

THE SICK MINOTAUR

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State power has long been depicted as a frightful monster: for Thomas Hobbes it was the Leviathan, for Friedrich Nietzsche the “coldest of cold monsters”, for Jaume Vicens Vives the Minotaur. It is an apt metaphor: however useful a government’s policies may be, under some circumstances, to foster social justice and even economic growth, what enforces them is its monopoly of violence, its power to extract rents through coercion, which is what turns the state into what Frédéric Bastiat described as “the grand fiction through which everyone tries to live at the expense of everyone.”

In the long run, coercive and economic power perform a strange dance. As the world economy develops, high-value activities concentrate in urban centres with high exposure to the wider market and low dependence on predatory state kleptocracies – think of the Italian republics (and also Barcelona) in the late middle ages, or the Greek city – states two millennia before. The brighter these economic fireflies shine, the more they attract their neighbours’ greed. As larger states gobble them up and grow even larger by draining their lifeblood, however, they gradually suffocate the goose that lays the golden eggs – to which their natural response is increasing centralisation to keep up rent extraction. If there is no strong-enough countervailing force (such as small economies’ need to stay globally competitive, as in Switzerland, or the checks and balances of democratic federations, as in Germany), a state eventually becomes so

bloated, its institutions so corrupt and its economics so rickety that it just takes a small external shock to topple it... unless, of course, Fortune comes to the rescue and grants it a longer lease of life.

Fortune has come many times to Spain’s rescue. Geographical closeness to north-west Europe makes it more difficult to overlook for advanced economies than, for instance, Latin-American countries, so

and Valencia gained it – Catalonia with its potential to become Europe’s California, Mallorca as a tourism hub and Valencia somewhere in-between. The Spanish state’s response, however, was to protect its core privileged groups by bleeding these three regions through exorbitant fiscal deficits, underinvesting in their development while building unnecessary infrastructure elsewhere, subsidising less competitive (but

politically favoured) regions and transferring all high-value-added activities to Madrid, which is the capital but indisputably, the worst-located metropolis in Europe. Yet these grossly inefficient policies ultimately render the entire country uncompetitive. This is even measurable: Spain’s average productive efficiency (what economists, somewhat cryptically, call Multi-factor Productivity) peaked in 1989 and has steadily fallen since. You can also see the results in Spain’s long conflict with Catalan independence (which confronts these policies), in Madrid’s overaggressive growth (fostered



A “toro embolao” in a festival in Valencia. EFE

from the 1950s a series of external nudges to open Spain to the global market (the Stabilisation Plan in 1959, European Community membership in 1986, Eurozone membership in 1999) drove its income per capita from Perú’s level in 1951 to four times as much in 2006. Yet an overly interventionistic, oligarchic, predatory state has always been Spain’s undoing. As the country opened to globalisation, many regions and economic activities gradually lost competitiveness while the three Mediterranean regions of Catalonia, Mallorca

by the same policies) and in its governments’ cluelessness against Covid – incompetence is also a symptom of low institutional quality.

The Spanish minotaur is therefore sick and decaying, a victim of its own vices, and needs sustained external financing to survive: hence Spain keeps accumulating debt, and the EU increasingly plays the role of Fortune riding to the rescue with cheap credits and subsidies. It is uncertain how long this minotaur’s neighbours will keep feeding it... but common sense suggests they will not do so forever.