

A Surprising Spike in the Euro, Despite Catalan Independence Bid

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Sitting at a red light, I saw a throng of Catalans huddled around a phone. They had flags on their backs. And they gave a cheer as the bus took off.

Their leader had declared independence. Sort of.

The independence declaration delays its own implementation. It's a good example of how the law works in Spain. It's just a consideration – a starting point for negotiations and compromise.

The Catalans want a dialogue before going it alone on their new country. Which is bizarre unless there's more to the whole drama than simple independence. Is it all just a ploy to force something?

The Catalan negotiation position isn't something I can figure out though. There are various levels of autonomy within Spain, let alone leaving it altogether. Catalonia is one level below the highest existing level of autonomy. So there's room for compromise.

The Catalans are divided among themselves for what the goal of the independence movement really is too. So it's all very unclear.

The Spanish are clear, for once. They deny everything. The vote, the right to vote, the right to leave and the opening of dialogue. The government doesn't negotiate with hostage takers. And the Catalan leaders have taken Spain's financial health hostage.

The key claim made by the Spanish government is that the whole affair is illegal. It's hilarious to see people speaking in legalese as though an independence movement and its declaration need be legal under the government's laws.

The whole point of a declaration of independence is that it establishes a new legal monopoly and flouts the old one. And even when the right to secede was provided for, it didn't work out terribly well when Americans actually tried it. Governments don't like giving up power or land.

The Spanish government meets today in a cabinet crisis meeting to figure out how to avoid the two. Its response is really the key question. So far, the Catalans haven't delivered any surprises.

What I don't understand is why Catalonia's independence is such a terrible idea. European nations have been reshuffling and renewing for a very long time. That's given rise to all sorts of bizzarrities. This is just the latest example. As MEP Daniel Hannan pointed out at our conference, the number of countries has grown rapidly over the decades.

Yes, Catalonia's wealth is an important part of Spain. And the departure could trigger a financial crisis in Spain. But it's not like the [central bankers can't paper over such problems](#). And they're a small price to pay for respecting basic democratic will.

Think about how foreign despotic enemies of Europe are reporting about what's going on. Their government news agencies must be as happy as Zimbabwe's former [central bank](#) president Gideon Gono was when the Federal Reserve announced [quantitative easing](#). This is total vindication.

We've seen voters beaten, a referendum declared illegal, violence, dialogue refused, protests, rival police forces facing off, and much more. "See, the EU is a total disaster," the dictators will tell their people.

We usually invade countries for this sort of suppression.

Financial markets seemed to expect the delayed independence declaration. Or see it as a fake one in the first place. The euro rose despite the independence bid.

This is just one example of how politics has been moving markets lately. In fact, [geopolitics](#) is the only thing moving markets. If you go to The Telegraph's business page, you'll see four articles five days apart:

Pound plunges below \$1.32 against the dollar following disastrous May speech; rattled Spanish markets calm

Pound suffers worst week in a year as Tory infighting stokes fears of instability

Pound rebounds back over \$1.31 against the dollar; Spanish stocks climb following huge unity rally

Spanish stocks plunge and [bonds yields](#) soar as Catalonia crisis intensifies

If you believe the lines, political wrangling is the source of all market moves. Then again, journalists are famous for attributing market action to events at random in order to fit two news items into one line.

But what of the pound and our local politics? It looks like we might be in for a Brexit betrayal...

A Brexit betrayal?

Just when the prime minister had her eurosceptics at bay, she walked into a trap. The government outlined its plans for a hard [Brexit](#) and Boris Johnson toed the line. Then Theresa May couldn't say if she'd even vote for Brexit on the radio. She would've been better off having a coughing fit. Or resorting to a politician's plan A, a lie.

Having a Remainer in charge of Brexit looks like a painful contradiction. On the other hand, having a politician who does the population's bidding regardless of their own convictions is really not new at all. It's just that what's politically correct suddenly changed very quickly on the day of the referendum.

The question is whether the powers that be are still bent on bending Brexit to make it meaningless. [Is May so dishonest she's practically honest](#)? Is her plan to remain in the EU more than ever by leaving it?

Back when the referendum was news, I explained how the referendum itself was not so important. A renegotiation with the EU was on the cards regardless. In leaving the EU, we could in fact increase our integration with it anyway. A renegotiation with the EU could lead us anywhere on issues like immigration, law, regulation and trade. Including increasing ties.

Paying into the EU budget, trying to get a free trade agreement, remaining subject to European courts, enforcing EU laws, keeping open borders and much more isn't really a break. Next our prime minister will announce we're adopting the euro...

For now, at least, things are progressing fairly well. [The economy defied Brexit doom](#), our currency did its job to help, and the EU is having an agreeable amount of internal crises – enough to make Brexit look respectable. Being obscure is a good defence against the EU, and Johnson would not be an obscure prime minister when it comes to negotiations with the EU.

One last thing. During our conference there were questions about the risk of a Jeremy Corbyn government. Should we be worried?

It's likely that Corbyn's support, like the Brexit, Donald Trump, Alternative for Germany, Catalan independence and many other votes, are protest votes. That's why they're ideologically diverse. It also means the supporters don't stick around for long, as May found out in the last election.

Voting isn't a means of exerting control, as power and decision making resides outside the ballot box. What you can do is give powerful, rich and smug people the finger by voting against their world view. This means Corbyn becomes weaker as he becomes more mainstream.

Until next time,

Nick Hubble
Capital %26 Conflict

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