

London School of Economics

**A leading role for Catalonia
in a forward-looking Europe**

Antoni Castells

London, January 15th 2009

A leading role for Catalonia in a forward-looking Europe

Acknowledgements and preliminary reflections

Professor Preston; Mr Aixalà, director of the Fundació Campalans; Mr Ambassador of Spain to the United Kingdom; Mr Delegate from the Government of Catalonia; Mrs. Manager of the Cañada Blanch centre; Mr. President of the Catalan Society at LSE, dear friends. For me, it is a great honour to be here today with all of you because of the possibility it gives me to share this time with such a distinguished and qualified audience.

I want to congratulate the Cañada Blanch Foundation and the Fundació Rafael Campalans for the fortunate initiative to organise this lecture series and to thank them for their invitation to be here. And especially, I would like to thank Professor Preston for his work in organising this event and especially for his work throughout the years. A work focused on research that has made decisive contributions to our understanding of the reality of Spain and of Catalonia. And, above all, that has helped to reinforce and strengthen ties between our nations and to know each other better. Professor Preston is a friend of Catalonia and is esteemed and admired among us. Thank you, Professor Preston, for all you have given us and all you will give us.

And, of course, I must also express my gratitude to Mr Foix, to my friend Lluís Foix, for wanting to be with us today and for his kind words of introduction, words in which, without a doubt, friendship has weighed greater than his proverbial prudence. Listening to him is always a pleasure. It is always an opportunity to learn new things or to see angles that we had not observed before on subjects we thought we already knew. Thank you, Lluís, for being here today.

I must confess that it is also a pleasure to be here today with all of you, because this has given me the opportunity to visit this admirable city that is London and because of the institution that is hosting us, the London School of Economics. This London School of Economics that is a point of reference and an example in so many fields. In the field of economic thought, of course, but is an example too of tolerance and of debating ideas. Professors and scholars from quite different convictions have found their space here to develop and present their ideas. Always with complete freedom and respect for the ideas of others. Knowing that the most important thing is educating free people; in other words, training people that are capable of thinking for themselves, even if they don't think like you do. And this London School of Economics, which is also an example of an ability to transmit and connect to the real problems of our society.

As you can see, there are many reasons why I am so pleased to be able to share this time with you today. Therefore, I would like to take advantage of this opportunity to discuss some ideas that may be of interest.

As I said, I am especially pleased to be here today with all of you. But I also have to confess something. As soon as I began preparing this lecture, I came across the first difficulty when deciding upon the title. My first idea was to use the title, "Catalonia: a leading country in a leading Europe". I wanted to use the title to make a clear statement in favour of Catalanism and Europeanism. Please allow me to leave aside the issue of whether or not it is risky to make a statement about Europeanism here in the United Kingdom, and let me focus on how to define Catalonia.

It seemed to me that 'country' was an ambiguous enough expression so as not to cause any special problems for anyone. But someone very close to me that is well aware of the British situation told me that the word 'country' could lead to different interpretations here in the United Kingdom.

So, I thought about using the word 'nation'. It is, in short, what we are and how we define ourselves. We think that Spain is a pluri-national State. But putting nation already in the title produces in me some embarrassment and might be understood as the expression of a certain inferiority complex. Nations that are sure of being such do not go around all day proclaiming it. Furthermore, the Spanish Constitution does not speak of Catalonia as a nation, but as a nationality. And, quite frankly, we are already used to it. But, to call Catalonia a 'nationality' here with you, I'm afraid would have caused some perplexity.

I ruled out the possibility of saying 'state': 'Catalonia: a leading state'. It is true that some federal countries refer to governments like the Government of Catalonia in this way. But I'm afraid that this name would have triggered misunderstandings of all kinds. All things considered, I am a member of the Government of Catalonia and I would not have wanted to stir up a diplomatic conflict. And, most of all, I would have found it inexcusably tactless to cause obvious discomfort in some of the honourable friends that have been nice enough to be here with us today.

I also didn't want to say Catalonia was a 'region'. It is true that this is the standard name in European terms and that everyone would have understood the framework in which this term was used. But I'm afraid that in Catalonia it might have been interpreted by some as an unacceptable renunciation of our national identity.

So, now you see how much trouble I had choosing the title of this lecture. How should I call Catalonia? 'A country'? 'A nation'? 'A state'? 'A region'? In the end, I decided to use the title you see here. I decided not to define it and to simply say 'A leading Catalonia'. At least by calling it Catalonia, I suppose everyone will agree.

This little adventure I've just explained, I think that confirms the usefulness of this lecture series you had the insight to organise and anticipates to you some clues regarding the issues I'm going to talk to you about today.

A context of crisis that forces us to reconsider many things

I am a member of the Government of Catalonia. And I want to talk to you about my country, Catalonia. About what it is and what it represents. And about the role that it wants to play in Europe. But I haven't come here to talk to you only about Catalonia. I don't want you to think that Catalonia is a country that is only capable of talking about itself. Nor do I want you to think that my country is permanently entrenched in a closed and self-referring discourse. To the contrary, mine is an open and cosmopolitan country that feels good when projecting itself outwards. A country that is not afraid, but rather quite the opposite, of sailing in open waters. That knows that opening doors and windows to let in fresh air is always a positive thing. That has been, and continues to be, the outpost of Spain in Europe and the gateway from Europe to Spain. This is the Catalonia that I believe in and that I work for. And the one that I have come to talk to you about today.

And it should not be surprising that after this brief statement of intent, I should start by saying that it's not possible to understand what's happening in Catalonia, or in Spain, without taking into consideration what's happening today in the world. So, in order to discuss the present and the future of Catalonia, I will have to begin by talking about the crisis. A crisis that is making us witness events we thought were impossible just a few months ago and that calls into question certain 'truths' that until recently seemed unquestionable.

Because the truth is that in the past few months, not too many, we have seen a true earthquake in the economy and, above all, in the financial system around the world. Just in the last weeks, governments and monetary policy authorities have been adopting measures that would have been simply unthinkable a few months back:

- The United States Federal Reserve (the FED) has lowered the interest rate to 0%, and the Bank of England just last week lowered the rate to its lowest point in history, 1.5%.

- The FED has decided to give loans directly to companies, for example, to save the car industry, at the same time that the German Chancellor, Merkel, has announced a 100 billion € plan to provide funding to SMEs because of the financial system's inability to handle the economy's financing needs.
- The President-elect of the United States, Obama, announced a 700 billion \$ fiscal stimulus plan. And just this week, on Tuesday, the German government decided a similar measure for 50 billion €.
- There is no country that hasn't resorted to an economic stimulus plan to activate the economy. This year, it appears that the public deficit of the United States will amount to 8.3% of GDP, and all rules of budgetary orthodoxy have been thrown out the window. Or, in other words if you will, we all have to accept a new budgetary orthodoxy that now enthusiastically recommends to do what a few months ago seemed like a sacrilege.
- The German government has just decided take over 25% of the capital share of Commerzbank, one of the icons of the Federal Republic of Germany's banking system. This is just a recent piece of news along the trail of similar cases that have occurred in practically every European country (not to mention the United States), in which the leading banks have been re-capitalised using public funds.
- Non-socialist governments (like the French government) have warned banks that it will be necessary to seriously consider the possibility of nationalisation, if they don't fulfil their function of granting credit to the economy. A newspaper as cautious and sensible as the *Financial Times* has been forced to remind bankers everywhere that if they have been rescued with public money, it's not because we love them so much, but because we need them.

I have chosen just a few examples. The list could easily be expanded. But, I think that they are quite illustrative of up to what point we are experiencing (I would like to say we have experienced, but I'm not too sure) a true financial earthquake.

Nothing will be the same as before after this crisis. And today, already many of the 'truths' that yesterday seemed unquestionable must undergo a thorough reconsideration.

For example, our economic model. Some have even wondered if we need to re-found capitalism. The other day (Thursday of last week to be precise), there was a meeting in Paris between President Sarkozy, Chancellor Merkel and former Prime Minister Blair that was titled *New World, New Capitalism*. At the meeting, President Sarkozy (always one step ahead of the rest, for good and for bad) asserted: "Purely financial capitalism is immoral. I do not believe in any other capitalism than that of effort and work. We must moralize capitalism. Re-found it" (end of quote). Thus, it seems as though some things must be questioned. I don't know if capitalism needs to be re-founded or not, but I am convinced that the crisis has made evident the need for new business ethics.

We must also ask ourselves about the respective roles of the State and the market. Because now it looks as if the State, the 'government', has been the solution and not the problem.

About the role of Europe. Because this crisis has also shown that many of our problems can only be solved on a European level. But it has also proved that, unfortunately, European institutions don't have the means for reacting quickly and efficiently, as European citizens expect of them.

And please let me add one thing. This crisis has also forced us to ask ourselves about the place and the self-government of old nations like Catalonia in a world in which the cession of sovereignty and shared sovereignty are the norm everywhere. But at the same time, territories are more important than ever. Territories compete with one another and they need tools to do so. And all of this in a European context that can only exist upon the foundation of a necessarily pluri-national political framework.

Catalonia: a powerful economic reality

Before I said that I don't just want to talk to you about Catalonia. Speaking from Catalonia is not speaking merely about Catalonia. It is looking at the world from a specific location, certainly, with all that that entails. But looking at the world, nonetheless. Not looking only at ourselves. Because, among other reasons, only by looking and seeing ourselves situated in a whole can we gather a relatively approximate idea of our own reality.

This perspective is especially important in a moment of crisis like this one we are facing. It allows us to be aware of where we are and where we come from, and helps us to identify the underlying trends. Because, beyond the last macroeconomic data, or the intensity of the moment in the economic cycle, it is

necessary to analyse in depth the factors that determine the pace of economic development.

Catalonia is nowadays a powerful economic reality. It has roughly seven million and a half inhabitants (which is a larger population than 11 of the 27 members of the European Union) with a GDP per capita that is 12% above that of the Euro zone. It is, by far, Spain's principal economic engine. In 2007, the GDP of Catalonia was equal to 18.7% of the GDP of Spain as a whole. Over the last 12 years, the Catalan economy has grown by an annual rate of 3.6%, 1.1 points above that of the EU and 1.4 above that of the Euro zone.

As a consequence of this growth, the GDP per capita of Catalonia in 2007 amounted to 31.000 € in purchasing power parity, which is 117% of the Spanish average, 122.6% of the EU-27 average and 112%, as I already mentioned, of the Euro zone average. Today, Catalonia is a prosperous region in European terms. Only five countries of the European Union (Luxembourg, Ireland, Netherlands, Austria and Sweden) have a GDP per capita (in purchasing power parity) that is greater than that of Catalonia. In a hypothetical ranking of 28 (the 27 countries of the European Union today plus Catalonia), Catalonia would occupy the sixth place, along with Denmark.

Catalonia's economy is extraordinarily open to other countries. In trade and business terms, as well as in terms of attracting foreign investment and of investing abroad, as well as in terms of tourism. Catalan companies are present around the world, and they export a very significant part of their production. Catalonia is the great exporting factory of Spain. Nearly 30% of Spanish exports come from Catalonia, a number that equals 40% when we talk about highly technological exports. The ratio of openness of the Catalan economy (the sum of imports plus exports of goods and services in relation to GDP) adds up to 70.8%, and of course, this degree of openness would reach even higher figures (around 130%), if we were to consider trade flows with the rest of Spain.

In fact, it is worth mentioning that a significant portion of this activity has to do with the United Kingdom. Catalonia accounts for 26.2% of Spanish exports to the United Kingdom and 18.9% of Spanish imports from the UK. British tourism, which equals 14.8% of the total, is the second most important in terms of nationality regarding those who visit Catalonia (only after France). It is also important to remember that Catalonia is by far the leading tourist destination in Spain (25.8% of foreign tourists who visit Spain visit Catalonia), which is, in turn, the second most important tourist destination in the world.

In Catalonia, economic growth and openness and internationalisation have gone hand in hand. Between 1986, when we entered the European Union (then

the European Community), and 2007, our GDP per capita has gone from being 84% of the Community average of the 12 Member States to being 112% of the average of the Euro zone that we have now and that I referred to before. Experience shows us that sailing in open waters has been particularly beneficial for our economy.

The Catalan economy is currently in the middle of a process involving the transformation of its model of competition. Like other European regions (such as Bavaria, Baden-Württemberg and Lombardy), the economic model of Catalonia is that of a region with a solid industrial base (which constitutes an asset and a major strength) that is constantly growing in value added services and production with a highly technological content. At this point, please allow me to make three remarks that I believe are important.

The *first* remark is that all of these European regions are industrial regions. Industry has clearly lost weight in favour of services, due to many and different reasons (which would take long to analyse), just as has happened around the world. But, nonetheless, they are regions where the importance of industry (in production and employment) continues to be plainly above the Community average. This clearly distinguishes them from the poorest and least developed regions of the Union, as well as, in the other extreme, from regions constituted around capitals of State specialised in financial and administrative services that have had a very strong growth, but are also very dependent on these services.

The *second* remark is that these economies, and the economy of Catalonia is a good example, are already carrying out a very intense process entailing the transformation toward more knowledge based and more technologically advanced industries. The case of Catalonia is quite clear. These sectors (knowledge and advanced technology intensive) have a higher level of dynamism than those of the rest of the economy, which is exemplified by the data showing that the annual pace of business creation (6.9%) is more than twice that of the whole.

And their significance is undoubtedly greater in Catalonia than in the rest of Spain and than in the European Union as a whole. In Catalonia, these sectors account for 11.6% of employment, whereas they account for 7.5% in Spain as a whole and 10.2% of the average for the European Union. Industry is neither a burden nor a constraint to the creation and fostering of the most advanced and innovative sectors of the economy. To the contrary, it is their most important tractor. On the condition,

naturally, that industry itself puts forth the necessary effort to adapt and that there are appropriate public policies.

And the *third* remark, which is in part related to the previous one, is that today this solid industrial base has become a noticeable strength for all of these regions. They are more prepared than others to deal with the crisis. They have a productive and business base that constitutes an asset of utmost importance. They are used to competing outside of administrative and tariff protections. And, above all, their activity is related to the real and productive economy rather than to the speculative and financial one.

Economic crisis and structural changes

This is the genuine reality of the Catalan economy. It is true that, at the present time, the Catalan and the Spanish economy are being severely hit by the economic crisis. As are, to different degrees, the economies of all of the regions around the world. There are also variations between the impact of the crisis in Catalonia with respect to Spain and of the two with respect to the European economy. Now, I do not have the time nor is the purpose of this brief talk to carry out an in-depth analysis of this issue. But, please allow me to give a few brief explanations of its most basic elements.

After a long period of growth of GDP, with rates above 3% and between one and two points above the European Community average, the Spanish and Catalan economy have gone into a recession. In 2007, growth reached 3.7% in Spain as a whole and 3.6% in Catalonia. We have ended the year 2008 with an average growth of approximately 1%. We have had negative growth during the last two quarters, which technically means that we are in a recession.

Forecasts for 2009 are, as you well know, of negative growth. The IMF, the EC and the OECD have estimated the rate of change of the Spanish GDP at approximately -1%, although other institutions and organisations are clearly more pessimistic, and it is not possible to disregard a negative growth equalling -2% or even less. But making forecasts at the present time is extremely risky. And doing so without enough information, or having to revise them every 15 days, only to satisfy media pressure does not make too much sense and could even be counter-productive. Because, if forecasts aim to anticipate negative behaviour, they simply help to worsen expectations; and if they communicate excess optimism, the contrast with a reality that is worse than forecast, ends up causing a negative 'shock'.

The undeniable fact is that we are already going through a period of severe economic crisis. Consumption is falling sharply. Investment is at a standstill.

And the increase in unemployment has been very worrying. The unemployment rate in the third quarter of 2008 (latest known data) in Catalonia was roughly 9%, and in Spain as a whole it was 11.3%. And everything leads us to think that when we have the data from the last quarter of 2008 (in one week), these percentages will have increased dramatically, likely having reached 11% in Catalonia and between 14% and 15% in Spain.

The economic crisis in Catalonia and in Spain obviously has essential aspects that are similar to those of other Western, especially European, countries. But there are also some distinguishing features that must be highlighted. On the one hand, in Spain, just like in the USA, the United Kingdom and Ireland, the real-estate bubble has been especially important. Construction amounted to 12.3% of GDP in 2007, when in other European countries (like France, Italy or Germany) it barely reached 6%.

On the other hand, Spain has an extremely high foreign current account deficit (totalling 10% of GDP), which would have been impossible if it had not formed part of the Euro zone, and which has only been possible to finance thanks to exceptional interest rate conditions, and to the abundance of liquidity in the financial markets. Conditions that are at the root of the current financial crisis and that surely will not happen in the future.

This circumstance, the Spanish economy's high level of foreign debt, explains, to a large extent, why the impact of the financial crisis in Spain also has special characteristics. It is much stronger in terms of liquidity, because our banks had to resort to foreign banks to obtain the financing our economy needed, and now the markets are closed. But, at the same time, it is currently much less serious in terms of solvency, because, precisely due to the reason I just stated, our banks didn't have excess resources to invest in toxic assets, as has happened in other cases.

These are specific characteristics of the crisis in Spain. As is the existence of extremely high structural unemployment. Even as the economy grew, as I stated before, at rates well above those of the EU, the unemployment rate was two or three points above the EU average, and in some regions (although not in Catalonia), the unemployment rate has hardly ever been lower than 12% .

The situation of the Catalan economy is also not exactly the same as that of the Spanish economy. In the first place, the weight of construction is markedly less than in Spain as a whole (10.8% instead of 12.3%). In the second place, the Catalan economy is plainly a more open economy than the Spanish one, so a possible recovery of the major European Union countries would have a more immediate and direct impact. Furthermore, as I stated earlier, regions with a

greater industrial and productive structure, as is Catalonia, are in a better position to deal with the crisis.

This is the situation we are currently in. Now it is time to act in two different directions. We must act using short-term economic measures that help to offset the decline in activity and that protect social sectors that may be particularly affected by the crisis. Nowadays, everyone is aware of the essential role of the public sector in achieving these objectives. With monetary and fiscal policy. Reducing interest rates as much as necessary and providing financing in all ways possible. And not only with monetary measures. Today, there is practically no Western government that doesn't practice determined fiscal activism. In other words, that doesn't use the budget to try to reactivate the economy, sustain demand and adopt suitable fiscal stimulus measures.

I hope that this crisis serves to leave behind budgetary fundamentalisms and dogmatisms. Both the dogmatism of those that don't want to set any limit for public deficit, even in periods of economic expansion, and the dogmatism of those that want to set limits that reality has clearly shown us are impossible to meet, when things are going badly, as is now the case.

Therefore, without a doubt, the first obligation of governments is to deal with the emergency. To act quickly and effectively in the face of the most troubling problems. But it is also necessary for us to act thinking about the future that will come after the crisis. Because, among other reasons, in Catalonia and in Spain, we will only truly overcome the crisis, if we genuinely contribute to a fundamental transformation of our model of competitiveness.

The crisis was caused, in part, by some of the structural weaknesses of our economy, and in any case has highlighted them. The excessive importance of the construction industry. The current account deficit of 10% that I referred to earlier, which is without a doubt partly due to the increased dynamism of the Spanish economy, but which also reflects a problem regarding a lack of competitiveness. The structural unemployment, which I also mentioned, of some regions of Spain.

That is why in order to overcome this crisis it is also necessary to restore the competitiveness of our economy. And we must bear in mind that we are now in the Euro zone. This is very fortunate. But it also means that we cannot resort to devaluation, which was the solution that was often used before to restore the competitiveness of the Spanish economy. It was an artificial solution, of course, because it made all of us poorer with respect to the rest of the world, but it allowed the immediate problem to be resolved while maintaining reasonable levels of activity. Now, this solution, fortunately if you will, is no longer possible.

We can only recover competitiveness by improving our economy's level of productivity. The adjustment will occur by one means or another: either that of the fall in real wages, the decline in economic activity and the destruction of employment or that of the improvement in productivity.

It is for this reason that we maintain that Catalonia will come out of this crisis stronger than before, as it has always emerged stronger from the crises that have preceded this one. It is precisely in times of crisis that certain transformations are more necessary and, in part, more inevitable. Because when things are going well, it is easier to adopt accommodating attitudes. By contrast, in times like these, efficiency becomes simply an essential requirement for surviving.

What is now at stake, with the measures and the attitude we adopt, is whether or not beginning in 2010 we will be really ready to start a new period of sustained growth built on a more solid foundation. This is the true issue that is now at stake, and this will critically depend on us being able to adopt the far-reaching measures required to transform our productive model.

A Catalonia that is a leader in Spain and in Europe

Catalonia is in excellent condition to address this future. Our economy is based on very solid foundations, which I referred to earlier. We have a GDP per capita that is among those of the most advanced regions of Europe. We have a solid industrial and business base. Knowledge and advanced technology-based companies and activities continue to emerge with increasing strength. We have leading universities and research centres. We have an institutional and legal framework that encourages business activity. We are a business friendly country. We have an economy that is extraordinarily open to other countries. And a first rate asset that is the city of Barcelona, the capital and engine of Catalonia, and one of the most attractive European cities for business (among the top five), according to the most respected rankings.

All the conditions are present to truly achieve the country that Catalan society aspires to. A Catalonia that aims to be at the forefront of Europe's most advanced regions, and of course among the most advanced of the Mediterranean basin. Who knows that it may help to bring together an extensive European region of approximately 20 million inhabitants consisting of the regions of south-eastern France (Midi-Pyrénées and Languedoc-Roussillon) and those of north-eastern Spain (Catalonia, Aragon, the Balearic Islands and Valencia) that have clear complementarities and common strategic interests. A Euro-region (the Pyrenees-Mediterranean Euro-region) that wants to be projected to the world from Europe. That can aspire to be a port of entry for

goods coming from Asia to all around Europe. A Catalonia that wants to and can be a point of reference, because of its universities and its research centres. In short, a Barcelona and a Catalonia that want to consolidate and affirm their position as leading European capitals.

As you will understand, this Catalonia has a lot to say and to propose in Spain. The crisis has once again given it a great responsibility. In part, because Catalonia is in a better position, it has a more solid foundation, to face it. In part, because the solutions to overcome the crisis (effort, a sense of responsibility, a hardworking spirit, entrepreneurial ability, confidence in a productive economy) have always been those that define Catalonia. Now it is time for Catalonia to play a leading role in Spain as a whole. It is ready to do it and it will not evade its mission.

Catalonia has always been Spain's main economic engine and its economic capital. Catalonia continues to be Spain's principal economic engine. I have shared data with you earlier. And now it shares the role of economic capital with Madrid. If you listen to people from Madrid, who are more, uninhibited than we are, they will say that they have conquered the condition of economic capital. But don't pay attention. What matters are facts, not words. "Look what they do, not what they say". Time will show that we will emerge from this crisis playing, without a shadow of a doubt, the role of economic capital of Spain.

Please note that this outlook does not come from an economic independence point of view. Not from Spain, nor from Europe, nor from the world. How could we be economic independentists in a globalised world, a world in which right now we are seeing the extent to which what happens in one corner of the world affects all of us and where it is necessary, precisely, to share political power and truly advance toward areas of shared sovereignty? To the contrary, Catalonia seeks to be at the forefront and to lead, if it can, the Spanish economy and the European economy.

Final remarks

Therefore, economic independentism, no, but own personality and having tools to express it and to fight to be at the forefront, definitely, yes. Please understand, then, that I would like to end this talk with three considerations that are related to the stimulating subject I just brought up: how we can express the political self-government of national realities like Catalonia in a pluri-national political framework.

In the first place, today territories compete with one another. In the globalised world we live in, companies compete, of course, but so do

territories. I invite you to look at it with a certain degree of attention, and you will see that all territories that are in the lead in the world have a number of traits in common: a large city that leads and structures the territory; transport and communication infrastructures capable of connecting the territory internally and with the rest of the world; top tier universities and research centres; a powerful business fabric and firms that can compete in the first division.

But in order to compete tools are necessary. And that requires governments that can apply the most suitable policies in areas as important as innovation, education and infrastructures (which I just referred to), as well as in fiscal areas. And naturally, it also requires resources for being able to put these policies into action. Therefore, Catalonia demands tools and resources to carry out the policies that we need today and that are necessary for the Catalan economy, of course, but also for the Spanish one.

And to the extent that many of these tools and resources are in the hands of the Spanish State, Catalonia demands objectivity and rigour. Catalonia is prepared to compete with Madrid for the role of economic capital of Spain, but at the same time, Catalonia demands, in this case, the State to act neutrally and to apply the rules of the game equally to everyone, thus thinking of the interests of Spain as a whole, without confusing Madrid with Spain. And this reflection brings me directly to the second point I would like to discuss.

In the second place, in fact, Catalonia is not only an economic reality. Catalonia is also a political reality. Catalonia is an old nation, with origins that date back to the 10th century and with its own millenary language and culture. A nation that had its own governmental institutions and that today exercises political self-government within the framework of the Spanish Constitution. In other words, it is an old nation that is proud of its roots and of its past. But, above all, it is a nation because of the will expressed by its citizens to work together for the future. It is, most of all, a nation, because it is a forge of equal citizens, no matter what their mother language is or what their country of origin is. Of citizens that have taken on Catalonia's national aspirations and that feel Catalan. Someone once said that the Welfare State has been an extremely powerful nation-making tool. The Catalan society as well. Because everyone that forms a part of the Catalan society, no matter where they come from, want this to be the land of their children.

Some have wanted to turn into a problem the fact that Catalonia has its own language, Catalan. The Catalan society does not experience as a problem in no way at all the existence of two languages, Catalan and Spanish, as two official and socially used languages. To the contrary, Catalonia is one of the few countries in the world where the small miracle that is bilingualism is nearly a reality. Almost everyone is able to express themselves in and to understand Catalan and Spanish. And if this bilingualism is not yet perfect, it's because Catalan is still on an inferior level in some areas.

The language immersion policy is the key to explaining this situation, because it has prevented the existence of a dual school system (one in Catalan and the other in Spanish), which would have unavoidably led to a country divided into two language communities and thus to a social fracture. However, those that do not accept the Catalan language as normal or do not accept the end of the domination of the Spanish language have decided to create an inexistent conflict. What is surprising is that certain Spanish media and a number of places in Spain report every day about the repression of Spanish and of the rights of Spanish speakers in Catalonia, repression that the alleged victims were unaware of.

Perhaps you are surprised that I have gone into such detail about an issue that you may not consider as being connected with the economy. If this is the case, please excuse me. But it does have to do with the economy, as does everything that affects social peace and the cohesion of a country. And, above all, I did not want to miss the opportunity to explain to such a distinguished auditorium what the situation of our country is with regard to language, or at least, what our vision of this situation is, and to ask you to help us make this situation known as it is, in the face of some ill-advised views that are sometimes disseminated and that we feel as very unfair and biased.

Before, I told you that Catalonia is a nation because of its history and, most of all, because of the fact that its citizens want to face their future and that of their children together. This nation exercises its political self-government within Spain and in accordance with the Spanish Constitution. The Statute of Autonomy of Catalonia is the law that embodies the political agreement regarding the self-government of Catalonia within Spain. And we are insistent that both sides of the equation, both parts of the agreement, be complied with: political self-government, on the one hand, and within Spain, on the other.

Some seem to forget the second half of the equation and demand full sovereignty for Catalonia, outside of Spain. Others seem to forget the first half of the equation and disregard what the Statute represents and what political self government means. They are those who cannot conceive a Spain other than a unitary Spain structured upon a single central political power that thinks and decides for all, those that don't accept a reality or national sentiment other than that which comes from Spanish nationalism.

We are demanding when it comes to both sides of the equation being met. Occasionally this puts us in especially complex situations. But also demands from us a special responsibility, because we know that our position is the position held by most of the Catalan society who wishes to identify with the double affirmation of Catalonia and of Spain. And not the position held by those who believe that to assert Catalonia is to refuse Spain; nor of those, on the other extreme, who believe that to assert Spain is to refuse Catalonia.

That is why we want a Catalonia that is involved in Spain, consistent with its importance and the leadership that corresponds to it; and a Spain that is involved in Catalonia, in accordance with what Catalonia is, Spain's principal economic engine.

By acting this way, we are making ours the best tradition of political Catalanism, a tradition that has always incorporated two fundamental goals: political self-government in Catalonia, in order to be able to attain the objectives sought by the Catalan society; and true involvement in the Spanish state, in order to transform it and modernise it. Nowadays, these two goals remain in full effect, and they are especially valid in the area of economics. We want self-government so that we have the tools that Catalonia needs to compete in an open world, a world in which territories compete with one another. But at the same time, we want to re-affirm our role as the engine and economic capital of Spain, and we are not afraid to assert that we're ready to assume the leadership that such a role entails.

The third point that I would like to make, and thus conclude my talk, is that today Europe is more necessary than ever. The crisis has revealed a contradictory sentiment: we want more Europe, and at the same time, we are unhappy and disappointed with the Europe we have and we criticise how the process to build Europe is unfolding. Sometimes, this contradictory view leads to ambiguous reactions that easily turn out into a primary anti-Europeanism, which is more a result of the shortcomings

that we still see in today's Europe than a rejection of a stronger, more powerful Europe.

But the crisis has overwhelmingly reminded us that many of the problems that European countries currently have can only be solved if they are dealt with together on a European level. Therefore, and although I prefer not to pronounce grand statements, I think that this crisis will mark a turning point in the European integration process. It will be a great test for Europe, from which it will either emerge stronger, which would mean taking an irreversible qualitative step toward increased political integration, or it will emerge weaker, perhaps definitively, and we will take a step backwards in some of the achievements that right now seem consolidated.

The crisis has shown us the extent to which co-ordination and co-operative action is essential in political, economic and monetary matters in order to act effectively and quickly. This cooperation can take place on a Community or inter-governmental level, depending on the circumstances. In fact, the crisis has revealed two things. First, that monetary measures are not enough, if they do not go hand in hand with measures that only governments can approve, such as budgetary and treasury-related measures. In other words, if they are not combined with political measures. It became clear during the most crucial moment of the financial crisis in mid-October.

At that time, it was largely the British government, led by Gordon Brown, who marked the way ahead. But the United Kingdom was able to take action using two tools: monetary and budgetary (that is to say, political). Whereas the Euro zone only had monetary tools within its reach. Therefore, it was necessary to co-ordinate actions as much as possible. And that is why, because we needed to co-ordinate political and monetary actions, in some countries we were able to witness the rather unusual image of meetings of the Council of Ministers, with the participation of the President of the European Central Bank, to jointly agree upon measures to save certain banks.

I was saying that the crisis had revealed two things. The second is that Keynesian-inspired fiscal measures are only effective if they are adopted in coordination on a European level. Firstly, because the extent to which our economies are integrated is very considerable and no one is willing to implement expansive policies on an isolated basis, if the effects are only going to benefit the neighbours. And secondly, because only if we decide together to revise or momentarily suspend the rules that we have

established for ourselves with regard to budgetary discipline can we do so without the markets penalising those who do.

However, the two issues that I have pointed out are fundamental in dealing with the crisis. It is necessary to act on monetary as well as on political and budgetary fronts at the same time. And we must act (as is happening around the world) using budgetary measures aimed at boosting and reviving the economy. So Europe will either take a step backward, which would be the more or less explicit result of a protectionist approach. Or, it will have to advance decidedly toward much more intense forms of political action on a European level, which would entail both much more significant and effective inter-governmental co-ordination and a clear and unmistakable political reinforcement of Community authorities. In other words, a genuine transferring of sovereignty over the powers of the state to the powers of the European Union.

European citizens want a Europe with its own voice, a Europe that is more involved in the world and more capable of acting together in the face of common problems. These citizens have felt identified with those European leaders, such as Nicolas Sarkozy and Gordon Brown, who, in these times of crisis, have been able to take decisions, make proposals and exercise true leadership.

Now we truly need to look forward toward this European political integration. Catalanism and Europeanism have always gone hand in hand, and now, at this decisive moment, Catalonia wants to be actively involved in this Europe. It wants to help make it possible. And to be at the forefront of European regions capable of contributing with their talent, knowledge, entrepreneurial spirit and openness to the world. In short, it wants to contribute to creating a Europe that is increasingly stronger economically, that is more socially cohesive and that is more involved in the world defending the most worthy and just causes of humankind. This is the Europe that many of us European citizens dream about. Count on Catalonia to help make it possible.