## Case

### at: spain econ collapse

#### Inevitable – aging crisis

**Spengler 17** Spengler, 9-30-2017, "Independence for Catalonia is a rational choice," No Publication, <http://www.atimes.com/article/independence-catalonia-rational-course-action/> OHS-AT

On the contrary: the Catalans would be foolish to stay. Spain faces an insurmountable economic crisis over the next generation, and the German-led bailout that got Spain out of free-fall in 2013-2014 will not happen again. “Sálvese quien pueda” – every man for himself – is the rational course of action under present circumstances. The relatively rich and productive Catalonians are better off on their own.

Spain will implode during the next 20 years, simply because its population is aging so fast that the cost of supporting its elderly will break the national budget. That is less an economic failure than a cultural one. Spain once was Europe’s most Catholic country, with a correspondingly high birth rate. Its Civil War of 1936-1939 brought to power a Catholic caudillo, Francisco Franco.



After his death in 1975 Spain became a constitutional monarchy, but the Spanish people eschewed the national-religious regime that Franco had enforced. Spain abandoned the altar as well as the cradle, and the economic consequences of its cultural revolution will become woefully manifest over the next two decades. As the chart makes clear, the collapse in Spanish fertility has nothing to do with Spain’s economic woes of the past several years: It occurred during the late 1990s when Spain’s economy was strong. It is purely a cultural phenomenon. As I argued in my 2011 book How Civilizations Die, the same thing happened in once-Catholic Quebec. Only 10% of Spanish Catholics attended mass in 2014 compared to 50% in 1970.

#### Eurozone is resilient --- ’08 proves crisis spurs further integration.

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The European Project looks in trouble once again. Mounting political extremism, feeble growth and the loss of its second largest economy shape a convincing case that the integration of Europe’s political and economic institutions has failed to deliver. The common currency, it appears, has created more mutual resentment among its members than mutual solidarity, and the calls for more exits has led many to conclude it was all a terrible mistake. And yet, it survives and in many ways prospers. The reinforcement of euro area institutions following a sudden stop in global financial flows suggests a surprising resilience. Indeed, the euro as a store of value did not suffer directly from the crisis. And for all the gnashing of teeth, euro area governments were forced to double down on their commitments to one another under the skeptical watch of global financial markets. Even in the face of certain voter rebellion, they opted for measures for integration rather than separation or dissolution. For a project that is perennially on the verge of collapse, it is worth re-examining how these leaders committed significant sums of taxpayer resources and agreed to an unprecedented sharing of sovereignty.¶ This paper argues that the resilience comes from the deep financial integration of the currency union that created both stronger links of interdependence among its members as well as greater flexibility to absorb shocks. On the one hand, the financial market turmoil made it painfully clear to European leaders that investors viewed Europe as more or less a single borrower notwithstanding a treaty that said otherwise. On the other hand, this integration, especially through the banking system, provided mechanisms to reallocate resources throughout the currency union in order to absorb the asymmetric hocks through liquidity injections, market purchases and the euro area payments system. Like the large noisy family they claim to be, European leaders found themselves stuck with the costs of their relatives’ mistakes, yet able to reallocate emergency resources under the table even as they sought to set up formal new rules to provide support and enforce discipline. If there is an optimistic case to be made for the euro area, it may be that strengthening its Banking Union can proceed even as the political climate makes structural reforms, fiscal pooling or labor mobility more difficult.2 Moreover, financial market forces may encourage progress on banking supervision and stability in spite of lingering voter doubts. Arguably, the European political calendar over the next year will put these ideas to their most severe test yet in key national elections. Until now, however, the “Financial Education of the Eurozone” is both the story of global markets forcing political leaders to take unpalatable steps to reinforce their monetary union, and the dawning realization that this very interdependence through markets and banks will likely drive further integration. Steady progress on the technical steps required to enshrine Banking Union and capital market integration may not be sufficient to secure the euro’s long-term survival, but they are necessary and realistic next steps amid the current political turmoil.¶ Europe still falls far short on key elements of what constitutes an “optimum currency union” (Mundell 1961; McKinnon 1963; Kenen 1969). Roughly summarized, economists have cited four key criteria to achieve optimality: factor mobility, including especially capital and labor, pooling of fiscal responsibility and synchronization of business cycles. Moreover, the political will to accept the economic policies of other members can make or break a currency union (Frankel 2004). While capital mobility has been relatively free within the euro area--and this paper argues crucial in keeping the common currency together--labor mobility has been more constrained. The absence of a common language seems to be a detail that many early champions of the common currency assumed away. As for fiscal integration, of course, the euro area has no central fiscal authority, with the EU budget itself representing only 1 percent of gross domestic product. On business cycles, while Europe’s commercial links were deep, it became clear from the emerging imbalances that these economies were hardly synchronized.3 These failures, in the context of a single currency, have substantially slowed the European recovery such that only in 2014 had it returned to its levels of output before the crisis.4 As for political will, even the successful summits have often come amid sniping and threats. Arguably, the costs of membership have rapidly surged to exceed the potential benefits.5¶ Indeed, the classic cyclical shock to a monetary union tips some member states into recession and opens disparities in growth rates and unemployment levels that are then locked in by a single currency. With other parts of the union relatively unaffected, there is no incentive to make the difficult decision to share resources for more than humanitarian needs. This leaves the only path of adjustment through a grinding nominal decline in wages and prices that triggers recriminations, populism and ultimately the decision to exit. In the case of the global financial crisis, the shock to Europe revealed very different problems in different places: a fiscal gap in Greece, a property bubble in Ireland, low growth in Portugal and myriad banking issues in Spain, Italy and Cyprus Left to fester individually, none of these disparate problems would have forced a significant response from other European members, either in terms of new rules to bolster better policy or new money to soften the pain of adjustment. As such, it is not difficult to imagine a much more turbulent series of events that included more than one euro member exiting the union¶ What early observers saw less clearly, however, was the surprising integration and interdependence of the member states through financial markets and their banking systems.6 If trade and investment did not flourish as promised, the single currency did open enormous opportunities in banking and finance. Banks rapidly expanded their exposures to other euro markets in search of higher returns where currency risk had apparently disappeared.7 This led to European economies that were both more integrated with one another and at the same time more susceptible to one another’s risks. Thus did isolated national issues like Greek public payrolls and Irish overbuilding suddenly become everyone’s problem. Each of these qualitatively different economic imbalances was quickly transmitted as large, undifferentiated potential losses through the financial system. Some of these potential losses arose from direct lending by French and German banks, for example, to the periphery. Some appeared from nowhere as suspicion turned to fear that much larger countries like Spain and Italy might lose market access. In any case, the sudden transmission of the global shock throughout the European financial system forced European leaders to pool resources and share sovereignty in ways that would have been unimaginable before the crisis. Whenever the price of further pooling of sovereignty and resources looked unacceptably high, euro governments determined that the costs of dissolution would be even higher and could not be compartmentalized. Indeed, most leaders chose policies that eventually lost them their own jobs over the prospect of immediate financial calamity.8¶ This study reviews the historical and political context that shaped European monetary union through the financial crisis, and then traces how unexpected financial market pressures forced European leaders to sweep aside treaty restrictions in order to build a joint fiscal backstop and consent to active central bank intervention on their joint accounts. A third section explores the efforts to encourage, and at times impose, structural reforms, which created a framework to address the currency union’s structural imbalances, even if its credibility remains dubious. Fourth, the study examines the financial interdependence of the currency union that, for all the concerns about fiscal transfers, actually provided a mechanism for financial transfers that helped absorb the shocks. At the same time, these deep financial linkages also made each member vulnerable to the instability of the others and prompted euro governments to impose unprecedented centralized supervision on their own largest banks. In a fifth and final section, this paper assesses the resilience of what must for the foreseeable future remain a “suboptimum currency union” and suggests a policy agenda to secure the recent gains. While further fiscal integration or structural reforms that boost labor mobility may be difficult to imagine short of another crisis, steady and quiet progress on banking union may still be possible. The outcomes are hardly inevitable, as political leaders could miscalculate and voter moods could sour further. Competitive adjustments and structural reforms do not immediately boost growth, which creates fertile ground for populism and isolationism. 9 Still, the lesson of the last several years suggests that members of the euro area must either hang together or hang separately. Ironically, perhaps, the same integration through financial markets and banks that makes members of Europe’s currency union vulnerable to one another also makes the entire structure more likely to endure. As one journalist put it, Europe finds itself in an unhappy marriage with prohibitive divorce costs (Walker 2016).

### at: war

#### Collapse doesn’t cause war

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Do economic downturns generate pressure for diversionary conflict? Or might downturns encourage austerity and economizing behavior in foreign policy? This paper provides new evidence that economic stress is associated with conciliatory policies between strategic rivals. For states that view each other as military threats, the biggest step possible toward bilateral cooperation is to terminate the rivalry by taking political steps to manage the competition. Drawing on data from 109 distinct rival dyads since 1950, 67 of which terminated, the evidence suggests rivalries were approximately twice as likely to terminate during economic downturns than they were during periods of economic normalcy. This is true controlling for all of the main alternative explanations for peaceful relations between foes (democratic status, nuclear weapons possession, capability imbalance, common enemies, and international systemic changes), as well as many other possible confounding variables. This research questions existing theories claiming that economic downturns are associated with diversionary war, and instead argues that in certain circumstances peace may result from economic troubles. I define a rivalry as the perception by national elites of two states that the other state possesses conflicting interests and presents a military threat of sufficient severity that future military conflict is likely. Rivalry termination is the transition from a state of rivalry to one where conflicts of interest are not viewed as being so severe as to provoke interstate conflict and/or where a mutual recognition of the imbalance in military capabilities makes conflict-causing bargaining failures unlikely. In other words, rivalries terminate when the elites assess that the risks of military conflict between rivals has been reduced dramatically. This definition draws on a growing quantitative literature most closely associated with the research programs of William Thompson, J. Joseph Hewitt, and James P. Klein, Gary Goertz, and Paul F. Diehl.1 My definition conforms to that of William Thompson. In work with Karen Rasler, they define rivalries as situations in which “[b]oth actors view each other as a significant politicalmilitary threat and, therefore, an enemy.”2 In other work, Thompson writing with Michael Colaresi, explains further: The presumption is that decisionmakers explicitly identify who they think are their foreign enemies. They orient their military preparations and foreign policies toward meeting their threats. They assure their constituents that they will not let their adversaries take advantage. Usually, these activities are done in public. Hence, we should be able to follow the explicit cues in decisionmaker utterances and writings, as well as in the descriptive political histories written about the foreign policies of specific countries.3 Drawing from available records and histories, Thompson and David Dreyer have generated a universe of strategic rivalries from 1494 to 2010 that serves as the basis for this project’s empirical analysis.4 This project measures rivalry termination as occurring on the last year that Thompson and Dreyer record the existence of a rivalry. Economic crises lead to conciliatory behavior through five primary channels. (1) Economic crises lead to austerity pressures, which in turn incent leaders to search for ways to cut defense expenditures. (2) Economic crises also encourage strategic reassessment, so that leaders can argue to their peers and their publics that defense spending can be arrested without endangering the state. This can lead to threat deflation, where elites attempt to downplay the seriousness of the threat posed by a former rival. (3) If a state faces multiple threats, economic crises provoke elites to consider threat prioritization, a process that is postponed during periods of economic normalcy. (4) Economic crises increase the political and economic benefit from international economic cooperation. Leaders seek foreign aid, enhanced trade, and increased investment from abroad during periods of economic trouble. This search is made easier if tensions are reduced with historic rivals. (5) Finally, during crises, elites are more prone to select leaders who are perceived as capable of resolving economic difficulties, permitting the emergence of leaders who hold heterodox foreign policy views. Collectively, these mechanisms make it much more likely that a leader will prefer conciliatory policies compared to during periods of economic normalcy. This section reviews this causal logic in greater detail, while also providing historical examples that these mechanisms recur in practice. Economic Crisis Leads to Austerity Economic crises generate pressure for austerity. Government revenues are a function of national economic production, so that when production diminishes through recession, revenues available for expenditure also diminish. Planning almost invariably assumes growth rather than contraction, so the deviation in available revenues compared to the planned expenditure can be sizable. When growth slowdowns are prolonged, the cumulative departure from planning targets can grow even further, even if no single quarter meets the technical definition of recession. Pressures for austerity are felt most acutely in governments that face difficulty borrowing to finance deficit expenditures. This is especially the case when this borrowing relies on international sources of credit. Even for states that can borrow, however, intellectual attachment to balanced budgets as a means to restore confidence—a belief in what is sometimes called “expansionary austerity”—generates incentives to curtail expenditure. These incentives to cut occur precisely when populations are experiencing economic hardship, making reductions especially painful that target poverty alleviation, welfare programs, or economic subsidies. As a result, mass and elite constituents strongly resist such cuts. Welfare programs and other forms of public spending may be especially susceptible to a policy “ratchet effect,” where people are very reluctant to forego benefits once they have become accustomed to their availability.6 As Paul Pierson has argued, “The politics [of welfare state] retrenchment is typically treacherous, because it imposes tangible losses on concentrated groups of voters in return for diffuse and uncertain gains.”7 Austerity Leads to Cutbacks in Defense Spending At a minimum, the political costs of pursuing austerity through cutbacks in social and economic expenditures alone make such a path unappealing. In practice, this can spur policymakers to curtail national security spending as a way to balance budgets during periods of economic turmoil. There is often more discretion over defense spending than over other areas in the budget, and it is frequently distantly connected to the welfare of the mass public. Many militaries need foreign arms and foreign ammunition for their militaries, so defense expenditures are doubly costly since they both take up valuable defense budget space while also sending hard currency overseas, rather than constituencies at home. Pursuing defense cuts may also conform to the preferences of the financial sector, which shows a strong aversion to military conflict even if that means policies of appeasement and conciliation.8 During periods of economic expansion, the opportunity costs associated with defense expenditure—the requirement for higher taxes or foregone spending in other areas—are real but acceptable. Economic contraction heightens the opportunity costs by forcing a choice between different types of spending. There is a constituency for defense spending in the armed services, intelligence agencies, and arms industries, but even in militarized economies this constituency tends to be numerically much smaller than those that favor social and economic expenditures over military ones. Defense Cutbacks Encourage Rapprochement An interest in defense cutbacks can lead to conciliatory behavior through two paths. First, the cutbacks themselves serve as a concrete signal to adversaries that the military threat posed by the economically distressed state is declining. This permits the other state to halt that portion of defense spending dedicated to keeping up, breaking the back of ongoing arms races through reciprocated, but non-negotiated moves. Unilateral conventional force reductions were a major element of Gorbachev’s foreign policy in the late 1980s, alongside negotiated strategic arms control, and diplomatic efforts to achieve political understandings with the United States.9 Gorbachev similarly used force reductions in Afghanistan, Mongolia, and the Soviet Far East to signal to China in 1987 that he was serious about political negotiations.10 Elsewhere, non-negotiated, tit-for-tat military redeployments facilitated Argentina-Brazil rapprochement.11 Second, leaders may believe cutbacks are necessary, but would be dangerous in the absence of negotiated improvements with traditional foes. Economic downturns can serve as motivation to pursue arms control or political settlement. During periods of normalcy, such outcomes would be positives, but are viewed as “too hard” by political leaders that move from one urgent problem to the next. During periods of economic crisis, however, arms control or political improvements might allow for much needed cuts in defense spending, and are pursued with greater vigor. The Johnson administration attempted both unilateral and negotiated arms limitations because of budgetary concerns as President Johnson and Secretary McNamara struggled to pay for the “Great Society” domestic programs and the increasingly costly Vietnam War. They first attempted unilateral “caps” on costly nuclear forces and anti-ballistic missile defenses and when this failed to lead to a reciprocal Soviet response they engaged in formal arms control talks. Détente continued in the Nixon administration, accelerating in 1971 and 1972, simultaneous with rising budget deficits and inflation so serious that Nixon instituted price controls. Nixon’s decision to sharply limit anti-ballistic missile defenses to enable arms control talks was contrary to his strategic views, but necessitated by a difficult budgetary environment that made paying for more missile defense emplacements unrealistic.12 As Nixon told his national security advisor Kissinger in an April 1972 discussion of ballistic missile and anti-ballistic missile developments: “You know we've got a hell of a budget problem. We've got to cut it down, we've got to cut 5 billion dollars off next year's defense budget. So, I don't want to [inaudible: do it?] unless we've got some settlement with the Russians.”13 In practice, unilateral defense cuts and force reductions are frequently combined with negotiated political agreements in a sequential, iterative fashion, where a unilateral reduction will signal seriousness that opens the way for political agreement, which in turn permits even deeper reductions. Defense cuts and force reductions are not only a means to achieve rivalry termination, but also a goal in and of themselves that rivalry termination helps secure. Leaders are seeking resources from defense they can use elsewhere. Thus when Argentine leader Raul Alfonsín campaigned for the need for drastic budgetary austerity, his specific “platform was the reduction of military spending to use it for the other ministries, connected with the concept of eliminating the hypothesis of conflict” with Argentinian rivals, according to Adalberto Rodríguez Giavarini, who served in Alfonsín’s ministry of defense (and later was Argentina’s foreign minister).14 Similarly, Gorbachev was motivated to reduce arms in the late 1980s because he determined it was necessary to cut Soviet defense spending and defense production, and repurpose part of the defense industry to make consumer and civilian capital goods, according to contemporary U.S. Central Intelligence Agency classified assessments.15 Thus the “main reason” why strategic arms control breakthroughs occurred from 1986 to 1988 and the Soviet Afghan intervention concluded in 1989 was a realization within the Politburo of “excessively high expenditures on defense,” according to Nikolai Ryzhkov, Gorbachev’s prime minister.16 Economic Downturns Provoke Strategic Reassessment: Threat Deflation and Prioritization Economic downturns encourage leaders to seek new ideas to use to frame their policy problems. During periods of economic difficulty, elites can come to realize that their problems are not amenable to old solutions, and search for new ideas.17 During an economic crisis, politics and policy are “more fluid,” as old answers seem stale and insufficient.18 An ideational entrepreneur that can link economic lemons to foreign policy lemonade can find a patron when leaders are casting about for ways to reframe the world in acceptable ways to their peers and publics. The behavior of an old foe is often ambiguous, and can be viewed as either injurious to one’s interests or neutral toward them. During periods of normalcy, the motivation of defense establishments is tilted toward threat and danger. During periods of economic crisis, national leaders have a counteracting motivation to downplay such dangers, so that the threats faced by a nation are manageable through available resources. Economic difficulties provide a motivation for leaders to view equivocal signals from the international system in a way that is benign. To the extent that rivalries are perpetuated because of threat inflation, economic downturns provide incentives to deflate the threat, potentially disrupting cycles of competition and enmity. South Korean president Kim Dae-jong came to power in the aftermath of the 1998 Asian economic crisis, pursued a “sunshine policy” toward the North, cut South Korean defense spending in nominal and real terms, and pursued a policy toward North Korea that political scientist Dong Sun Lee called “threat deflation” despite the growing North Korean nuclear weapons threat.19 Economic crises can also spur strategic reassessment through another channel. If leaders view economic problems as structural, rather than a temporary gale, they may come to question whether available national resources are sufficient to confront all of the national threats identified in the past. This creates incentives to economize threats, seeking political settlements where possible in order to focus remaining resources on competitions that can be won. A concrete example: in 1904, the chancellor to the Exchequer wrote his cabinet colleagues: “[W]e must frankly admit that the financial resources of the United Kingdom are inadequate to do all that we should desire in the matter of Imperial defense.”20 The result was a British decision to minimize political disagreement with the United States and focus on other defense challenges. While such a decision is in line with realist advice, it occurred not when the power trajectories were evident to British decisionmakers but when the budget situation had reached a crisis that could no longer be ignored. Economic Downturns Increase Incentives for International Economic Cooperation Economic downturns not only create incentives to cut spending, they encourage vigorous pursuit of opportunities for economic cooperation. This, too, can engender conciliatory behavior. Economic downturns can increase motives to pursue trade and investment. Rivalries with old foes often directly impinge on trade and investment with the adversary and may indirectly impinge on trade and investment with third parties, especially if the rivalry is viewed as being likely to generate disruptive military conflict. Additionally, economic aid is sometimes used as an inducement for adversaries to set aside a political dispute. This aid can either serve as a side payment from one rival to another, or it can be offered by a third party to one or both rivals as an incentive to set aside lingering disputes. Such aid is more attractive during periods of economic turmoil than during periods of comparative normalcy. In South Asia, India and Pakistan struggled from 1947 to 1960 with how to manage water resources in the Indus Rivers basin, inheriting a canal system meant to service pre-partitioned India. Pakistan, suffering an economic downturn, and India, reliant on foreign aid to avert economic crisis, agreed to an Indus Waters Treaty in 1960 to resolve the lingering dispute, made possible in substantial part because of World Bank financing that was especially attractive to the struggling economies. In the Middle East, Egypt and Israel made the hard choices necessary for the Camp David accord in 1979 precisely because the Sadat and Begin governments faced difficult economic situations at home that made the U.S. aid guarantee in exchange for a peace agreement especially attractive.21 In 1982, the Yemen’s People’s Republic agreed to stop its attempts to destabilize Oman, because otherwise Yemen would not receive economic assistance from Arab oil producing states that it desperately needed.22 In the late 1990s, El Niño-induced flooding devastated Ecuador and Peru, spurring reconciliation as leaders sought to increase trade, secure investment, and slash military expenditures so they could be used at home.23 As one Western diplomat assessed at the time, Ecuador and Peru “have decided it's better to see reason…. They see foreign companies eager to invest in South America, and if Peru and Ecuador are in conflict, it makes them less attractive than, say, Argentina or Brazil or Chile for investment purposes. That's the last thing either country wants.”24 Economic Downturns Can Cause Meaningful Leadership Change The above mechanisms have identified how economic difficulties can alter the preferences of an incumbent leader. Additionally, economic crises can lead to leadership turnover and, during periods of difficulty, the selection process that determines new leadership can loosen ideological strictures that relate to extant rivalries. Leaders may be selected based on judgments about their ability to cope with economic problems, with greater elite acceptance of ideological heterogeneity in foreign policy beliefs than in periods of normalcy.25 In Stephen Brooks and William Wohlforth’s words, “If everything is going well or is stable, then why select leaders who might subvert the triedand-true identity? But if that identity is leading to increased material difficulties, pressure for change will likely mount. In these circumstances, those who are willing to alter or adjust the hallowed precepts of the existing identity and its associated practices are more likely to assume power.”26 Economic crisis, then, can spur incumbent leaders to either abandon the “baggage” of rivalry or facilitate the selection of new leaders that do not carry such baggage. The most well-known example of an incumbent selectorate looking for a reformer, even one without much foreign policy experience, involves Mikhail Gorbachev’s ascension to the Soviet premiership

#### No impact to EU collapse – prefer comparative ev.

María Carmen and Martín Palacios 17 “What Would Happen to Security in Europe if the European Union Broke Up?”, http://www.sirjournal.org/research/2017/9/27/what-would-happen-to-security-in-europe-if-the-european-union-broke-up

This is the second alternative scenario that could follow the collapse of the EU. Even though EU members will initially seek to protect themselves from the consequences of the break-up, they will soon be likely to restore neighbouring relations, even if not tied by a common European project. This logic of response can be divided into two phases. The first collective reaction will imply a fever of nationalistic protection. Former EU members will focus on guaranteeing security among their borders, aiming to safeguard themselves from the direct consequences of this potential break-up. As politics and economics are strongly tied together, a failure of the European project will be reflected in the performances of global stock markets. The strong bond that the EU project has developed among its members throughout the years will perform as a domino effect, so its dissolution will derive in a global political and economic crisis. The magnitude of this crisis will certainly surpass the 2007 mortgage crisis (Beattie,2015), as financial pessimism will go alongside a major feeling of political pessimism and uncertainty. Nonetheless, the will of democracy and the need of restoring normality among European policy-making will prevail over this initial feeling of mistrust. Globalisation has emphasized the importance of cooperation policy instruments when seeking to preserve international security, which is understood as the major goal of modern international relations. (Davis, 2015) That is why a post-EU cooperation scenario would be more likely to take place, rather than the birth of a hostile playing field. We have to bear in mind that the EU has never had its own proper military body. Rather, it has relied on the willingness of the member states of prioritizing peace and stability above all. This illuminates how modern European states have somewhat overcome the fear of aggression, not only between EU member states, but also between EU countries and their closest bordering-neighbours. Non-aggression treaties are no longer necessary, as this assumption of non-belligerency among European countries has been taken for granted since the fall of the Iron Curtain. (Péter Balázs, 2014) This pursuit of common stability has been translated into cooperation agreements, as a major instrument to reinforce the bond between European countries. Trade has been the main promotor of these kind of pacts, and we majorly owe it Treaties such as the Schengen Agreement. The Schengen Area, operative since 1985, is the region that includes 26 European countries that have abolished passport and any other type of border control at their mutual borders. Thereby, Schengen mostly functions as a single country for international travel purposes, with a common visa policy. This Treaty is just an example of how current EU members collaborate even with other countries that don ́t belong to the Union (Switzerland, Norway, Sweden) to pursue European stability, and consequently to improve European security. Treaties such as the Schengen Agreement or the current controversial TTIP prove that the cooperation willingness goes beyond the borders of the current EU alliance. Thus, if the European Union happened to collapse, it is reasonable to believe that its former members will still try to pursue mutual aid in order to shortly restore the rules of policy-making after the dissolution of common European institutions. In brief, cooperation will be used as a major instrument to fight against uncertainty and to preserve European security. Even if not tied by the common EU subject, European countries are aware of the motto “United we stand, divided we fall” and will surely seek to develop a safe European chessboard for its inhabitants. We can base this hypothesis on the ongoing exit process of the United Kingdom from the EU, largely known as “Brexit”. Contrary to countless opinion polls before the referendum of the 23 of June, UK decided to leave the European Union. This decision brought a series of major concerns, whose core was the preservation of European and British security. Thus, the discussion of the situation of British expats and European citizens living and working in the UK immediately followed the result of the referendum. (Burton, 2016). Ensuring them minimum levels of political security has become the trendiest issue of discussion and, consequently, a priority in the exit process. (Faleg, 2016) Moreover, Brexit accounts for a learning by doing3 lesson. We will witness in the following months the results of the decisions taken both by the EU and the UK, but we can state in advance that securing the balance of governance and policy-making will be the main premises of the negotiating process. Consequently, we can extrapolate the current cooperative reaction of EU members towards Brexit and assume that they would follow a similar logic of procedure if the European Union finally happened to collapse. The assumptions of this pro-cooperation scenario are funded in liberalist arguments. (Verhofstadt, 2012). As liberalism is the main theory that inspired the creation of the European Union, it is reasonable to think that its potential dissolution will also follow the principles of liberalism. Thereby if the EU broke-up, former union members would be expected to cooperate not only to guarantee their own stability but also to ensure the development of solid and peaceful bonds with other European countries in order to safeguard prospective political relations. (Faleg, 2016)

### at: populism

#### Populism key to econ – turns case

Dani Rodrik 18, Project Syndicate, 1-9-2018, "In Defense of Economic Populism", https://www.project-syndicate.org/commentary/defense-of-economic-populism-by-dani-rodrik-2018-01 -- CR

Populists’ aversion to institutional restraints extends to the economy, where exercising full control “in the people’s interest” implies that no obstacles should be placed in their way by autonomous regulatory agencies, independent central banks, or global trade rules. But while populism in the political domain is almost always harmful, economic populism can sometimes be justified. Start with why restraints on economic policy may be desirable in the first place. Economists tend to have a soft spot for such restraints, because policymaking that is fully responsive to the push and pull of domestic politics can generate highly inefficient outcomes. In particular, economic policy is often subject to the problem of what economists call time-inconsistency: short-term interests frequently undermine the pursuit of policies that are far more desirable in the long term. A canonical example is discretionary monetary policy. Politicians who have the power to print money at will may generate “surprise inflation” to boost output and employment in the short run – say, before an election. But this backfires, because firms and households adjust their inflation expectations. In the end, discretionary monetary policy results only in higher inflation without yielding any output or employment gains. The solution is an independent central bank, insulated from politics, operating solely on its mandate to maintain price stability. The costs of macroeconomic populism are familiar from Latin America. As Jeffrey D. Sachs, Sebastián Edwards, and Rüdiger Dornbusch argued years ago, unsustainable monetary and fiscal policies were the bane of the region until economic orthodoxy began to prevail in the 1990s. Populist policies periodically produced painful economic crises, which hurt the poor the most. To break this cycle, the region turned to fiscal rules and technocratic finance ministers. Another example is official treatment of foreign investors. Once a foreign firm makes its investment, it essentially becomes captive to the host government’s whims. Promises that were made to attract the firm are easily forgotten, replaced by policies that squeeze it to the benefit of the national budget or domestic companies. But investors are not stupid, and, fearing this outcome, they invest elsewhere. Governments’ need to establish their credibility has thus given rise to trade agreements with so-called investor-state dispute settlement (ISDS) clauses, allowing the firm to sue the government in international tribunals. These are examples of restraints on economic policy that take the form of delegation to autonomous agencies, technocrats, or external rules. As described, they serve the valuable function of preventing those in power from shooting themselves in the foot by pursuing short-sighted policies. But there are other scenarios as well, in which the consequences of restraints on economic policy may be less salutary. In particular, restraints may be instituted by special interests or elites themselves, to cement permanent control over policymaking. In such cases, delegation to autonomous agencies or signing on to global rules does not serve society, but only a narrow caste of “insiders.” Part of today’s populist backlash is rooted in the belief, not entirely unjustified, that this scenario describes much economic policymaking in recent decades. Multinational corporations and investors have increasingly shaped the agenda of international trade negotiations, resulting in global regimes that disproportionately benefit capital at the expense of labor. Stringent patent rules and international investor tribunals are prime examples. So is the capture of autonomous agencies by the industries they are supposed to regulate. Banks and other financial institutions have been especially successful at getting their way and instituting rules that give them free rein. Independent central banks played a critical role in bringing inflation down in the 1980s and 1990s. But in the current low-inflation environment, their exclusive focus on price stability imparts a deflationary bias to economic policy and is in tension with employment generation and growth.2 Such “liberal technocracy” may be at its apogee in the European Union, where economic rules and regulations are designed at considerable remove from democratic deliberation at the national level. And in virtually every member state, this political gap – the EU’s so-called democratic deficit – has given rise to populist, Euroskeptical political parties.1 In such cases, relaxing the constraints on economic policy and returning policymaking autonomy to elected governments may well be desirable. Exceptional times require the freedom to experiment in economic policy. Franklin D. Roosevelt’s New Deal provides an apt historical example. FDR’s reforms required that he remove the economic shackles imposed by conservative judges and financial interests at home and by the gold standard abroad.

### at: solvency

#### The plan will literally do nothing - Catalonian separatist movements are historically, culturally, and economically driven - here’s a short history lesson

**Dunn 17** Lisa Dunn, 10-3-2017, "Catalonia Is Ready To Break Away From Spain For Good — Here’s What’s Going On," Elite Daily, <https://www.elitedaily.com/p/why-does-catalonia-want-independence-the-spanish-region-is-ready-to-secede-after-violent-vote-2780160> OHS-AT

A referendum on independence for the Spanish autonomous community of Catalonia (Catalunya in Catalan, Cataluña in Castellano) turned violent on Oct. 1, when Spanish police injured hundreds of people in an attempt to stop the vote. The referendum proceeded despite the violence, now, the regional president is saying the region will secede from Spain in the coming days. But why does Catalonia want independence?

Spain's national government says that the Catalan independence vote is illegal, as the country's constitution doesn't allow for self determination. But Spain's 40-year-old democracy is still a tenderfoot next to the deep-seated desire for Catalonian independence. In fact, the push for independence is a story a few hundred years in the making.

WHY DO THEY WANT INDEPENDENCE?

The long and short of it is that many Catalans don't feel Spanish. The local language is Catalan, not Spanish. Their culture is not Spanish—with distinctive holidays, food, music, and traditions unique to the region—and their history is distinct from Spain's, stretching back to the Middle Ages.

But it's not just cultural: Catalonia wants to break from Spain is because many in the region believe they give more than they receive, economically speaking. For years, Catalonia has been a major contributor to the Spanish economy, which was ravaged in the global financial crash of 2008, according to CNBC. That's also partially why Spain is so hesitant to let the region become independent, as it would be a serious blow to the Spanish economy. According to CNN Money, Spain stands to lose about 20 percent of its economy if Catalonia splits.

IS THIS THE FIRST TIME CATALONIA HAS CALLED FOR INDEPENDENCE?

Not even close. The history of Catalonia is basically hundreds of years of a distinctive culture trying to break away from a country that many see as colonizers.

While Spain's constitution — which deemed the referendum illegal — has only been in place since 1978, Catalan separatist movements have surged semi-regularly since the crowns of Aragón and Castilla united in the 15th century.

HUNDREDS OF YEARS IN THE MAKING.

According to the BBC, the region now known as Catalonia — which includes the economically powerful, cosmopolitan city of Barcelona — willingly became part of the Crown of Aragón in the 12th century. At the time, Catalonia was allowed to keep its own rights and parliament as part of the dynasty.

It wasn't until the marriage of Ferdinand of Aragón and Isabel of Castilla (yes, the same crown that funded Christopher Columbus) in the mid-15th century that what is modern Spain started to take shape, and Catalonia's discontents were laid bare.

The marriage of Aragón to Castilla essentially marked the end of economic and political independence for Catalonia, and after years of economic decline, Catalonia rebelled in what is called the Reapers' War from 1640 to 1659. They broke from Spain under the protection of France, but that ended with the Treaty of Westphalia.

Catalonia also made several attempts to broker more power and political independence throughout the 18th century—all of which were crushed by Spain. In fact, in 1716, after the War of Spanish Succession, Catalonia's government was completely dissolved, and Spain attempted to crush their culture, banning Catalan and closing many of their universities.

AND MORE RECENTLY?

In the late 19th century, Catalonia started to experience economic development, which led to a resurgence in the use of Catalan language and a concerted effort to strengthen Catalan culture—which led to "a resurgence of separatist sentiment," per CNN.

The first half of the 20th century is a story of alternating steps forward and crushing blows for Catalan independence: starting with gaining limited self-governance in 1913, followed swiftly by suppression under Spanish Prime Minister Miguel Primo de Rivera in the 1920s. Shortly after that in 1931, Spain became a republic, and Catalonia created a regional government, enjoying more autonomy. But after the Spanish Civil War in the 1930s, fascist dictator Francisco Franco once more viciously suppressed Catalonian culture.

After Franco died in 1975 and Spain became a democracy in 1977, Catalonia became an autonomous community, enjoying some economic and political independence. But the desire for true independence never went away. In 2014, the region held a non-binding vote on independence, in which 80 percent voted to leave Spain.

And in 2015, separatist parties won the majority of seats in the Catalan parliament, according to CNBC — though they still only won approximately 48 percent of the vote, hardly a mandate.

In short: while what is now modern Spain wrested independence from Catalonia centuries ago, the region has never lost its desire for independence.

WHAT'S GOING ON NOW?

According to The Guardian, more than 90 percent of the 2.26 million people who voted in the referendum on Oct. 1 chose independence. Eight percent voted "no" and the rest were blank or void. That sends the Spanish government a pretty clear message: the overwhelming majority of Catalans want to be independent from Spain.

#### Duh

**Foster 17** Alice Foster, 10-27-2017, "Why does Catalonia want independence? Why does it want to secede from Spain?," Express.co.uk, <https://www.express.co.uk/news/world/872069/Catalonia-why-want-independence-secede-from-Spain-Madrid-Barcelona> OHS-AT

But why does Catalonia want independence so much? Catalan President Carles Puigdemont has long argued that Catalonia had a moral, cultural, economic and cultural right to self-determination. Catalonia is home to the vibrant city of Barcelona and pro-separatists see independence as way to cut itself loose from Spain’s economic woes. Support for independence has grown in recent years, especially after the Spanish constitutional court controversially amended Catalonia’s statue of autonomy. In 2006, a reformed version of Catalonia's autonomy statute described Catalonia as a ‘nation’ and gave the regional government greater power. But in 2010 the constitutional court in Madrid struck down part of the statute, finding there was no legal basis for recognising Catalonia as a nation. This decision sparked mass protests and widespread anger, giving the independence movement a new lease of life. Nevertheless the current stand-off between Catalonia and Spain goes a lot further back. Catalonia has a proud cultural heritage, its own language and a centuries-long history of antagonism towards Spain. There are also dark memories of repression under dictator Francisco Franco who brutally suppressed Catalonia’s culture and autonomy. In fact, Catalonia’s drive toward regional autonomy was one of the reasons behind Franco’s rebellion which began the Spanish Civil War in 1936. Aside from the long, turbulent historical context, deep divisions also exist within Catalonian politics and society in the present day. Political scientist Roger Senserrich has argued that crisis is not a fight between Spain and Catalonia but stems from divisions within Catalonia. “At its core, the Catalan conflict is about deep divisions within Catalonia, with both sides divided along somewhat familiar political fault lines,” he wrote on an LSE blog. He said that Catalans who want a clean break with Spain tend to live in rural areas, outside Barcelona, where the Catalan language is far more prevalent than Spanish. He added unionists tend to be more urban, live in more diverse communities, speak Spanish at home instead of Catalan, and have less education, as well as lower incomes. “As usual, the Regional Government has claimed, over and over, that they are speaking for all Catalans and that this is a conflict between two nations,” he said.