CHAPTER – 8

AGRICULTURAL INTEREST GROUPS IN OTHER COUNTRIES: A COMPARISON WITH THE BKS

In the earlier chapters we have shown how the BKS as an organization had been successful in getting the idea of ‘agricultural welfare state’ firmly entrenched in the political economy of Gujarat. Ever since 1986–87, when the BKS managed to get an extremely favorable agricultural power pricing policy for extracting ground water irrigation, the annual transfer of subsidy to the agriculture sector from all sources on this account has been very substantive, reaching a peak of Rs.5188 crores in 2000–01. In this year, the total power supplied to the agriculture sector was the highest ever of 15467 Million units of power (49 percent of the total power consumption in Gujarat) at the rate of 15 paise per unit, when all other sectors were being supplied at an average rate of Rs.3.51 per unit of power. There were attempts during the Modi government in Gujarat to reign in this unbridled subsidy, and while the Gujarat State Government took certain strong steps in this direction as discussed in the earlier chapters, it had to adopt certain ‘risk minimization’ strategies as well to appease the farmers.

In this chapter, we would analyze how this concept of ‘agricultural welfare state’ – in the sense of government subsidy and support to agriculture – has worked in other countries, what the role of interest groups is in those countries, and what the sources of their strength are. We would then discuss the factors that led to the different governments attempting a policy of ‘retrenchment’ or withdrawal/reduction of these subsidies and whether the agricultural interest groups have been successful in coping up with the governmental onslaught. We have consciously chosen to study the agricultural interest groups in three countries of three different regions namely, the United States of America, Japan and France. Not only do these countries represent three distinct geographical regions, but being old democracies, have a rich tradition of interest group activities. Towards the end, we will draw comparison with the BKS, its activities, support base, nature of threat to
the ‘agricultural welfare state’ and the policy of ‘retrenchment’ of the subsidies and analyze whether there are certain global trends in favour or against the agricultural interest groups.

This chapter will deal with two time spans, first when the agriculture interest groups in these three countries were at the peak of their influence – the period of full bloom of the ‘agricultural welfare state’ – and second, when the government attempted the policy of retrenchment.

A. THE ‘MATURE SUBSIDY REGIME’ 1 IN AGRICULTURAL WELFARE STATE. (1950s – 1970s)

With the end of World War II, as the government intervention in the various sectors of economy got largely accepted, politicians and agriculturists increasingly recognized the political opportunity of farm subsidies. With a sizeable portion of the population still on farms, agricultural policy became an important component of the post-war politics in each of these three countries. As governments looked for an agricultural policy required for boosting long term economic growth, political parties in America, France and Japan tried to exploit the issue of agricultural subsidies as a major electoral strategy. As we shall examine here, in France and Japan, corporatist relation between the agriculturists and the government became the basis for a powerful political alliance in which the conservative political parties got closely allied with the national level agricultural interest group. In the United States, however, the conflict between agricultural group, political parties and producers for various commodities ensured that the American agricultural welfare state developed without agriculturists getting linked to only one political party. We shall study the agriculture interest groups of these three countries in detail.

(1) Japan

There were two major agriculture-related developments in the immediate post-war Japan; first was the drastic land reforms during 1946–55 which increased the number of agricultural families who owned 90 percent or more of their land

from 1.7 million to 3.8 millions. This development created the natural support base for any agriculture interest group in Japan. The second was the reorganization of the agricultural cooperative associations – Nagyo Kyodo Kumiai (commonly called NOKYO) – today numbering over 4000, which engage in marketing all farm products and inputs together with credit and insurance business, each operating in a village or town. The development of the NOKYO as the main agricultural interest group in Japan was facilitated by the pervasive governmental control soon after the World War II, which was ultimately passed on to the NOKYO, with the result that the NOKYO monopolized the delivery of food products and the distribution of government rations of fertilizers and other inputs. This monopolistic position was further strengthened by the consignment of semi-governmental functions to them, such as channelizing of low-interest institutional loans.

By 1955 an ‘iron-triangle’ or ‘Japan Incorporated in Agriculture Sector’ was created between Liberal Democratic Party (which remained in power almost all the time from 1955 onwards), the bureaucracy in the form of Ministry for Forestry and Fishing (MAFF), and NOKYO, in which all the three parties gained substantially.

Factors for NOKYO’s strength:
With its 9 million people as members (farmers and associates) NOKYO “possessed the ability to mobilize votes...... there were frequent instances in which the position taken by NOKYO determined the success or failure of a given candidate”.

In effect, NOKYO had become the ‘vote-gathering machines for the LDP in the rural areas’.

The disproportionate weightage to the rural areas in the representation in the Japanese Lower House, further strengthened the position of NOKYO, so much so that 428 out of 511 Diet men in the Lower House (84 percent) had large or small proportion of rural voters. Though NOKYO was not in majority in many of these cases, but NOKYO–supported candidates had greater chance – on an average over two thirds of the recommended candidates succeeded.

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3 Grabal, Michele 2005 Interest group Activity of the Agricultural Lobby Nokyo in Japan and its Implications, Japan Analysen Prognosen April 2005 Nr 194 p 3
4 Mulgan, A G 2001 ‘Japan Inc’ in Agriculture Sector Reform or Regression, Pacific Economic Papers series, No 314 Canberra, Australia – Japan Research Centre, ANU
5 Junoesque, Masumi 1985 Post – War Politics in Japan 1945 – 1955 Berkeley Institute of East Asia Studies p 259
6 As the Japanese electoral system had yet not accounted for the massive urban in – migration from rural areas, by 1990 the ratio of urban vote to rural vote had made the rural areas very heavily represented in the Diet
7 Mulgan, A G op cit p 25
In return of this electoral mobilization for LDP, NOKYO emerged as the sole representative of the agricultural interest in Japan and as written earlier, had the major say in marketing inputs and outputs in agriculture. The budget of agriculture sector was hiked from 5.9 to 16.6 percent of Japan’s national budget during 1949 to 1953 and finally in 1961, the Agricultural Basic Law was adopted by the government which promised to the farming population “a livelihood, well-balanced with the other strata of population”. Consequently, over the years, the government continuously raised the producer price for rice, which was the most important contributor to agriculture income, by the rice support policies, so much so that between 1960 and 1978, the government purchase price for rice increased by 38 percent in real terms. By 1969, the food control deficit ran upwards of 340 billion Yen, equivalent to 40 percent of annual budget of Ministry of Agriculture and 5 percent of all government expenditure. Thus the political party, the Liberal Democratic Party, and the interest group, the NOKYO, gained in this relationship; the interest group NOKYO had the final say in any major agriculture policy matter during this phase.

(2) France

In France, as in Japan, there was a very close linkage between the rightist political parties and the main agricultural interest group – Federation Nationale des Syndicate d’ exploitants Agricoles (FNSEA), and here too, this interest group had its origin in the government support. The FNSEA originated in the post World War II due to the French government’s efforts to create a new farm organization that would help direct the post-war reconstruction of French agriculture.

Factors for FNSEA’s Strength

During the 1945 – 58 phase when France was in the throes of political instability – as many as 25 governments changed during this period; the FNSEA converted their organizational strength into political power, representing one-third of the French population in the 1950s. The FNSEA was to demonstrate its electoral muscle in the 1965 de Gaulle presidential election when it was commonly agreed by the political commentators that the farm vote had been partly responsible for his ‘defeat’ in the first round, then in 1967 and 1968 Assembly and Parliamentary elections when the
Gaullists won an absolute majority by polling favorably among farmers, and in 1969, when vote of the farmers was decisive in the election of the Gaullist presidential candidate, Georges Pompidou. In the 1974 Presidential elections, Giscard won a narrow victory over Mitterand, with agriculturists being a critical component of the winning coalition as 72 percent of farmers supported Giscard.

**Gains to the Agricultural Interest**

In return of this political support, both the FNSEA and the agricultural interests gained. Immediately after the de Gaulle 1965 election, the French government went all out to assuage farmers who had been hurt when the French government abolished in 1958 the indexation of agricultural price support to inflation. Thus, in 1966 the government announced 130 million francs in development grants for livestock production, increased the support price for milk, and abolished a tax on wheat and barley. The FNSEA was then formally represented in all structural programs at the departmental, regional and national level, so much so that they had “the opportunity to exert considerable influence” within advisory boards responsible for agricultural development, the distribution of structural subsidies, and the intervention into commodity markets. Finally, at the level of European Union, the FNSEA utilized the discussions on Common Agricultural Policy (CAP) to participate in the policy process and help government bureaucrats achieve national objectives in the context of European negotiations. Indeed in the first year of operation of CAP, France received 78 percent of the money in the Guarantee Fund of the European Community, while it had contributed only 24 percent, thus making France the largest net beneficiary from the CAP.

Thus, as in case of Japan, the ‘iron-triangle’ of the FNSEA, the French agricultural bureaucracy and the conservative political party, gained from this mutual relationship. Sheingate observes, “As farmers became a powerful constituency in post war French politics, the FNSEA gained leverage over the implementation of government programmes in exchange for political support at the ballot box.”

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9 Keeler op cit. p 113
10 Sheingate op. cit pp. 161 – 162
Unlike France and Japan, no single agricultural interest group dominated the agricultural policy of United States, nor did the agriculturists support any single political party; rather the agricultural interests were fragmented into different commodity groups and different geographical regions. The closest that the United States ever had to a single agriculture interest group was Farm Bureau during 1950–1960s, though even then the National Farmers’ Union did not allow it a monopoly.

Among the notable victories by the agricultural interests in the United States in the post World War II period was the successful electoral support to Harry Truman in 1948 for presidency which was seen as a clear repudiation of flexible price support by the earlier Republican government, the Brannan Plan of 1949 which offered farmers direct support payment to augment farm income, the privileged access that the Farm Bureau had during Eisenhower’s time (1952–60) leading to the legal tying up of the Farm Bureau–Extension Services of Department of Agriculture in several states, and the Food and Agricultural Act of 1965 which gave direct payment support as also marketing quota and price supports to various commodities. This period also witnessed the decline of omnibus farm groups which were then replaced by specialized commodities groups, because the interests and goals of different commodities groups differed, often diametrically. The agricultural interests started reflecting the goals and aspirations not only of farmers, as their numbers had started dwindling, but also that of multi-national corporations and agro–industries. Also, now votes in the Congress or the Senate on the agricultural issues, was not decided along party lines – in fact during 1965–80 party votes accounted for only a third of all votes on agriculture. By then, individual members voted as per a series of coalition and compromises with the growing number of urban and suburban representation in Congress.

11 Sheingate op. cit pp. 127 – 180
13 Hansen, ibid p. 137
THE PHASE OF ‘RETRENCHMENT’ POLICY TOWARDS THE AGRICULTURAL INTERESTS

From late 1970s onwards till now, there were certain fiscal and other macro-economic trends, both internal and external to these countries, which impacted negatively on the issues of agricultural subsidies. Not unnaturally, the agricultural interests groups kept on struggling against this policy of retrenchment by the respective governments so that these agriculture interests could retain their erstwhile influence. In effect, the relationship between the governments and the agricultural interest groups in this period was marked with tension over the subsidy issue. The factors for this tension are discussed below.

First, there was an intense budgetary pressure as a result of the rising cost of agricultural subsidy due to the price support programmes, export subsidies etc. In the European Community, the cost of price support policies doubled in real terms during 1974–1984, while export subsidies increased at the rate of 13.5 percent per year. In the United States, expenditure for the commodity credit grew by more than 20 percent per year in real terms during 1976–1986. In Japan, real agricultural expenditures increased by 60 percent during the 1970s. With growing fiscal deficit, and competing demand over governmental resources from different sectors, there was increasingly severe pressure for reduction in the run-away governmental spending across the board and hence there were demands for the structural reforms in government finances. Naturally, there were internal fiscal pressures to reduce all subsidies, including agricultural subsidy.

On the external front, the agricultural commodity price support policies sparked trade conflicts. In order to maintain high domestic prices for agricultural products, government restricted access to cheaper imports through quota or tariffs, as also subsidized exports. It was not only the developing countries who shouted hoarse over it, but there were tremendous disputes over agricultural issues among United States, EC and Japan themselves. The threat of retaliation over agricultural disputes emphasized the dangers that the other sectors of economy, notably the

14 Commission of the European Communities, The Agricultural Situation in the Community. Brussels, various years
manufacturing sector, faced due to agricultural protectionism. Thus other sectors of economy that could stand to benefit from the expanding global trade opposed the internal agricultural policies which resulted in protectionism and avoided open unrestricted global commodity trade.

Finally environmental concerns attacked government policies that encouraged heavy input use leading to the destruction of wetlands and groundwater contamination from pesticide runoffs. In the early 1990s, environmental and consumer groups pressed for reduction in subsidies that encouraged intensive productions practices and advocated the adoption of organic practices.\(^\text{15}\)

Thus, tremendous forces for 'retrenchment' or the reduction in agricultural subsidies were created during this time and still exist. But the agricultural interest groups have by and large demonstrated resilience against these onslaughts. The policy makers too have favored status quo or at the most marginal and incremental reforms. As Weaver writes, "Because costs and benefits are perceived asymmetrically, policymakers fear that new policies will not win them as much support as dismantling the old ones will lose. They are thus afraid to dismantle policies."\(^\text{16}\) Indeed, the 'concentrated cost' of angering the agricultural interest by subsidy reduction, and the 'diffused benefits' from balanced budget or lower taxes which helps the general tax payer at large, makes the exercise of agricultural retrenchment a very risky endeavor. As we shall see, in all the three countries the agricultural interest groups were able to substantially whittle away the challenges of the attempted retrenchment policy.

(1) **Japan**

As we have seen in the previous pages, the agricultural interest groups in all these countries faced challenges to their role and influence since there were several internal and external pressures on the welfare state system. Japan and its main agricultural interest group NOKYO were no exception.

First, Japan's economy was under severe pressure ever since 1980s. There were strong demands to reign in the Fiscal deficit as exemplified by the Fiscal Structural Reform Law of 1997 which required fiscal deficit to be reduced to 3

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16 Weaver, *The Politics of Blame Avoidance* op cit. p 394
percent from the then existing 5 percent. There were also confrontations between metropolitan & rural governments over budget distribution as the former refused to share latter’s burden. Naturally there were strong pressures to reduce subsidies.

Second, there was a general reform movement to deregulate the economy in order to increase efficiency in the market transaction. Notable successes in agricultural sphere were deregulation of wheat price and the 1999 New Basic Law. Both tended to weaken NOKYO’s influence. However, there were strong deregulating trends even in domestic rice distribution – which was a major source of NOKYO’s power – and by mid–1990s NOKYO’s monopoly position was severely challenged.

Third, *gaiaton* (foreign pressure) by major agricultural exporters such as US and Australia also challenged NOKYO’s virtual monopoly in domestic agricultural trade. Bilateral trade negotiations of 1970s and 1980s had substantially opened up the Japanese market for products like beef and citrus, but the Uruguay Round of 1993 represented the first comprehensive multilateral agreement to liberalize agricultural trade. Japan had to fix tariff on the import quotas on all agricultural products except rice, and that was done in 1999. This import expansion ‘pressured the government to change the price support system more extensively’ which only led to further reducing NOKYO’s strength.

Fourth, the financial liberalization started since mid–1980s as also the Japanese financial crisis of 1989 weakened NOKYO’s highly profitable credit and insurance business and thus its financial muscle power.

Finally, local industries and supermarkets etc. also eroded NOKYO’s input supply market.

Despite all these, NOKYO’s influence, ‘though damaged, remained formidable’ 17. Its linkages with the LDP continued and even through its ‘public standing was eroded’ 18 in the 1994 *Norin Chakin* (NOKYO’s banking arm)

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17 Shemgate Op cit p 231
18 Mulgan Op cit p 47
collapse, it was bailed out by its LDP supporters. NOKYO was also able to stall further liberalization in rice sector. Even though farmers may choose to sell outside government controlled channels, price support is available to those who sell through NOKYO. As Grebal writes, ‘despite its weakening, NOKYO still has enough members and the financial ability to play an influential role.’

(2) France

Like in case of Japan, here too there were enormous internal and external pressures, which limited the influence of FNSEA on the government’s policy. First, there was the budgetary pressure. By now French agriculture was fully governed by the Common Agricultural Policy of European Union, but by 1980s, the CAP had become very costly for the member states. Unlimited European subsidies resulted in huge stock of commodities and in July 1983, the Directorate General of Agriculture in the European Community warned that unless dairy quotas are introduced, the EC budget would not be able to support unlimited dairy produce. The UK’s demand in 1984 for EC budget rebate, as it gained disproportionately less under CAP, made existing CAP expenditure untenable. In the recent years, with the enlargement of EU to cover ten new members has made the continuance of agricultural subsidies at this level extremely unsustainable, though the Brussels decision of 2002 has postponed the full extension of CAP to the new members by several years.

Second, the pressure by the external trading partners to cut down on subsidies, export support and high tariffs were always present for CAP reforms. In 1992, the MacSharry reforms reduced the level of support by 29 percent for cereals and 15 percent for beef. In June 2003, the European agricultural ministers agreed for a major reform of the CAP by almost entirely ‘decoupling’ subsidies from a particular crop – the aim being to reduce direct payment to bigger farms and hence to make more money available for environmental, food safety and animal welfare programs.

Third, the pressures from environmentalists, though of a recent origin, opposed the big farms that had totally mechanized agriculture and depended very heavily on the combination of fertilizers and pesticides.

19 Grabal, op. cit p 11
Still, despite all these long trends and existing pressures, the FNSEA managed to persuade succeeding French governments in minimizing the negative impact of any CAP reform on the French agricultural interest. For example, even in the much celebrated dairy quota reforms of 1984, it was due to the FNSEA’s strong opposition to any quota that the French government, almost wrecked the entire EC debates and ultimately succeeded in limiting the reduction to only 2 percent (despite France being the largest dairy producer) while Denmark, Britain and Germany had to agree to 11, 9 and 7 percent cuts respectively. Similarly in the Uruguay Round discussions, it was due to the consistent pressure of the FNSEA that France, though being isolated from all other EC members, could eventually succeed in limiting the export subsidy cuts to only 2 percent. Ultimately in 1993, France was able to secure a deal that permitted a substantial increase in the volume of subsidized exports and that no additional land set-aside would be required.

In effect, FNSEA’s stand largely dictated the strategy and policies of French government in discussing CAP issues in the EC and in the WTO negotiations. As the compromises on dairy quotas and export subsidy demonstrated, reform advocates faced grave political risks in ‘agricultural policy retrenchment’. Rather, they needed to placate FNSEA and the French farmers by some effective ‘side-payment’ so as to lessen the impact of CAP reforms on French agriculture.

The United States of America

As in the case of Japan and France, here too, there were strong internal and external pressures on the agricultural interest groups for the reduction of agricultural subsidy, but unlike the two countries, there was no single interest group championing agricultural causes like the NOKYO in Japan or the FNSEA in France.

First, there was the budgetary pressure of the cost of farm support program that weakened the influence of agricultural interest groups. During the farm crisis of 1980s, agricultural expenditure skyrocketed from $8.8 billion in 1980 to $31.4
billion in 1986 forcing the government to implement a cut of $3.2 billion in program cost in 1981 and an additional 25 percent cut in 1990 21. Then the 1993 Budget Reconciliation Act whittled away further $3.2 billion in farm spending, and in 1996 the well-known FAIR (Federal Agricultural Improvement and Reform) Act of 1996, aimed to end the six decades of government intervention in the production and prices of wheat, cotton, corn, rice and soybean.

Second, there was constant pressure from the environmental interest groups to cut back on farm subsidies. The 1985 farm act included penalties for farmers who cultivated environmentally sensitive wetlands, a trend which was further strengthened by the 1990 Act.

However, there were limits upto which the agricultural interests could be retrenched. For example, even the FAIR Act, while it stopped all interventions in certain commodities, had left the door wide open for subsidies in dairy, sugar, peanuts and tobaccos, crops in which the burden of support fell on the consumers rather than on the budgetary support. Then, all good intentions of the FAIR Act were dashed in 1998, when the combined effect of the overproduction and the Asian crisis sent farm prices downwards. An emergency package of $5.9 billion for agriculture was declared, over and above the $1 billion in tax breaks over five years. In 1999, another $8.7 billion of ‘emergency’ aid was given to the agricultural interest. As Daryll Ray et al point out, “(during) 1990–98, government payments were about 20 percent of net farm income. From 1999–2001, government payments were 47 percent of net farm income”, 22. The 2002 farm bill did away with the ‘pretense of reform’ and the US government is expected to pay $180 billion over the next ten years 23.

What lies behind the limitation of agricultural reform in the US? First, the Democrats, and particularly those from Middle America, can ill – afford to offend their agricultural bases by appearing to oppose subsidy cuts. The Middle America is

largely Democrat supporters as also the areas of huge agricultural subsidy. Second, there were now very powerful agricultural corporate interest groups behind these subsidies. As William Krist of Woodrow Wilson International Centre points out, “... in reality, more than fifteen Fortune 500 companies receive subsidies and at least 100 large US farms receive more than $2 million per year in subsidies each.” It has further been pointed out that the political contribution from agribusinesses jumped from $37 millions in 1992 to $53 million in 2002, while the Republican share in this contribution rose from 56 percent to 72 percent. Thus both Democrats and Republicans had vested interests in ensuring that the agricultural subsidies flourished, despite the macro-economic trends being strongly against the welfarism in agriculture. Thus political interests and the combined pressure by the various agricultural interest groups ensured that no major retrenchment is done to the agricultural welfare state in US. This has been the consistent US position in the WTO negotiations on agriculture, despite some general statements that subsidies will be substantially pruned down.

C. CONCLUSION

A study of the agricultural interest groups in the three countries over two different time spans, clearly shows that in the initial phase of the ‘agricultural welfare state’ in Japan and France, farmers became a key constituency of a politically dominant and conservative party, and the agricultural interest group and the political party developed close and mutually beneficial relations. Through the alliances formed during the 1950s and 1960s, peak agricultural associations like FNSEA in France and NOKYO in Japan secured unparalleled influence in the agricultural policy deliberations. In US, however, farmers as an occupational group never had any alliance with any single political party, though local groups and interests ensured that agricultural interests were always secure.

24. Darryl Ray et al have computed that there are 8 states who receive subsidies that were more than 100 percent of their net farm income, while 21 other states received subsidies more than 40 percent of their net farm income. Most of these states are in middle America Ray, Darryl et al op cit p. 10
25 Krist, William. 2004 All together Now Take the Free Market Plunge Christian Science Monitor February 12, 2004
26 Krebs Al  2003 Stop calling them Farm Substitutes It’s Corporate Welfare! Counterpunch September 16, 2003
From 1970s onwards, certain long term macro trends put great pressure on the agricultural interests, leading to a strong demand for ‘retrenchment’. The rising cost of subsidies put enormous pressure on the budget; there was also the clamor by manufacturing interests to allow freer trade in agriculture lest it led to a trade war with the countries who imported their manufactured goods but wanted to export agricultural products to them; and thirdly, there was pressure from environmentalists to prevent unbridled exploitation of land resources.

Yet as we have observed, in all these three countries, the agricultural interest groups have demonstrated their resilience in protecting their interests. As the following table shows, there has been no major reduction in subsidies to the agriculture sector in these three countries over the years.

Table 8.1: Producer Support Estimation by Country in Percentage.

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<td>Japan</td>
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<td>United States</td>
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<td>OECD as a whole</td>
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D. COMPARISON WITH THE BKS IN GUJARAT

A comparison of the BKS with the agricultural interest groups in the three countries, particularly of Japan and France, shows profound similarity. Just like NOKYO had its linkages with the Liberal Democratic Party in Japan, and FNSEA had with the rightist Conservative parties in France, similarly Bharatiya Kisan Sangh had a very close relationship with Bharatiya Janata Party. Most of the MLAs, including those of BJP, had a rural background and they always supported agricultural related issues in the State Assembly.

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27 PSE in percentage is the ratio of gross transfer from consumers and taxpayers to agricultural producers, measured at farm gate level, to the overall farming income, measured in percentages.
However, NOKYO had a direct role in the agricultural financial structure— with its input and output marketing functions, its own bank and insurance arm—things which BKS never had. Rather, as our analysis of the balance-sheet of the BKS showed, it was never flush with funds. BKS can be seen as an interest group that never took over functions of the government, in contrast to NOKYO or to some extent even FNSEA. BKS was also never so closely involved in the decision making structure regarding agricultural power pricing or agricultural policy to the extent that NOKYO and FNSEA were. In that sense, there was a very substantive ‘agricultural policy capture’ in France and Japan, incomparably more than what we see in Gujarat by the BKS.

Like in the case of the three countries, in Gujarat too, after the initial expansion of the agricultural welfare state, there was the pressure of retrenchment or the reduction of subsidies. Of course, the time period differs. In the case of Gujarat, the agricultural welfare state continued to be in full bloom till almost mid-1990s when the Gujarat State Government was somewhat happily acquiescing in the ever increasing power subsidy. It should be noted here that the nature of subsidy differs, in the sense that in Gujarat, the greatest subsidy element was agricultural power subsidy, while in US, Japan and France, it was the market price support for the various commodities, depending on measures based on current output, areas planted, animal numbers, historical entitlements, input use, input constraint etc.

Like in the case of the United States, Japan or France, in Gujarat also there were macro-economic factors for retrenchment in the agricultural sector. The pressure for limiting the subsidy regime was largely budgetary in nature in Gujarat as in the three countries. There was a tremendous constraint on Gujarat State budget, as it was in case of US, France or Japan who could no longer afford to support the ever increasing subsidy regime in the agricultural sector. Secondly, there was a pressure from the manufacturing lobbies in Gujarat as well, but in a different way. In the pre-liberalization era, when the Indian economy had not fully opened up, the power tariff for manufacturing sector could be increased to very high levels and the resultant money could be used to cross-subsidize agriculture.
Now it was no longer possible, as the manufacturing sector in Gujarat rightly argued before the Gujarat Electricity Regulatory Commission that the extremely high power tariff would render it incapable of competing with the manufacturers from other states and countries. Thirdly, there were demands from the environmentalists in Gujarat as well, as in the three countries, regarding the over-exploitation of the groundwater resources which had severe deleterious consequences on the environment. However, it is very difficult to assess the actual impact of the environmental issue in the case of Gujarat.

However, despite these macro-economic trends being against agriculture subsidy regime, the agricultural interest groups in US, Japan and France, as also the BKS in Gujarat have managed to meet this challenge. We have already observed as to how despite all these challenges, the agricultural interest groups have still managed to get several new concessions, as also to substantially retain the earlier subsidy regime.

The factors which allow the agricultural interest groups to retain this hold have been discussed in detail in the earlier chapter dealing with BKS’s influence. They may just be mentioned here in short. Firstly, as per Olson’s interest group theory, this retrenchment would result in ‘concentrated costs’ to agriculturists whereas it promises only ‘diffused and distant benefits’ to taxpayers and consumers. Naturally agriculturists would oppose this policy vehemently whereas the sectors who gain from this subsidy cut may not be that forthcoming in support. Secondly, Weaver, in his theory of blame avoidance, has explained as to why governments would be averse to pursing policies that are unpopular among voters. As Pierson has noted, “the contemporary politics of welfare state is the politics of blame avoidance”. Third, North’s theory of institutional path dependence highlights the importance of pre-existing policies and institutions as major reform obstacles.

28. Weaver op cit
29. Pierson op.cit.p.179
30. North op cit
Still, there were leaders who went against the trend. These ‘entrepreneurial leaders’ as James Q. Wilson\textsuperscript{31} calls them, or ‘creative opportunist leaders’ as Martin Hering\textsuperscript{32} names them, decidedly endeavored to stop the trend of ever-increasing agricultural subsidy. One may mention Newt Gingrich in USA as in the case of FAIR Act of 1996 in USA, the present Japanese Prime Minister Koizumi in Japan, and Narendra Modi in Gujarat as in case of implementation of GERC order of tariff increase. However, there were definite limits upto which even these leaders could go. In the face of the strong opposition by the agricultural interests they also had to make certain compromises. Still, we can conclude with Mulgan, “The overall trends towards marketization, liberalization and deregulations are inexorable. The underlying public policy values are also changing across a whole range of sectors, including agriculture, in line with these trends...... Change is just a question of pace and compensation”\textsuperscript{33}. This is as much true of Gujarat and BKS as it is true in case of the United States, Japan and France and their agricultural interest groups.

\textsuperscript{31} Wilson, James Q. op cit
\textsuperscript{32} Hering, Martin op cit
\textsuperscript{33} Mulgan. Op cit p 113