



Spain Vows Catalonia Will Face 'Brutal Impoverishment' If It Leaves

Catalonia, which accounts for a fifth of Spain's economy and is roughly the size of Belgium, will hold an independence referendum on October 1, which Madrid and Spanish courts have declared illegal. The pro-secession movement says Catalonia pays \$19 billion more in taxes to Madrid each year than it gets back in investments and services, but this would end if the region split from Spain.

Catalonia would suffer "brutal" impoverishment if it splits from Spain, with a deep plunge in its economic output, Spain's economy minister warned Monday ahead of a disputed independence referendum in the region.

"The general impoverishment of the society would be brutal. GDP could fall between 25 and 30 percent and unemployment double," Economy Minister Luis de Guindos said in an interview with radio Cope.

An independent Catalonia would find itself outside of the eurozone so 75 percent of its products would be slapped with tariffs, banks would have to relocate, and the region would have to set up its own currency, he added.

"The independence of Catalonia would be absolutely irrational from an economic point of view," the minister said.

Catalonia, which accounts for a fifth of Spain's economy and is roughly the size of Belgium, is slated to hold an independence referendum on October 1, which Madrid and Spanish courts have declared illegal.

The referendum has not had an impact on the economy because financial markets do not think Catalan independence is a "minimally viable and acceptable scenario", the economy minister said.

Catalonia's pro-secession regional government argues that an independent Catalonia would be able to decide its own fiscal policy and investments, which would boost its GDP.

It says Catalonia currently pays billions more in taxes to Madrid each year than it gets back in investments and services but this would end if the region split from Spain.

The Catalan government estimates it pays 16 billion euros (\$19 billion) more to Madrid than it gets back, or about 8.0 percent of it the region's GDP.

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