

DESCRIPTION FOR THE GENERAL PUBLIC

The Common Agricultural Policy of the European Union (CAP) is the oldest, the most expensive and the most controversial of the UE policies. It is generally assumed that, agricultural market imperfections can be corrected through public expenditures and public regulations. However, over 50 years of the CAP resulted in many government failures. In order to correct the CAP failures this policy has been revised for many times. Because the CAP is a multi-objective policy, the result of its changes affect an economic welfare of different socioeconomic groups. Economic welfare can be measured with the use of partial equilibrium models of agricultural sector. The model allows for the simulations of production and incomes of agri-food producers, as well as consumer and taxpayers welfare, and budget incomes. It gives a possibility to analyze and compare the benefits and losses of different groups caused by the changes of the policy and compare their utilities. Because socioeconomic groups have different, often conflicting, expectations from the CAP this policy is prone to conflicts. A branch of science that seeks to explore how people make decisions in conflicting situations is called game theory. It provides methods for logic analysis of conflicts and is an integrating force of economics and political sciences. The main aim of game theory is to help to understand situations in which decision-makers interact. Studying game theoretic model may suggest ways in which an individual or group's behavior can be modified to achieve better outcome. Thus, studying conflicts using game theory is often used to predict and improve their results.

The objective of the research is to verify application possibilities of a partial equilibrium model of agri-food sector and non-cooperative game theory to project the effects of the changes of the Common Agricultural Policy, with special emphasis on economic welfare.

Game theory examines the way in which actors make choices when the outcomes following from that choice depend not only upon their own choice but the choice made by others. It uses the assumption of peoples' rationality. Players choose the strategy providing them the highest utility. In proposed project economic welfare calculations coming from CAPRI are to be used to represent the utilities of players in order to determine the pay-off structure of non-cooperative games and predict the CAP changes.

The research findings are believed to contribute to the public choice theory. Moreover, they could be taken into account by decision-makers, especially when making appropriate allocation of the Common Agricultural Policy finances. Because of the CAP's multi-objectivity a redistribution of welfare caused by its changes affects not only farmers but many other stakeholders. Understating of the interactions among players and predicting policy results based on welfare redistribution is expected to make a significant contribution to the understanding of the decision-making process of the CAP.