

# Economy of the Catalan state: prosperity

**D**espite the work of prestigious economists, like Antoni Castells, Xavier Sala-i-Martin and others, and the opinion of most Catalan economists that the economic viability of an independent Catalonia is more than assured, it seems there are still some doubts in various sectors, including international economic actors. Perhaps this uncertainty has been generated by publications in recent years by the Spanish nationalist camp forecasting a catastrophic outlook and important initial falls in the gross domestic product (GDP) of an independent Catalonia. In this article, despite the limitation of space, I will discuss this current issue.

This negative outlook is generally based on incorrect assumptions, the utilisation of erroneous parameters, out of place comparisons, inconsistencies and usually does not consider the effect of the elimination of the fiscal deficit with the Spanish State. So, these forecasts assume that an independent Catalonia would be outside the single market and would raise tariffs and leave the euro, when, in fact, in the worst case it would remain in the European Economic Area and could keep the euro. It has also been mentioned that, as in cases of splits in countries in Eastern Europe, the GDP chart would form a V-shape, without considering that in the case of Catalonia there would be no structural change towards a market economy.

In any case, the possible transient effects would be much lower than the Spanish nationalists' forecasts and would be largely compensated by positive effects. The elim-



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ination of the fiscal deficit would mean that the 16 billion euros (8% of GDP) that go to the Spanish State every year on average and do not return would become available to the Catalan government. Much of this money could then be spent in Catalonia, which, together with the multiplier ef-

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fects, would have a significant favourable macroeconomic impact. Furthermore, the Catalan government could also decide to lower taxes, which would help to attract foreign investment and talent.

Another very important aspect is that

the Catalan government could adjust economic policy to the needs of the Catalan economy, which, if implemented appropriately, would significantly increase the generation of wealth and wellbeing of citizens. These factors would transform the current vicious circle of more debt and less social spending into a virtuous circle of strong growth, less unemployment and no public deficit. Thus, the GDP of Catalonia would increase from 209.2 billion euros in 2014 to 286.9 billion euros in five years and would double in 10 years. And social spending could be increased to the level appropriate for that of a modern state.

Moreover, the economist Josep M. Vázquez, in his

paper *Aproximació als llocs de treball de la independència*, stated recently that about 475,000 jobs would be created because of the capability to have use of the resources Catalonia generates and to decide on the expenses. It is estimated that 85% of these jobs would be created in private companies. Thus, if the labour force remained at the current level, in the Catalan state, the unemployment rate would drop from 19% to 7%, below the average of the European Union.

In this way, an independent Catalonia would be an engine of the European economy as well as driving growth in southern Europe. In particular, we will finally be able to make the Mediterranean Corridor, a transport infrastructure that will significantly contribute to improving the competitiveness of not only the Catalan economy, but also of neighbouring regions and the European economy in general.



*"The Constitution will prevail"* Spanish King Philip VI

The head of State abandoned his constitutional role of impartial key figure in Spain. He may be right, and the constitution may prevail, but in Spain, not in an independent Catalonia.