

INVEST MORE AND BETTER AND SPEND THE RIGHT AMOUNT

Posted on 25/05/2013 by Naider



We are all quite clear that "**invest**" and "**spend**" are radically different concepts. In both cases it is a matter of disbursing an amount of money, with the difference that in the first we do it to obtain future returns and, in the second, it is simply a question of satisfying an urgent need without further ado. So much so that in the case of companies, investments and expenses are recorded in a very different way in their accounting, while the former go to the balance sheet and form part of the company's assets, the latter are recorded directly in

the income statement.

Well, what seems so obvious, is confused almost daily when it comes to the public sector with very important consequences. "Reducing **public spending** without differentiating the types of spending" has become the central objective of the European economy, which from Brussels sets strict fiscal consolidation guidelines for the economies nationals (strict control of the public deficit and the volume of debt). The countries, and logically also Spain, have no choice but to follow the marked path to balance their budgets. From a political point of view, this is turning into a sophisticated and impossible circus juggling exercise in which with less income and very limited possibilities of borrowing, one has to face substantially higher expenses: a greater number of unemployed and growing needs. of social assistance.

As is logical, this urgent and crazy race leads to hasty decisions and indiscriminate cuts, because in accountability what really matters is the final balance of the budget. As a wise official told me a long time ago: "the complicated thing in the Public Administration is to "sneak" a new item into the budget because when it has already entered, the really difficult thing is for them to suppress it". The strong resistance to change makes the possible come before the important and strategic. Thus, the first items that fall from public budgets are those that depend on contracts with the private sector and all kinds of subsidy programs for individuals, families, institutions, companies, research groups... And this is so, simply because Technically and in practice, they are easy to suppress without major traumas for the Administration's own structure: terminate, cut or simply not contract with third parties and/or eliminate or reduce the scope of subsidy programs (fewer number of beneficiaries or less subsidy per file).

However, the main characteristic of these headings is that many of them are not simply expenses, but rather correspond to public investments and, although it is true that cutting them contributes to fiscal consolidation in the short term, it runs the risk of risk of seriously jeopardizing future growth. It is necessary and essential to differentiate, because while it may be logical to accommodate current expenses to current income, paralyzing/sacrificing investments based on public deficit control criteria is the best recipe for complete collective suicide in the long term. And I'm afraid this is what we're really practicing.

Of course, not all investments are the same and it is not about accumulating investments for the sake of it with an approach in which the pendulum swings from absolute austerity to a policy of stimulus in which what counts is "**< em>invest for the sake of investing**" in a misunderstood Keynesian policy that would only lead to deepen the abyss in which we find ourselves. As in the private sector, public investment decisions should be subject to a scrupulous, rigorous and independent profitability analysis that serves as a guide for action. Increasingly, [demands](#) are being heard for the European Investment Bank to actively finance investments in infrastructures, but let us not be mistaken again because the problem in Europe, and in particular in Spain, is not one of physical capital and cement, in which we are far above our competitors, but of intangibles, gray matter and talent fields. in which before the crisis we were lagging far behind and where we should focus our efforts: investment, not spending.

There are no comments yet.