Cut Card

We negate, resolved: Spain should grant Catalonia its independence.

Our sole contention is European economic collapse.

Ashworth at Bloomberg Magazine reports just yesterday: Spain is back! They have made major progress from the rocky start to this decade. GDP rose 3% in 2017, marking three consecutive years of growth. Spain is actually growing at a faster rate right now than any other country in Europe.

Ashworth 18 Marcus Ashworth, 1-22-2018, "Catalonia Who? Spanish Debt Finally Basks in the Sun," Bloomberg, https://www.bloomberg.com/gadfly/articles/2018-01-22/spanish-bonds-are-finally-getting-their-day-in-the-sun //DF

Spain is back. Regional strife with Catalonia held back gains for Spanish bonds and equities last year, but it seems now investors can happily live with political stalemate -- if the economy is booming and credit ratings are on the up. Fitch Ratings on Friday raised its rating on Spain to A- with a stable outlook, citing its "strong, relatively broad-based, economic recovery." Spain now has a realistic prospect of recapturing its glory years in the early days of the euro, when talk of a continental breakup was on no-one's lips and investors traded the sovereign as though its riskiness was not all that different from that of Germany and France, the core of the region. So it's perfect timing to capitalize on growing investor interest by raising money. And as if on cue, Spain may now issue about 9 billion euros ($11 billion) of 10-year debt as soon as Tuesday, Bloomberg News reported, as it has in every January for the last three years. Demand this time should be strong as it has 26 billion euros of maturing bonds and coupons to pay back at the end the month. And this week it will have the sovereign new issue field largely to itself, after its euro area peers found some success last week. Bar some long-dated supply from the European Financial Stability Facility, it is light on the regular government auction schedule as well. Moreover, there is good news to look forward to. S&P Global Ratings may also upgrade its current BBB+ rating at its next review, on March 23. The grade already has a positive outlook. Having two of the main rating companies designating Spain with a rating around single A will bolster its presence in investment-grade bond indexes. **Spain has made major progress from the rocky start to this decade. Gross domestic product rose 3.1 percent in 2017**, according to a Bloomberg survey, **making it the third year that growth exceeds 3 percent**. Forecasts for a slowdown are only natural after such a decent run, and the expansion should soon pick back up again. **And it still beats Germany.** The premium of 10-year Spanish bond yields to Germany is the narrowest since 2010 -- and there is room for further gains. In the early years of the euro, Spain traded at a small premium to Germany, reflecting prospects for strong growth and its "semi-core" status within the European Union. Those times are returning. The political turmoil in Catalonia kept Spanish debt from benefiting from healthy demand for fixed income in the second half of 2017 -- not so for Portugal and Greece, whose yields raced tighter. While the independence movement is not going away, nor is it progressing. The secessionists' inability to make a substantive case for their cause has helped investors become more accepting of the risks of a breakup. For evidence, look no further than the fact that on the day the leader of the independence movement, Carlos Puidgemont, makes an attention-grabbing trip to Denmark, Spain considers a benchmark bond deal, and yields fall. And Spain's normal point of comparison in the debt markets, Italy, faces a tough time. Investors are well aware of the risk that national elections in March could stoke populist fervor or produce no government at all. This makes Spain something of a haven in the short term. Curiously, its ruling People's Party and Prime Minister Mariano Rajoy aren't getting the political benefit that should be their due from the economic turnaround. They are totally opposed to Catalonia seceding, and weren't afraid to use substantial force against voters in the referendum last year. But the main opposition party, Cuidadanos, was the single most successful party at Catalan's regional elections in December, and is now leading in the national polls.

However, granting the Catalan region its independence would be the worst decision Spain could make right now. It would doom its economic recovery, and plunge the country, and the continent, back into recession. This is for two reasons.

First, destroying the tax system.

The Spanish tax system relies on Catalonia, one of the country's most prosperous regions. Torres of Politico explains in 2017: the two other wealthiest regions – the Basque Country and Navarre – don't share the costs of redistribution, which forces Catalonia to assume the extra burden.

Torres 17 Diego Torres, 11-15-2017, "Spanish regions to Catalonia: Up yours," POLITICO, https://www.politico.eu/article/spain-regional-conundrum-catalan-independence/ //DF

Catalonia, which doesn't enjoy the fiscal autonomy granted to Navarre and the Basque Country for historic reasons, ranks in the top tier, behind Quebec and the U.S. states but above Scotland and Wallonia in Belgium. The lack of fiscal autonomy is one of the biggest complaints among Catalans, who argue that they pay too much in taxes to sustain poorer regions of Spain. While Navarre and the Basque Country jointly account for nearly 8 percent of Spain's economic output, Catalonia alone represents 19 percent of GDP — meaning that granting it the same financial status as the Basques would have far-reaching economic implications for the entire country. "It's a trade-off," said César Colino, a politics professor at UNED University. "The more fiscal autonomy you have, the less capacity for wealth redistribution you get." Colino argued Spain's regional redistribution isn't as powerful as that of Germany, but much stronger than in the U.S., for example. **The Spanish particularity**, Colino said, **is that two of the wealthiest regions – the Basque Country and Navarre — don't share the costs of redistribution, which forces** other rich regions like Madrid and **Catalonia to assume the extra burden.** Madrid's GDP per capita — the highest in the country — is double that of Extremadura — the lowest. Catalonia's is 75 percent higher than that of Extremadura. Eurostat figures show that regional differences between rich and poor in Spain are lower than in Italy and the U.K. — the latter due to the disrupting role of London — and more or less the same as in France (without taking into account the overseas departments) and higher than in Germany (without the role of city-states such as Hamburg).

Spain would lose all of Catalonia's tax revenue if the region seceded. That's a problem, because Spain's tax system is progressive; it taxes wealthy regions at higher rates and redirects revenue in spending to poorer regions. Studebaker at the University of Cambridge writes in 2017: an independent Catalonia would mean that the Spanish government would have far less tax revenue to redistribute to poor regions.

Studebaker 17 Benjamin Studebaker [Phd candidate, Cambridge University], 9-27-2017, "The Left-Wing Case Against Catalan Independence," https://benjaminstudebaker.com/2017/09/22/the-left-wing-case-against-catalan-independence/ //DF

Whenever someone is making a case for independence or self-determination, we need to ask ourselves–is their situation more like the situation of the satyagrahi or the libertarian? Are they more of a Gandhi or an Ayn Rand? Independence movements are not always anti-imperialist. Sometimes they make oppression worse. In the Catalan case, **an independent Catalonia would mean that the Spanish government would have less tax revenue to redistribute to poor and working people in places like Andalusia. It would aid and abet right-wing Spanish governments in their quest to shrink the Spanish**

welfare state and erode the hard-won rights of Spanish workers. It would also deprive left-wing Spanish movements of much-needed votes. In the last Spanish election, Catalonia was one of just two regions in Spain to deny Rajoy's People's Party a plurality. Nationally the People's Party won 33% of the vote, but in Catalonia they managed just 13%. The poor and working people of Spain need the solidarity of Catalonia if they are to rid themselves of Rajoy. They've been very close before–in 2015 Rajoy's party managed only 28% and was forced to form a minority government. And yet, at this pivotal moment, many in Catalonia want to bail. It's not their fault. They've lost the group identity that helped them care. They've stopped thinking of themselves as Spanish. But why should Spaniards find that satisfying? Why should the poor and working people of Spain allow Catalonia to just walk out the door and abandon them? When rich libertarians claim that they don't owe us any of their wealth because they're sovereign individuals and taxation is theft, we don't just accept their identity as a credible excuse for disavowing their material obligations. The rich have a duty of justice to the poor. It doesn't matter what language they speak or how different they feel. Cultural differences are no excuse for ignoring material obligations to fellow citizens in need. When independence movements hurt the people in a country who need help the most, they are not left-wing. Andalusia matters. Poor and working Spaniards matter. We mustn't forget about them.

The economic damage done to these regions would harm the whole of Spain. Bosch at CNBC estimates in 2017:

Bosch 17 Sofia Bosch, 9-20-2017, "Spain's economy losing Catalonia would be like the US losing California and Florida combined," CNBC, https://www.cnbc.com/2017/09/21/heres-how-bad-economically-a-spain-catalonia-split-could-really-be.html //DF

"The establishment of a border would result in a loss of jobs, income and wealth for everybody, whether they live in Catalonia or in the rest of Spain," Cuenca told CNBC via email. "Those losses would be provoked by the obstacles to trade, by financial problems, by the spending needs of the new state." While Catalans only account for about 16 percent of the Spanish population, Catalonia makes a hefty contribution to the overall Spanish economy, making 223.6 billion euros ($262.96 billion) a year, according to the regional government. This is around 20 percent of its total gross domestic product (GDP). Larger than the contribution that California makes to the whole United States. Using figures from official European and Catalonian organizations, Business Insider claimed earlier this year that **the region** would quickly gain about 16 billion euros yearly in the case of a split, as they **would no longer have to pay taxes to Spain. This would then result in a loss of about 2 percent to the Spanish GDP** (gross domestic product) **yearly**. At the same time, Catalonia could take a potential hit, as 35.5 percent of Catalan exports are to the Spanish market. Catalonia would also have pay to create new state structures (embassies, central banks, etc.) which carry a large price tag. Earlier this month, Spanish Economy Minister Luis de Guindos claimed that Catalonia could see its economy shrink by 25 to 30 percent and its unemployment double if it splits to form a separate state.

Second, a drop in exports.

Spain's economic recovery relies on their lucrative exports market.

As a result, Spain relies on Catalonia, a major source of exports within the country. According to Tornielli at the Yale Economics Review in 2014:

Tornielli 14 Santiago Botto-Tornielli, 11-16-2014, "Economic Impacts of Catalonia's Bid for Independence," Yale Economics Review, http://www.yaleeconomicreview.org/archives/2223 //DF

An independent Catalan state would have massive consequences for Spain and Europe, and potentially destabilize the fragile global economy. In the first place, the loss of around 20% of its GDP would leave the Spanish economy immensely weaker. Scotland, for the sake of comparison, only makes up 9.5% of the GDP of the U.K. The central government would lose much of its ability to finance spending and to support other regions of the country that have fallen deeply in debt. Secondly, **Catalonia is a major center for transportation, handling 70% of exports from the rest of Spain**. If the region becomes a separate country, the cost of moving those products would increase and further weaken the Spanish economy. Finally, as reported by The Washington Post, GDP per capita in Catalonia is "one-fifth higher than the rest of Spain." Catalonia also produces 45% of Spain's high tech exports, such as automobiles and electronic products. The region is the most productive in Spain, and its loss would lead to a sharp decrease in confidence that the Spanish economy can recover from the crisis. The massive loss of confidence in the Spanish economy would in turn call into question the stability of other, interconnected European markets.

Catalan secession would spoil this relationship. Morato, a professor of economics at the University of Barcelona explains in 2016:

Morato 16 Xavier Cuadras Morató [Associate Professor of Economics, Universitat Pompeu Fabra (Barcelona)], 2016, "Catalonia: A New Independent State in Europe?, A Debate on Secession within the European Union," Routledge, https://www.routledge.com/Catalonia-A-New-Independent-State-in-Europe-A-Debate-on-Secession-within/Cuadras-Morato/p/book/9781857437522 //DF

It is well known that **trade of goods and services is higher in general within countries than between countries.** This is what economists call **the 'border effect'.** Thus, despite all the rhetoric about economic globalisation and integration, political borders still seem to matter a lot for commerce, even in cases in which there are very few formal restrictions to interstate trade. This phenomenon was first described by McCallum (1995) **for the case of trade between Canadian provinces and US states**. This and other related studies focused attention on the existence of border effects of sizeable magnitude (e.g. in the original study by McCallum, **trade was estimated to be 22 times higher between Canadian provinces than between Canadian provinces and US states**, even when controlling for distance and the economic size of territories). These large figures were considered a puzzle from the point of view of economic theory and generated a very lively line of research in international economics, both trying to measure the border effect with precision and explain the possible reasons for its existence. In principle, **there are several obvious possible causes for the border effect, such as the existence of tariffs and other administrative restrictions to trade, different currencies and regulatory regimes across countries. All these might make products more marketable at home than abroad, together with differences in languages, consumer tastes and cultural traits, which have also been mentioned as determinants of the trade effects of a border. Nevertheless, what makes the border effect a more puzzling phenomenon is its persistence in countries which have very few tariff and non-tariff restrictions between them and even share the language and many cultural referents** (as happens between the United States and most of Canada). Another example would be the case of the countries of the Eurozone, which also have no formal restrictions on trade and even share the same currency and important parts of the legal and regulatory bodies governing markets. A straightforward reason for why this behaviour is considered a puzzle is that it is difficult to reconcile observed trade patterns with the canonical models in international economics (see Obstfeld and Rogoff, 2001). Moreover, several researchers have highlighted the existence of border effects associated with administrative divisions within countries (US states, Canadian provinces, Spanish autonomous communities and so on). 21 For all these reasons the border effect is still a controversial issue which is not very well understood by economists and has generated a considerable volume of research. 22

In the case of Catalonia and Spain, he finds:

Morato 16 Xavier Cuadras Morató [Associate Professor of Economics, Universitat Pompeu Fabra (Barcelona)], 2016, "Catalonia: A New Independent State in Europe?, A Debate on Secession within the

European Union," Routledge, https://www.routledge.com/Catalonia-A-New-Independent-State-in-Europe-A-Debate-on-Secession-within/Cuadras-Morato/p/book/9781857437522 //DF

One of the most recent contributions to this debate is Comerford and Rodríguez Mora (2014). It examines the magnitude and impact of the border effect using a theoretically sound international trade model. One of the main objectives of the paper is to assess the economic costs of independence for Catalonia (and other European regions) associated with changes in trade patterns. Departing from the observation that regional economies within a country appear more commercially integrated than countries with each other, even when they belong to common supranational organisations like the European Union, the paper estimates the negative welfare consequences of the economic disintegration that comes with a region severing ties with the state and becoming independent. In order to do this, the authors calibrate the trade effects of the border ('total bilateral trade frictions' in their paper), checking that these are much larger between independent countries than between regions within a country. In fact, Comerford and Rodríguez Mora (2014) argue that their estimates of the border effect are of a similar order of magnitude as some of the most cited papers in the literature, such as Anderson and van Wincoop (2003). Once this is done, they calculate the costs of independence by performing the following counterfactual exercise: imagine that Catalonia and Spain, as separated countries, are as commercially integrated as Portugal and Spain today (Portugal being the closest trading partner of the Spanish economy). If this is the case, **trade flows between Catalonia and Spain would fall by 80 per cent. The model predicts then sizeable losses of GDP both for the Catalan (9.5 per cent) and Spanish economies (1.9 percent).**

Catalan independence would throw Spain back into a recession. Shocking Spain's economy would send shockwaves across Europe. Foster, a professor at Kings College London, explains in 2017:

Tornielli 14 Santiago Botto-Tornielli, 11-16-2014, "Economic Impacts of Catalonia's Bid for Independence," Yale Economic Review, http://www.yaleeconomicreview.org/archives/2223 //DF

An independent Catalan state would have massive consequences for Spain and Europe, and potentially destabilize the fragile global economy. In the first place, the loss of around 20% of its GDP would leave the Spanish economy immensely weaker. Scotland, for the sake of comparison, only makes up 9.5% of the GDP of the U.K. The central government would lose much of its ability to finance spending and to support other regions of the country that have fallen deeply in debt. Secondly, Catalonia is a major center for transportation, handling 70% of exports from the rest of Spain. If the region becomes a separate country, the cost of moving those products would increase and further weaken the Spanish economy. Finally, as reported by The Washington Post, GDP per capita in Catalonia is "one-fifth higher than the rest of Spain." Catalonia also produces 45% of Spain's high tech exports, such as automobiles and electronic products. **The region is the most productive in Spain, and its loss would lead to a sharp decrease in confidence that the Spanish economy can recover from the crisis. The massive loss of confidence in the Spanish economy would in turn call into question the stability of other, interconnected European markets**. Independence, however, may have severe consequences for Catalonia itself. Exports are an important part of Catalonia's economy, and the uncertainty resulting from new borders and regulations could have a negative impact on Catalan products. France is the top destination for Catalan exports, but the next three purchasers are other regions of Spain. With a wounded Spain shutting its doors to the potentially independent Catalan state, the region would face a significant loss of trade. The loss would become even greater if Catalonia is not readmitted into the EU, which would be unlikely but is a distinct possibility. Moreover, ratings agencies have already threatened to downgrade Catalonia's regional debt if a solution to the problem is not found. The central Spanish government plays an important role in guaranteeing the payment of regional debts. Without this support the risk on Catalonia's debt would increase to potentially problematic levels. An independent Catalonia would therefore run the risk of falling into a debt crisis painfully similar to Spain's.

Foster 17 Dr. Russel Foster [Kings College London], 12-10-2017, "The Great Disappointment: Catalonia, Non-Independence, And The Future Of The European Union," HuffPost UK, http://www.huffingtonpost.co.uk/dr-russell-foster/european-union_b_18235736.html //DF

First, Catalonian independence sets a precedent for dissatisfied Europeans elsewhere. A symbolic victory for local, ethnic nationalism over integrationist, European internationalism, goes against the founding principles of the European Union. As Ines Arrimadas, spokesperson for the anti-independence Citizens' Party, said in her immediate response to Puigdemont's non-declaration, Catalan independence represents "el peor nacionalismo que hay en Europa"; the worst nationalism in Europe. In a continent still facing rising Euroscepticism and lack of trust in centralised institutions and political elites, a victory for regionalism over internationalism sets a precedent for eurosceptic parties in dissatisfied nations - especially debt-burdened Mediterranean nations who have borne the brunt of EU austerity and the Migration Crisis - to hijack Catalan independence and turn it into a rallying-point against the EU's internationalism. Second, **Catalonian independence could easily trigger a eurozone crisis.** Spain has record levels of debt, and the financial relationship between Spain and the EU has been tense since the beginning of the Great Recession**. If the slowly recovering Spanish economy suddenly loses its most profitable region**, and perhaps accrues the high debts of that region, **the Spanish economy will tumble. The consequence of a Spanish financial crisis - which could quickly spread to similarly debt-laden, weakened economies in Greece, Ireland, and an Italy preparing for its own fraught election - could be disastrous. And unlike the Greek financial crisis, this time there will be no bailouts from Berlin.**

Arends 17 Brett Arends, 10-25-2017, "Why Spain's crisis in Catalonia threatens your European investments ," MarketWatch, https://www.marketwatch.com/story/why-spains-crisis-in-catalonia-threatens-your-european-investments-2017-10-25 //DF

The results are what you'd expect. I"ve spent the last few days in Barcelona, talking to people of all ages and backgrounds and opinions. Most are still moderates. But they are being squeezed — and hard. Not long ago, only a small minority of Catalans, perhaps 20%, supported outright independence, according to many locals. Nowadays it could be more than half. Indeed, on October 1, 43% of registered Catalan voters braved riot police to vote on independence from Spain in the unofficial referendum; 90% said Catalonia should become an autonomous republic. As one middle-aged professional woman put it, "I'm running out of arguments for why I oppose independence."This crisis matters in more ways than just the obvious. **Spain's national net debt is** more than one trillion euros (about $1.2 trillion), according to the International Monetary Fund. That's **three times the amount owed by Greece when it went into meltdown. Anything threatening the stability of this country — the fourth-biggest inside the eurozone — would surely rock international markets. Catalonia is a key component of the Spanish economy**. It's among the richest and most productive regions, accounts for about a fifth of Spain's gross domestic product, and is a major net contributor to the Spanish budget. There will be no big winners and plenty of losers if this crisis escalates. So it is astonishing to watch Spanish Prime Minister Mariano Rajoy mishandle it.

The massive loss in confidence in the Spanish economy will call into question the stability of other, interconnected European, and even world markets.

UN 11 2011, "The Great Recession and the jobs crisis," United Nations, http://www.un.org/esa/socdev/rwss/docs/2011/chapter2.pdf //DF

This chapter examines the social and economic impacts of the global financial and economic crisis and highlights a global jobs crisis involving widespread job losses, increased unemployment and wage repression in developed countries, and characterized by a growing informal economy, increased vulnerable employment and working poverty in developing countries. It briefly reviews the reach of the crisis across demographic and social groups, showing its varied effects on the employment and income of women and men, its disproportionate effect on youth and the strain it imposed on various vulnerable groups in terms of reduced income. In so doing, the chapter highlights the dire consequences that individuals and their families face in both developed and developing economies. It concludes by highlighting some of the major challenges faced in addressing the jobs crisis, and suggests that, besides employment generation and income support, other forms of social protection will be of utmost importance in overcoming the effects of the crisis. Employment impacts16 Prior to the crisis, many countries, including high-growth countries, had large numbers of unemployed and working poor, against a declining trend in the employment content of economic growth. The resulting global impact of the crisis on employment has been devastating. Private companies and public institutions shed millions of jobs and froze new hiring as they sought to reduce labour costs to adjust to shrinking demand for their products and services. **This action triggered an unprecedented global increase in the number of jobless persons to 205 million by the end of 2009, 27 million more than in 2007** (International Labour Organization, 2011). According to the latest estimates by the International Labour Organization global unemployment remained unchanged in 2010 compared to 2009—the global unemployment rate stood at 6.2 per cent in 2010. (International Labour Organization, 2011). Although the number of unemployed in 2010 had shown little change from 2009, global job insecurity rose perceptibly. While preliminary estimates suggested that the number of unemployed in 2010 had shown little change from 2009, global job insecurity rose perceptibly. The extent to which this affected different regions and countries varied significantly with the different impacts of the crisis around the globe.High-income countries have generally experienced greater increases in unemployment than upper-middle-income and lower-middle-income countries. From 2008 through the first quarter of 2010, high-income countries endured seven consecutive quarters of employment loss, which amounted to over 14 million jobs, with 7 million jobs lost in the first half of 2009 alone. Of the 60 countries with available data at the beginning of 2010, 97 per cent of high-income countries had higher unemployment rates, compared to 78 per cent of uppermiddle-income countries and 50 per cent of lower-middle-income countries. By the first quarter of 2010, high-income countries had an unemployment rate of about 9 per cent, an increase of more than 3 percentage points over the level of the previous two years. For upper-middle income countries, although the unemployment rate was even higher, at more than 10 per cent at the beginning of 2010, the relative increase was not as dramatic. On the other hand, lower-middle-income countries recorded only marginal increases in the rate of unemployment during the period, with an average just over 6 per cent at the beginning of 2010 (International Labour Organization, International Institute for Labour Studies, 2010).

Thus, we negate.

R2R

We **NEGATE** resolved: Spain should grant Catalonia its independence.

Our Sole Contention is European economic downturn.

Catalan independence will cripple Spain's economy for two reasons.

First, it would harm Spain's other regions.

The Spanish tax system relies on Catalonia, one of the country's most prosperous regions. Torres of Politico explains in 2017: **<u>the two other wealthiest regions – the Basque Country and Navarre – don't share the costs of redistribution because of agreements they have with Madrid. Their exemption forces Catalonia to assume the extra burden.</u>**

Spain would lose all of Catalonia's tax revenue if the region seceded. That's a big problem for Spain, because they depend on excess tax revenue taken from wealthier regions to support poorer regions through government assistance and spending. Studebaker at Cambridge writes in 2017: **<u>an independent Catalonia would mean that the Spanish government would have far less tax revenue to redistribute to poor regions.</u>**

Not only would the crippling of Spain's government spending push Spaniards into poverty, it would damage the overall economy. Consumers who lose government assistance would cut back on spending, reducing corporate profits, and creating a downwards spiral, throwing Spain's economy into recession. Paluzie at Barcelona University estimates in 2017:

<u>Spain would lose 2 percent of GDP every year as a result of Catalonia shirking its tax contribution.</u>

Second, it would cripple Spanish exports.

Spain's economic recovery has been driven by a strong export sector, shipping goods like automobiles and pharmaceuticals. The Catalan region is behind a lot of their export growth, since the region is home to two major sea ports, and many of the factories that make the cars and drugs. According to Tornielli at the Yale Economics Review in 2014:

Catalonia handles 70% of exports from the rest of Spain.

Erecting a border between Catalonia and Spain would spoil this relationship. This is because of what is known as the border effect. Morato, a professor of economics at the University of Barcelona explains in 2016:

trade of goods and services is higher within countries than between countries. This is because of factors such as protectionist policies that benefit domestic markets; transport infrastructures that give priority to internal connections; different legal and regulatory systems; and different cultural preferences. All of these factors reduce trade between nations. The border effect even disrupts trade in countries which have very few restrictions between them and even share the language and culture, like nations in the Eurozone.

In the case of Catalonia and Spain, he finds:

trade flows would fall by 80 per cent, causing a nearly 2% drop in Spanish GDP, a sizeable loss for the Spanish economy.

The impact of a Spanish economic recession is a European economic collapse.

Ashworth at Bloomberg Magazine reports just this week: **Spain has made major progress from the rocky start to this decade. GDP rose 3% in 2017, marking three consecutive years of growth. Spain is actually growing at a faster rate right now than any other country in Europe.**

Spain's economic recovery is the crucial indicator of the health of the European recovery. However, Tornielli explains: **The loss of Catalonia would lead to a sharp decrease in confidence that the Spanish economy can recover from the crisis. The**

massive loss of confidence in the Spanish economy would in turn call into question the stability of other, interconnected European markets.

Foster, a professor at King's College London, explains in 2017: **the consequence of a Spanish financial crisis following a Catalan secession could quickly spread to similarly debt-laden, weakened economies in Greece, Ireland, and an Italy.**

Remember the Greek crisis. The relatively tiny nation of Greece almost brought down the entire European economy after investors lost confidence in the nation's financial viability. A Spanish economic downturn would have far graver impacts on Europe. Arends at Market Watch writes in 2017: **Spain's national debt is three times owed by Greece when it went into meltdown, and Spain's economy dwarfs Greece's in size and influence in the rest of Europe. Anything threatening the stability of this country would rock international markets.**

Sparking another large scale financial crisis would be devastating. A 2011 UN study found that **the last crisis left 27 million people unemployed.**

Thus, we negate.

Extras

Uniqueness

Spain's economy is on the way up. The Economist magazine reports in 2017:

Economist 17 6-17-2017, "Spain's reforms point the way for southern Europe," The Economist, https://www.economist.com/news/europe/21723446-having-tackled-its-problems-earlier-italy-or-greece-spain-now-seeing-results-spains //DF

Globalised and innovative, Gestamp is a symbol of the transformation of Spain's economy. In 2012 the country was a vortex which threatened to suck down the euro. The conservative government of Mariano Rajoy had to go cap in hand to Brussels for a €100bn bail-out for Spain's broken savings banks. A housing bust and the financial crunch plunged the country into a five-year slump, from 2009 to 2013. Now **Spain is heading for its third consecutive year of economic growth of** just **over 3%, the fastest of any large economy in the euro area** (see chart 1). It is creating about 500,000 jobs a year. According to Luis de Guindos, the economy minister, last month the country's GDP surpassed its pre-crisis peak. Much of the credit for this recovery goes to structural reforms the government pushed through in 2012. **Europe's economy as a whole is picking up, too. But apart from Spain, the European Union's Mediterranean countries remain its weakest links**. In Italy and Greece growth has been disappointing. Italy's labour reforms have been tentative, and it is only now tackling its banks' bad debts. Greece is being dragged into reform by its EU creditors, but has howled all the way. Spain tackled these issues earlier and more decisively. Its efforts are bearing fruit. Once more, but with exports Spain's renewed growth has sounder foundations than in the past. In the early years of this century the economy was powered by construction, which accounted for up to a fifth of GDP, and by foreign loans. This time the growth is led by exports, which have reached 33% of GDP (up from 23% in 2009). "We've recovered competitiveness," says Mr de Guindos.

Morato 16 Xavier Cuadras Morató [Associate Professor of Economics, Universitat Pompeu Fabra (Barcelona)], 2016, "Catalonia: A New Independent State in Europe?, A Debate on Secession within the European Union," Routledge, https://www.routledge.com/Catalonia-A-New-Independent-State-in-Europe-A-Debate-on-Secession-within/Cuadras-Morato/p/book/9781857437522 //DF

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In the case of Catalonia and Spain, he finds:

Morato 16 Xavier Cuadras Morató [Associate Professor of Economics, Universitat Pompeu Fabra (Barcelona)], 2016, "Catalonia: A New Independent State in Europe?, A Debate on Secession within the European Union," Routledge, https://www.routledge.com/Catalonia-A-New-Independent-State-in-Europe-A-Debate-on-Secession-within/Cuadras-Morato/p/book/9781857437522 //DF

One of the most recent contributions to this debate is Comerford and Rodríguez Mora (2014). It examines the magnitude and impact of the border effect using a theoretically sound international trade model. One of the main objectives of the paper is to assess the economic costs of independence for Catalonia (and other European regions) associated with changes in trade patterns. Departing from the observation that regional economies within a country appear more commercially integrated than countries with each other, even when they belong to common supranational organisations like the European Union, the paper estimates the negative welfare consequences of the economic disintegration that comes with a region severing ties with the state and becoming independent. In order to do this, the authors calibrate the trade effects of the border ('total bilateral trade frictions' in their paper), checking that these are much larger between independent countries than between regions within a country. In fact, Comerford and Rodríguez Mora (2014) argue that their estimates of the border effect are of a similar order of magnitude as some of the most cited papers in the literature, such as Anderson and van Wincoop (2003). Once this is done, they calculate the costs of independence by performing the following counterfactual exercise: imagine that Catalonia and Spain, as separated countries, are as commercially integrated as Portugal and Spain today (Portugal being the closest trading partner of the Spanish economy). If this is the case, **trade flows between Catalonia and Spain would fall by 80 per cent. The model predicts then sizeable losses of GDP both for the Catalan (9.5 per cent) and Spanish economies (1.9 percent).**