ 2,081	€ 8,015
Czech Rep.	€ 1,938	€ 1,094	€ 2,173	€ 2,479	€ 1,776	€ 2,227	€ 8,512
Malta	€ 95	€ 54	€ 107	€ 122	€ 88	€ 110	€ 10,645
Slovenia	€ 584	€ 330	€ 655	€ 747	€ 535	€ 671	€ 13,082
NMS10	€ 10,660	€ 6,017	€ 11,956	€ 13,638	€ 9,768	€ 12,250	€ 7,237

Source: Table 1 for CAP receipts; Eurostat for National Accounts and Population data. See Table A1 in the appendix for details.

Data from other EU members

Freedom of Information requests are proceeding in most member states, so we will eventually have Table 1-like information for many nations.³ The Danish data released in June 2005 show similar patterns. The Danish royal family and other large landowners receive millions of kroner a year while small farmers get crumbs.⁴ Interestingly, 4 of the 18 ministers or their spouses received CAP cash, including the current EU Commissioner Mariann Boel. Belgium has released the data but part of it is ‘politically sanitised’ (the names of private individuals, which presumably includes Belgium’s biggest landowners, are hidden). Dutch data tell a similar tale, but with a twist – one that provides insight into the ‘legitimate corruption’ (lobbying and campaign financing) that helps to explain the CAP’s gravity-defying ability to transfer large sums to large landowners in the name of social solidarity.

The Netherlands’ farm Minister Cees Veerman – the Minister who played a crucial role in nixing Dutch backing for Tony Blair’s call for CAP reform at the June 2005 EU summit – gets €190,000 a year in CAP payments from his farms in France and Holland, according a report in the International Herald Tribune, (19 August 2005). Dutch Prime Minister Jan Peter Balkenende first supported Blair’s reform position, but Veerman threatened to resign and Balkenende backed down. Veerman, who could personally lose millions of euros over the years from an income-progressive CAP reform, admitted receiving the money, but claimed his farms were in arm’s-length trusts (his two sons continue to be directly involved in the Dutch farm).⁵ Perhaps I should note that any European Agricultural Minister is technically equipped to estimate the impact of CAP

reform on his income, even if his sons never revealed what his farms were growing.⁶

Who gets what in the EU15?

These numbers are striking, but are they representative? Knowing how much bad press is generated by data on dooH niboR schemes, the European Commission long resisted releasing the numbers for the EU as a whole.⁷ Former Agricultural Commissioner Franz Fischler – during his reform push that eventually led to the 2003 CAP reforms⁸ – released some fairly detailed data for 2001.⁹ This shows CAP payments by farm size, where size is measured by farm income. The data for the EU as a whole are displayed in Figure 1.¹⁰

⁶ The capitalised value of CAP payments is roughly 10 times the annual amount, taking 10% as the discount rate. According to standard market logic, this is ‘priced into’ the value of the land, so any cut in annual payments has an amplified effect on the farm owner’s wealth.

⁷ Journalist Brigitte Alfter requested farm subsidy payments data from the European Commission and was refused by DG Agriculture in 2004. She complained to the European Ombudsman who subsequently rebuked the Commission for overrunning time limits in the case. A prime issue, according to www.farmsubsidy.org, is that the Commission does not consider a database to be a document, so the EU’s Freedom of Information law, Regulation 1049/2001, does not apply. Alfter is pursuing the case.

⁸ See <http://hei.unige.ch/~baldwin/PapersBooks/BW/Updates/CAPreformJun03.pdf> for details of the reform.

⁹ One of Fischler’s pet reforms was to limit the size of high-end CAP payments to reduce the regressive nature of the regime. This led him to reveal just how much was paid to the large, very large and enormous farms in the EU15. Unfortunately, these numbers are only for 2001; the Commission has not released similar numbers since. It is not hard to guess why, after seeing Figure 1.

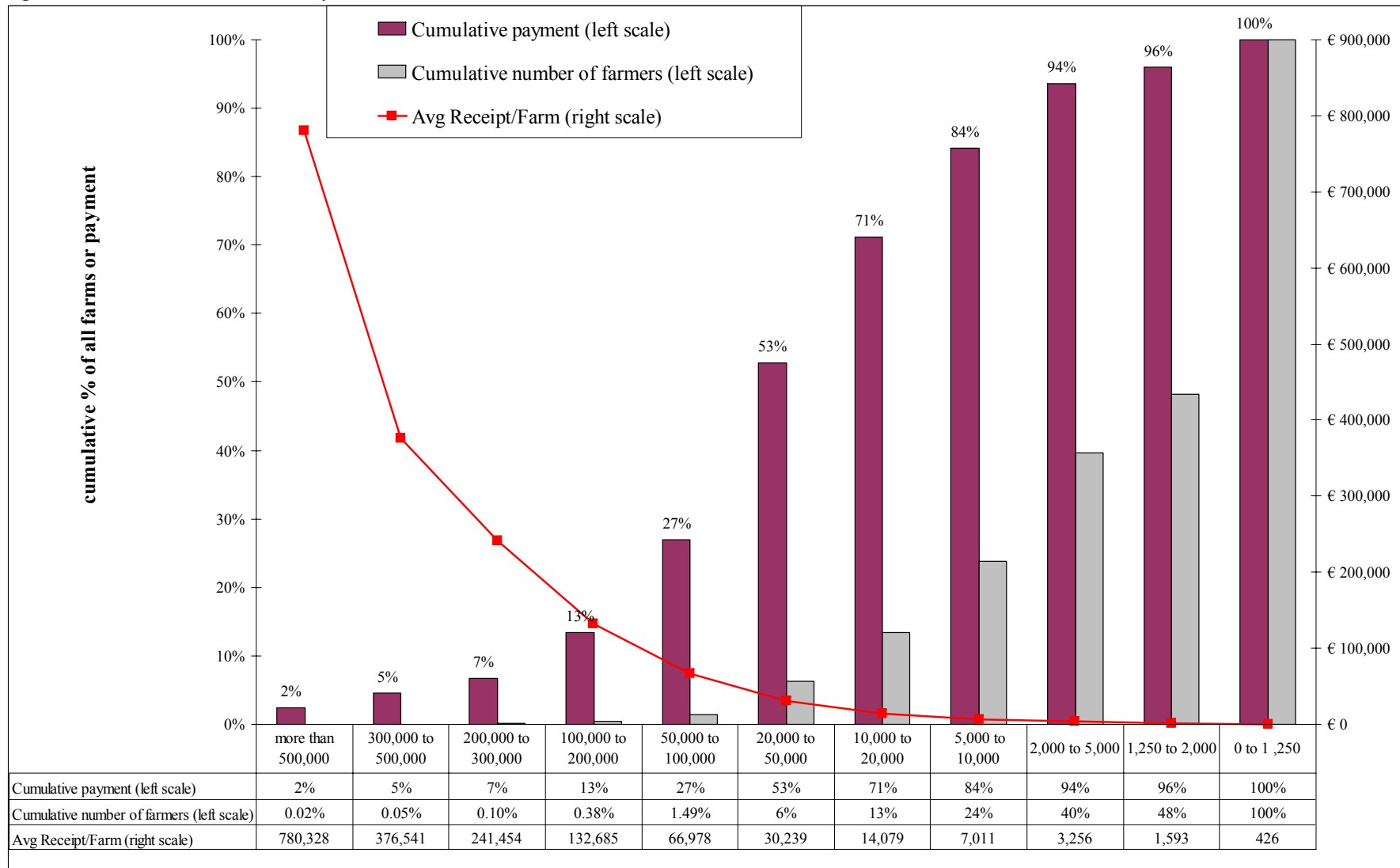
¹⁰ It can be downloaded from http://europa.eu.int/comm/agriculture/agrista/2004/table_en/en36.htm.

³ See <http://www.farmsubsidy.org/20.html> for the full list.

⁴ See <http://www.dicar.dk/research/databank/EUsupport.htm>.

⁵ See <http://www.iht.com/articles/2005/08/18/news/dutch.php>.

Figure 1. CAP as dooH niboR: EU15 facts



Note: The farm size categories reflect annual farm income in euro, so the first bar shows that the 0.02% of EU farms earning more than €500,000 (there are 760 of them) get 2% of the CAP direct payments in the EU15. The dark bars show the % of all EU15 CAP payments that go to farms equal to or larger than the farm-size listed on the right side. The line shows the average annual payment per farm by size class.

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The distribution of CAP payments is radically skewed towards the biggest farms:

- The gigantic farms account for only 2 tenths of one percent of all EU farms; the average payment to these farms is €780,000 per year.
- The 1.5% biggest farms get 27% of the money; the payment-per-farm averaged over all farms in this group is €70,000 per year.
- The top 6% of the farms by size get half the money (53%); the payment-per-farm averaged over all farms in this group is €30,000 per year.
- The 52% smallest farms share only 4% of the CAP money among themselves; the payment-per-farm averaged over all farms in this group is €425 per year.

The CAP was reformed in 2003, but this did not address its regressive nature. Basically it was a continuation of the 1992 reforms, which moved prices towards the world price level while compensating farm owners with direct payments. The 2003 reform's goals were to reduce the system's worst production, environmental and animal welfare distortions, not to make it fairer (see Baldwin, 2003).

dooh niboR in the Big-4 member states. The Fischler data allow one to generate similar figures for every EU15 member state, as the appendix tables (A2 and A3) show. The numbers for Germany are far, far more skewed than the EU15 numbers. In Germany, 40% of all payments go to just 2.5% of the farms (many of them large, formerly collectivised farms in the Eastern Lander). Italy is on par with 60% of the money going to just 8% of the farms (the biggest, many of them large rice farms in Northern Italy). France's payments are somewhat more equalitarian. 'Only' a quarter of the money goes to the 5% biggest farms.

Conclusions

It is an Orwellian world where a policy that taxes all Europeans to finance transfers to rich landowners is widely viewed as socially progressive. The CAP's digressive features should be reformed as part of the newly expanded EU budget plan and the Central Europeans are the obvious ones to push for this. I estimate that the EU's CAP budget could be cut by €7 billion without touching CAP payments to 90% of EU farms.¹⁴ This one reform could settle the whole budget issue – the new members could keep their structural funds, the Brits could keep their rebate and the vast majority of French farmers could keep their

CAP payments. Of course, this is a pipe dream. It would entail taking €7 billion a year out of the hands of Europe's best lobbyist with perhaps a tenfold impact on their wealth – an unlikely event by any measure. But as Freedom-of-Information acts pry loose Table 1-like data for all EU members, the tangle of financial and political-financial linkages that protect payments to Europe's richest landowners in the name of social solidarity will come to light. The children of Robespierre will revolt. EU leaders should hope that this occurs after they have left office. For EU voters – and their representatives in the EU Parliament – it cannot come soon enough.

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¹⁴ According to the latest figures, for 2003, 'direct aids' (i.e. the cheques sent to farms and paid for out of the EU budget) amounted to €30 billion. Using the Fischler data, about a quarter of this, say €7 billion, went to the less than 2% of EU farm owners who are among the richest – at least we know they own a lot of valuable farm land.

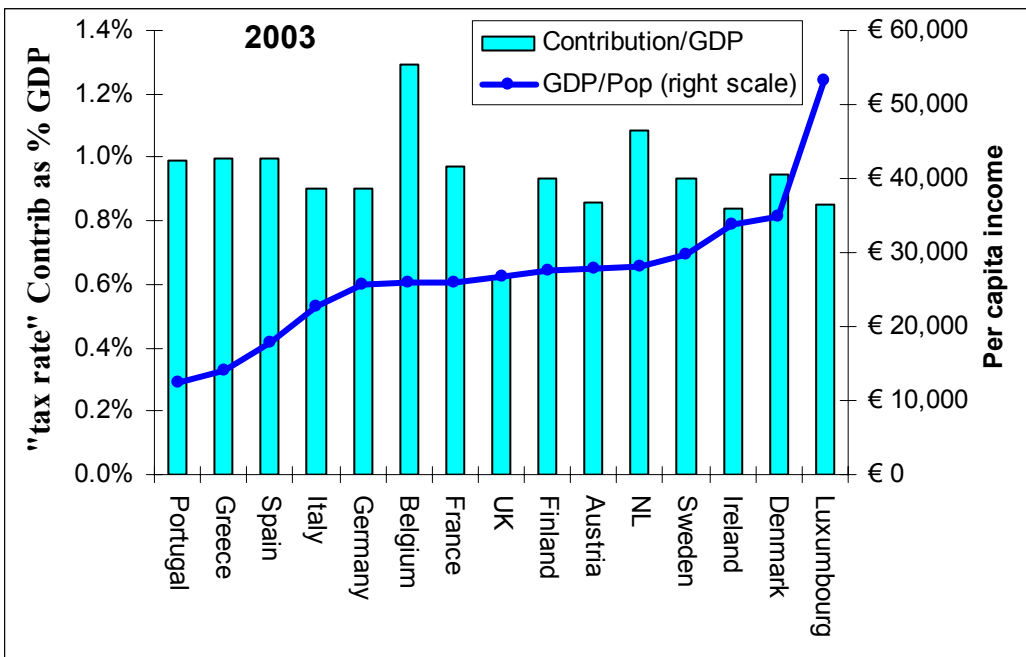
Appendix

The EU's 'Flat Tax'

On the contribution side, EU funding comes from the 'Own Resources' system that consists of three main pillars. The 'VAT resource' is best thought of as a 1% value added tax paid to the Commission, although this is subject to many exceptions and provisos. The 'GNP-based resource' is a tax based on the GNP of EU members, which tops up any revenue shortfall and thus ensures that the EU never runs a deficit. Finally, tariff revenue collected on external trade is paid to the Commission. Taken together, this amounts to about 1% of each member's GDP, a situation that has prevailed for almost 20 years. Moreover, current budget discussions are not questioning the basic 'Own Resources' system, so I assume it will apply in the future as it has applied in the past. Of course a flat tax is anomalous since taxation in most nations, especially in Europe, is progressive, i.e. the tax rate that an individual pays rises with his or her income level.

The precise figures are shown in the Figure A1. Here we see that the contributions as a share of GDP do not vary much from the median figure of 0.9%. The highest figure in 2003 was 0.99% (for Greece and Ireland). The lowest figure was the UK's 0.61% due to the UK rebate. (Note that some budget items, such as reserves held over from previous years, cannot be allocated by member state, so the total of contributions from members is less than the total budget.) The precise contribution rate varies from year to year by member state due to the complexities of the system.

Figure A1. The EU's flat tax



Details of the calculations

Table A1. Detailed calculations for Table 2

	National contribution to:								
	Queen of England	Prince of Wales	Duke of Westminster	Duke of Marlborough	Duke of Bedford	Earl of Plymouth	Total British Royalty listed	Per Capita Income	GDP 2004 (millions)
NMS10	€ 10,660	€ 6,017	€ 11,956	€ 13,638	€ 9,768	€ 12,250	€ 64,290	€ 7,237	€ 607,097
Latvia	€ 246	€ 139	€ 276	€ 315	€ 226	€ 283	€ 1,484	€ 4,772	€ 11,024
Poland	€ 4,359	€ 2,460	€ 4,888	€ 5,576	€ 3,994	€ 5,009	€ 26,286	€ 5,107	€ 195,206
Lithuania	€ 404	€ 228	€ 453	€ 517	€ 370	€ 464	€ 2,435	€ 5,240	€ 18,083
Slovakia	€ 739	€ 417	€ 829	€ 946	€ 678	€ 850	€ 4,460	€ 6,154	€ 33,119
Estonia	€ 202	€ 114	€ 226	€ 258	€ 185	€ 232	€ 1,218	€ 6,676	€ 9,043
Hungary	€ 1,811	€ 1,022	€ 2,031	€ 2,317	€ 1,660	€ 2,081	€ 10,923	€ 8,015	€ 81,115
Czech Rep.	€ 1,938	€ 1,094	€ 2,173	€ 2,479	€ 1,776	€ 2,227	€ 11,686	€ 8,512	€ 86,787
Malta	€ 95	€ 54	€ 107	€ 122	€ 88	€ 110	€ 576	€ 10,645	€ 4,277
Slovenia	€ 584	€ 330	€ 655	€ 747	€ 535	€ 671	€ 3,521	€ 13,082	€ 26,146
Portugal	€ 3,177	€ 1,793	€ 3,564	€ 4,065	€ 2,911	€ 3,651	€ 19,161	€ 13,617	€ 142,297
Greece	€ 3,733	€ 2,107	€ 4,186	€ 4,775	€ 3,420	€ 4,289	€ 22,510	€ 15,062	€ 167,169
Cyprus	€ 282	€ 159	€ 316	€ 361	€ 259	€ 324	€ 1,702	€ 17,041	€ 12,638
Spain	€ 18,696	€ 10,553	€ 20,969	€ 23,917	€ 17,131	€ 21,484	€ 112,749	€ 20,244	€ 837,316
Italy	€ 30,173	€ 17,031	€ 33,841	€ 38,600	€ 27,647	€ 34,672	€ 181,964	€ 23,359	€ 1,351,328
France	€ 36,805	€ 20,775	€ 41,280	€ 47,085	€ 33,724	€ 42,293	€ 221,962	€ 26,548	€ 1,648,369
Germany	€ 49,472	€ 27,925	€ 55,486	€ 63,289	€ 45,330	€ 56,848	€ 298,350	€ 26,811	€ 2,215,650
Belgium	€ 6,433	€ 3,631	€ 7,215	€ 8,229	€ 5,894	€ 7,392	€ 38,793	€ 27,700	€ 288,089
Finland	€ 3,343	€ 1,887	€ 3,750	€ 4,277	€ 3,063	€ 3,842	€ 20,161	€ 28,668	€ 149,725
UK	€ 38,294	€ 21,616	€ 42,950	€ 48,990	€ 35,089	€ 44,004	€ 230,942	€ 28,771	€ 1,715,059
Austria	€ 5,293	€ 2,987	€ 5,936	€ 6,771	€ 4,850	€ 6,082	€ 31,919	€ 29,018	€ 237,039
Netherlands	€ 10,911	€ 6,159	€ 12,237	€ 13,958	€ 9,997	€ 12,537	€ 65,798	€ 29,994	€ 488,642
Sweden	€ 6,297	€ 3,554	€ 7,062	€ 8,056	€ 5,770	€ 7,236	€ 37,975	€ 31,338	€ 282,014
Denmark	€ 4,383	€ 2,474	€ 4,916	€ 5,607	€ 4,016	€ 5,037	€ 26,433	€ 36,278	€ 196,300
Ireland	€ 3,317	€ 1,872	€ 3,720	€ 4,243	€ 3,039	€ 3,812	€ 20,004	€ 36,587	€ 148,557
Luxembourg	€ 573	€ 323	€ 643	€ 733	€ 525	€ 658	€ 3,456	€ 57,024	€ 25,664
Totals:	€ 231,559	€ 130,705	€ 259,710	€ 296,232	€ 212,174	€ 266,087	€ 1,460,758		€ 10,370,654

Source: Table 1 for CAP and personal wealth; Eurostat for National Accounts and Population data. The estimates assume that a nation's share of its EU contribution matches its share of EU GDP at market prices, which is approximately how the contribution system has worked since it was set up in the 1980s. Under this assumption, each member's share of each euro of EU expenditure equals its share in the EU25 GDP total.

Table A2. CAP distribution figures for Germany and France

Germany	Avg receipt/farm	Cumulative payment	Cumulative number of farmers	France	Avg receipt/farm	Cumulative payment	Cumulative number of farmers
more than 500,000	€ 748,384	11%	0.16%	more than 500,000	€ 413,258	0%	0.00%
300,000 to 500,000	€ 380,658	19%	0.39%	300,000 to 500,000	€ 380,465	0%	0.01%
200,000 to 300,000	€ 246,303	24%	0.64%	200,000 to 300,000	€ 238,819	1%	0.03%
100,000 to 200,000	€ 141,395	32%	1.21%	100,000 to 200,000	€ 123,679	5%	0.55%
50,000 to 100,000	€ 67,598	40%	2.50%	50,000 to 100,000	€ 65,721	26%	5.01%
20,000 to 50,000	€ 29,052	60%	10%	20,000 to 50,000	€ 30,928	66%	23%
10,000 to 20,000	€ 14,064	78%	25%	10,000 to 20,000	€ 14,400	86%	43%
5,000 to 10,000	€ 7,000	91%	44%	5,000 to 10,000	€ 7,202	95%	60%
2,000 to 5,000	€ 3,356	98%	67%	2,000 to 5,000	€ 3,382	99%	76%
1,250 to 2,000	€ 1,608	99%	75%	1,250 to 2,000	€ 1,602	99%	82%
0 to 1,250	€ 542	100%	100%	0 to 1,250	€ 519	100%	100%
less 0	-€ 672	100%	100%	less 0	-€ 592	100%	100%

Source: Same as Figure 1; European Commission, DG-Ag, Table 3.6.1.10 (http://europa.eu.int/comm/agriculture/agrista/2004/table_en/en36.htm).

Table A3. CAP distribution figures for UK and Italy

UK	Avg receipt/farm	Cumulative payment	Cumulative number of farmers	Italia	Avg Receipt/farm	Cumulative payment	Cumulative number of farmers
more than 500,000	€ 819,045	2%	0.03%	more than 500,000	€ 888,308	1%	0.00%
300,000 to 500,000	€ 368,776	5%	0.16%	300,000 to 500,000	€ 376,353	2%	0.01%
200,000 to 300,000	€ 236,305	10%	0.48%	200,000 to 300,000	€ 236,791	3%	0.02%
100,000 to 200,000	€ 133,971	28%	2.47%	100,000 to 200,000	€ 132,124	7%	0.07%
50,000 to 100,000	€ 69,027	53%	7.88%	50,000 to 100,000	€ 66,817	13%	0.26%
20,000 to 50,000	€ 31,990	79%	20%	20,000 to 50,000	€ 29,584	28%	1%
10,000 to 20,000	€ 14,392	89%	31%	10,000 to 20,000	€ 13,777	43%	3%
5,000 to 10,000	€ 7,093	95%	42%	5,000 to 10,000	€ 6,837	60%	8%
2,000 to 5,000	€ 3,277	98%	59%	2,000 to 5,000	€ 3,142	78%	19%
1,250 to 2,000	€ 1,605	99%	67%	1,250 to 2,000	€ 1,581	85%	28%
0 to 1,250	€ 402	100%	100%	0 to 1,250	€ 404	100%	100%
less 0	-€ 1,266	100%	100%	less 0		100%	100%

Source: Same as Figure 1; European Commission, DG-Ag, Table 3.6.1.10 (http://europa.eu.int/comm/agriculture/agrista/2004/table_en/en36.htm).

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