

Who is cheating?

Mid-July saw the presentation at the Association of Economists of Catalonia a special issue of the prestigious journal, *Revista de Catalunya*, on the economic impact of independence. The conclusions are clear: the independence of Catalonia is not only viable, but would provide more welfare for its inhabitants. Yet, Mr. Borrell, former Spanish government minister, and his band of Spanish imperialists, continue to try to minimize the positive economic impact of the independence of Catalonia without respecting the truth. These gentlemen must think: "If you repeat a lie often enough, people will eventually believe it."

In this article I will focus on a point in Mr. Borrell's arguments against the Catalan fiscal deficit in relation to the central government. Mr. Borrell says, based on aggregated data of the different levels of government in Catalonia in 2015, that the difference between taxes paid and expenditures received by Catalonia is a "small surplus", far away from the 16 billion euros of Catalonia's fiscal deficit with the Spanish State. Nonetheless, this "small surplus" of 1.2% of GDP means that Catalonia would have been the EU country with the highest fiscal surplus, when the whole Euro area had

a public deficit of 2.1% of GDP.

Moreover, the figure of 16 billion euros of fiscal deficit does not correspond to a specific year but to an average over the business cycle, reflecting the permanent or structural effect. Therefore, to calculate fiscal balances you should "neutralise" the fiscal imbalance of the central government. Mr. Borrell argues that this is not correct and says that the only valid figures

To calculate fiscal balances you should first "neutralise" the fiscal imbalance

are those without "neutralising". But this is false. You might think that Mr. Borrell has not understood it. Nevertheless, it has been explained many times. Therefore, we must conclude that Mr. Borrell is cheating.

The "neutralisation" is needed to avoid distortions and there are three reasons for this. First, in a situation of deficit with the central government without neutralisation, what could occur is that all regions

could have a budget surplus with the central government, which would not allow for the analysis of flows between regions by the action of the central public sector.

The "neutralisation" is set to consider a balanced central state budget without deficit or surplus. If the central government in a given year has more expenses than income, it has a deficit that must be financed with debt. This debt must be paid with future taxes. The "neutralisation" takes that into account. This is important, unless you think that the debts are not important because they have to be paid in the future. Perhaps this may explain why the Abengoa company, of which Mr. Borrell is a member of the board of directors, stood on the brink of bankruptcy because of over-indebtedness. Third, the "neutralisation" is considered equivalent to the average throughout the business cycle, assuming that public deficits are offset by surpluses.

In the latest data published in May by the Catalan government for 2012, Catalonia's average fiscal deficit from 1986 to 2012 by the cash flow approach was 8.0% of GDP. That percentage at the current level of GDP is more than 17 billion euros, or about 2,300 euros per Catalan citizen, which annually leave and do not return.

RANDOM THOUGHTS

TERRY PARRIS Writer

Taking check of things

For me, October is a time for pause. Not in a passive state, rather a state of reflection and expectation after the 'hurly-burly' of Summer. Wolfe's 'Autumn' poem expresses this well:

'Listen! the wind is rising,
And the air is wild with leaves,
We have had our summer evening,
now for October eves!
And, in these 'October eves', we may ask

ourselves, if we have learnt anything from our July and August experiences?

Well here, practically speaking, in the foothills of the Pyrenees, the farmers check their fences and gates, practising maintenance rather than the vegetable garden plantings of September. The restaurants in the tiny villages retire to count their gains and now only open at the weekends. There's a general sense of sitting down to

breathe. The author Sara Coleridge said:

'Fresh October brings the pheasant,
Then to gather nuts is pleasant.'

So, where does the 'expectation' arise? It arises naturally. After a good night's sleep, don't we sally forth open the front door, make a cup of tea or coffee and perhaps feel the surge of the song: 'What will this new day bring?' And wait for new ideas to flow forth.

VERBA DOCENT, EXEMPLA TRAHUNT NEIL STOKES nstokes@cataloniatoday.cat



"The building of a future Catalan state still does not have the clarity and completeness we need for it to be legitimate before Europe and the world." Artur Mas, former president of Catalonia

While it came late in the day, Mas eventually staked his political career on the sovereignty process and as a veteran operator he knows that nothing can be taken for granted in politics. He is also right to pick out international recognition as one of the main keys to success.