

**JUSTIFICATION OF AGRICULTURAL SUBSIDIES IN RESPECT TO THE
THEORY OF MARKET FAILURES****A MEZŐGAZDASÁGI TÁMOGATÁSOK INDOKOLTSÁGA A PIACI
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The issue of agricultural subsidies regularly preoccupies politicians and economists alike. Sustained interest in the topic is explained by the fact that in declining welfare states taxpayers question the need for agricultural subsidies with increasing frequency and demand professional and convincing arguments.

For a long time farm subsidies were justified by referring to the special features of agriculture. While these features (production subject to the vagaries of weather, long growth cycles, the organic and perishable nature of products, etc.) do exist, a growing number of people question whether these provide sufficient economic rationale for continued support.

Today a number of schools, defining themselves in opposition to classical, neo-classical and new-classical theories, deal with the option and necessity of government intervention. Most of these schools agree that subsidies distort market conditions, although if subsidies are disbursed with the intent to forestall or remedy market failures they see such policy as justified. This concept is represented most consistently by adherents to the theory of market failure. In the present paper I shall attempt to determine which events under the theory qualify as market failures characteristic of agricultural activities, and what role subsidies should be allowed to play in managing these events. Such market failures include (1) monopolic, oligopolic, monopsonic and oligopsonic market conditions, (2) the existence of positive externals that may be defined as public goods, and (3) the risk-based deficiencies of incomplete markets.

Kulcsszavak: agrársajátosság, biztosítás, közjószág, piaci kudarc, tökéletlen piac