

FISCAL DEFICIT AND ENTREPRENEURS' HELL

TRIBUNE

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For a quarter of a millennium, Spanish reformist movements have repeatedly advocated imitating Catalan society: as did, for example, enlightenment authors like Francisco Nifo or José Cadalso in the late 18th century, liberals like Pascual Madoz in the mid-19th and “regenerationists” like Miguel de Unamuno in the early 20th. Some readers may even remember José María Carrascal’s “Catalanising Spain” article published in February 1978 – 10 months before a constitutional referendum topped off Spain’s so-called “democratic transition” – or Esperanza Aguirre espousing the same idea at a talk she gave in September 2013 – also months before the attempt to reboot the system with King Juan Carlos’ abdication.

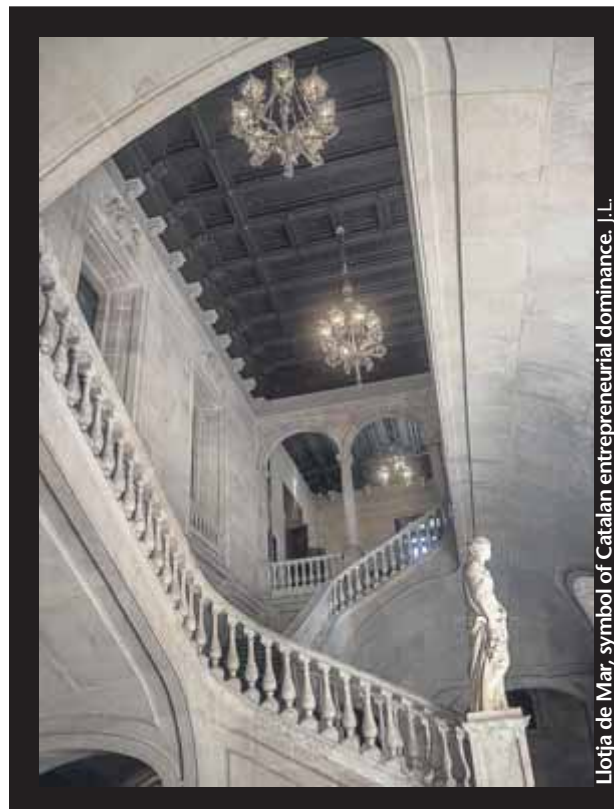
It is nearly as old a tradition as banning Catalan culture or bombing Barcelona every 50 years. And it has proven equally unsuccessful. The reason is obvious. Catalans were (and are) as widely admired for their entrepreneurship as disliked for their rebelliousness, yet Spanish authors have rarely recognised these traits as two sides of the same coin. Cadalso wrote that Catalans were the Dutch of Spain; Carrascal that they were the English or Swiss – all highly meritocratic societies. Catalonia’s wealth distribution and social customs were more egalitarian (and hence meritocratic) than Castille’s. Yet such a social environment not only fosters associationism and entrepreneurship but also resistance against hierarchical power abuse: deep down, the rebel and the entrepreneur are twins.

Thus, when the deficiencies of Spain’s institutional framework become too blatant, the idea of “Catalanising Spain” appears as attractive to would-be reformers as unsavoury to those who benefit from the status quo and hold the power to change it. Hence reform in Spain is always half-hearted. Then, as soon as the emergency ends, the rebellious province turns from role model to nuisance and the goal again becomes “Hispanising Catalonia” or, failing this, bombing it into submission. Until the system’s weaknesses trigger another crisis and the cycle restarts.

Historically, attempts to erase Catalan identity (eg, through brute force, tax plunder or massive Spanish immigration) have consistently failed. Yet Spain’s establishment may have unwittingly found in the modern

welfare state the tool to achieve this long-coveted victory. Spain’s welfare state was born in the 1980s, when public expenditure climbed from about 20% of GDP to almost 50%. Previously Catalonia’s net tax contribution had always been disproportionate but, as government spending was relatively low, also more manageable. Yet, as welfare services grew, so did the tax burden and soon Catalonia’s fiscal deficit settled at about today’s exorbitant 8-9% of GDP. Furthermore, since Catalonia is a huge immigration receiver, demand for social services is very high. To top it all, the wave of social discontent that sweeps developed economies today, linked to the impact of globalisation, creates additional demand for public intervention to soften this impact along various welfare, environmental and even lifestyle dimensions. This challenge is common to many countries today, but Catalonia’s case is unique in having to respond to it while enduring such colossal financial bleeding.

Hence, caught between demand for public intervention and a crippling fiscal deficit, Catalan authorities have created so many additional tax and bureaucratic burdens that they run a serious risk of damaging, perhaps even destroying, Catalonia’s distinctive entrepreneurial drive – ie, precisely what, for centuries, made Catalonia so remarkably prosperous and resilient. This is a lethal trap, for it turns Catalans’ otherwise legitimate social demands into instruments of submission to those Spain-wide institutions that, by discriminating against Catalonia’s economy, contribute more than anything else to this dissatisfaction. Perhaps this realisation explains why today more than ever pro-independence views predominate among Catalans with higher education levels.



Llotja de Mar, symbol of Catalan entrepreneurial dominance. J.L.