THE UNIVERSITY OF SYDNEY

# Between the Sword and the Wall: Spain's Limited Options for Catalan Secessionism

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**Abstract**

We propose a game theoretical model to assess the capacity of Catalonia to become a recognized, independent country with at least a *de facto* European Union (EU) membership. Support for Catalan independence is increasing for reasons pertaining to identity and economics. Spain can avoid a vote for independence by effectively 'buying-out' a proportion of the Catalan electorate with a funding agreement favorable to Catalonia. If, given the current economic circumstances, the buying-out strategy is too expensive, a pro-independence vote is likely to pass. Our model predicts an agreement in which Spain and the European Union accommodate Catalan independence in exchange for Catalonia taking a share of the Spanish debt. If Spain and the EU do not accommodate, Spain becomes insolvent, which in turn destabilizes the EU. The current economic woes of Spain and the EU both contribute to the desire for Catalan independence and make it possible.

**Introduction**

Economically advanced democracies make very stable states and so far no secessionist movement has been successful in peacefully breaking away from one of them.[i] This fact stands in sharp contrast with Alesina and Spoloare's theory of state size which holds that states should proliferate in a highly globalized international environment where conquest is rare.[ii] This should be particularly true within the European Union (EU), which provides security and economies of scale to its members and thus creates the conditions in which minority nations have the right incentives to seek independence. Although strong secessionist movements exist in the EU (e.g. Scotland, Flanders, the Basque Country), none of them have gained sufficient popular support nor had the leverage to obtain recognition from their sovereign. That may not be the case anymore for Catalonia. We argue that he recent increase in support for independence in Catalonia is based on the dire economic circumstances affecting Spain, so keeping the *status quo* is no longer attractive for the Catalan government and a large proportion of the Catalan population.[iii] We predict that if a pro-independence referendum passes, Catalonia will secede from Spain and become, at least, a *de-facto* member of the EU.[iv] The main deterrent used by the Spanish government is the claim that an independent Catalonia would not be internationally recognized and therefore excluded from the EU. We demonstrate that this is a non-credible threat.

There is an expression in Spanish that the choice between two unpleasant options is like being stuck between the sword and the wall.[v] Spain could potentially face such a choice over Catalan secession. Using a game theoretical model, we assess the policy options for both the Spanish central government (Spain) and the Catalan regional government (Catalonia). Spain can stop a referendum by proposing a funding agreement that is sufficiently favorable to Catalonia and thus reduce the reasons to call an independence referendum with an uncertain outcome. Such an offer may not be an option in the current economic climate and

therefore a referendum is most likely to be called. If it passes, Catalonia will need to decide on whether to seek a settlement without independence, or take the path to full sovereignty. The unequivocal decision to become independent forces a choice upon Spain and the EU: (1) To accommodate Catalan independence and accession to the EU if Catalonia accepts a percentage of the Spanish national debt; (2) To deny formal recognition to Catalonia but risk Spanish insolvency and the economic viability of the Euro.[vi] Assuming that Catalonia can move toward independence in a peaceful manner that Madrid cannot ignore, and assuming that the Spanish state does not (or simply cannot) choose to stop the independence movement through violence, we show that accommodation becomes the optimal solution for all parties.

The use of violence is a poor option for Spain. The very essence of the EU is to avoid conflict in Europe. In Robert Schuman's words, the process of European unification started to 'make war not only unthinkable but materially impossible.' This line of thinking was formalized in the 1950 Schuman Declaration, the agreement that created the first incarnation of the EU, the European Coal and Steel Community. Indeed, the use of military force within the EU would be hard to justify ethically, and it would further destabilize an already unstable economic environment. The export-intensive Catalan economy is heavily integrated into a pan-European supply chain.[vii] Even a low level intervention – e.g. the dismissal and arrest of the Catalan government[viii] – would disrupt that supply chain and generate huge losses in the short term. More importantly, such a move would threaten stability and cause an increase in the debt risk premiums of Spain and, possibly, other economically imperiled European countries. The only way Spain and the EU can pacify the markets in the event of Catalonia seeking independence following a successful referendum would be to reach a viable long term solution as soon as possible.

The remainder of this paper will proceed as follows. We first discuss the dynamics of secessionism in advanced democracies. We then provide background on the Catalan case,

describing the political and economic landscape. We next develop a 2-player game where the resulting solution is negotiated independence, and we discuss the assumptions on which it is based. We finish with conclusions and implications.

## Secessionism in Advanced Democracies

There are a number of reasons for why a group of individuals within a country would attempt to form an independent state. The most common explanation points to nationalism, which according to Gellner, is the belief that the 'political and the national unit should be congruent.'[ix] But of course, the majority of the world's nations choose to put aside this belief and remain with their current state.[x] Why some groups shoot for independence when others do not is the subject of a wide literature. Many of these explanations focus on economic grievances, ethno-national differences, state predation, and state collapse.[xi] Some theories approach secessionism from a decidedly economic perspective, arguing that secessionists weigh the advantages of remaining in the larger state against the merits of independence.[xii] Other work highlights democracy, and maintains that democratic institutions can provide internal groups with political voice and dampen their desire to exit the state.[xiii]

Part of the reason for the range of theoretical explanations is the sheer diversity of secessionist movements.[xiv] Many movements have limited visibility and command low levels of local support (e.g. Hawaii, Brittany). Some have the tacit approval of their sovereign but haven't worked out internally whether independence is in their best interest (e.g. Puerto Rico, Cook Islands). Others fervently desire independence but are systematically denied it by their government, often violently (e.g. Kurdistan, Mindanao, Chechnya). But a growing number reside in wealthy democracies and possess substantial local support (e.g. Scotland, Flanders). For many in this last category, such as Catalonia, violence on the issue appears less likely because both sides – the center and the region – seem committed to a democratic and

institutional process. This interesting variety of secessionism pits the right of states to preserve their territory against the right of nations to self-determine.[xv] It raises complicated ethical questions about the right of individuals and groups to choose their political association.[xvi] And, provided violence remains a non-option, it forces the state to prove to the aspiring secessionists why political voice is a better option than political exit.

Independence efforts almost always cite the norm of self-determination in their appeals.[xvii] But while self-determination is recognized in international law and in the United Nations Charter, it does not translate to a right to secession.[xviii] As Crawford asserts, 'secession is neither legal nor illegal in international law, but a legally neutral act the consequences of which are internationally regulated.'[xix] Since the mid-20th century, the international community has limited sovereign recognition to cases of decolonization (i.e. overseas colonial units), dissolution, and consent. In addition, there is some debate as to whether recognition should be given to breakaway regions whose governments are failing to supply basic functions and/or violating the human rights of the nation in question.[xx] Such remedial claims to secession are typically found in less developed states where democracy and the rule of law is weak or absent.

Secessionist movements in advanced democracies constitute an interesting subset where institutional solutions are preferred, where violence is unlikely, and where the usual paths to independence are blocked. There are ample theoretical arguments that predict secession in these instances. For example, Alesina and Spoloare argue that state size is endogenous to various systemic constraints such as the frequency of war and the robustness of the global economy.[xxi] Large states are generally better at defense because they have more land and a bigger population, and they can reap the benefits of having large internal economies of scale. In contrast, the attraction of small states is that the locus of decision-making can be moved closer to one's own preferences. Thus, when conquest is common and

the global economy is sparse, we ought to see big states. Conversely, when conquest is rare and the global economy is robust, we ought to see smaller states that can focus more on issues of local preferences rather than national defense and the perils of economic autarky. If there was ever an environment that favored small states, surely it is modern Western Europe.

Secessionists in advances democracies can also invoke an ethical tradition that focuses on the right of individuals or groups to choose their political association. These Choice (or Primary Rights) theories vary somewhat as to how a group is delimited, the process by which its independence should be determined, and whether or not the utility of the rump state should be taken into account.[xxii] Such arguments resonate in places like Catalonia and Scotland that are keen to pursue their independence via an institutional and democratic process.

Although some theorists argue that regions should be allowed to exit the state following a proper plebiscite, the time when the international community is prepared to accommodate such a principle has not yet come. Practices of recognition could of course change, especially if a nation is able to secede under these terms and set a precedent – an issue we return to in the conclusion. But until then, the best route to independence for regions like Catalonia is to win the consent of their sovereign. Doing so requires persuasion, legitimate behavior, and, as we argue, careful bargaining.

## Catalonia and Secessionism

Catalonia has a distinctive language spoken by the majority of the population and a consistent historical narrative of the Catalan nation including foundational myths in the Early Middle Ages.[xxiii] The relationship between Madrid and Catalonia has long oscillated between accommodation and repression. For example, Catalonia was granted a Statute of Autonomy (*Estatut*, in Catalan) during the Second Spanish Republic (1931-1936). But when

Generalissimo Franco imposed his dictatorship the *Estatut* was abolished along with most of the laws passed by the Republic. These policies were reversed after Franco's death in 1975, and since 1979 Catalonia (along with other regions) has enjoyed relatively high levels of local autonomy. Nevertheless, frustration with the existing political relationship and the failure to gain increased autonomy from Madrid has energized the independence movement.

**Figure 1: Which kind of political entity should Catalonia be with respect to Spain?**
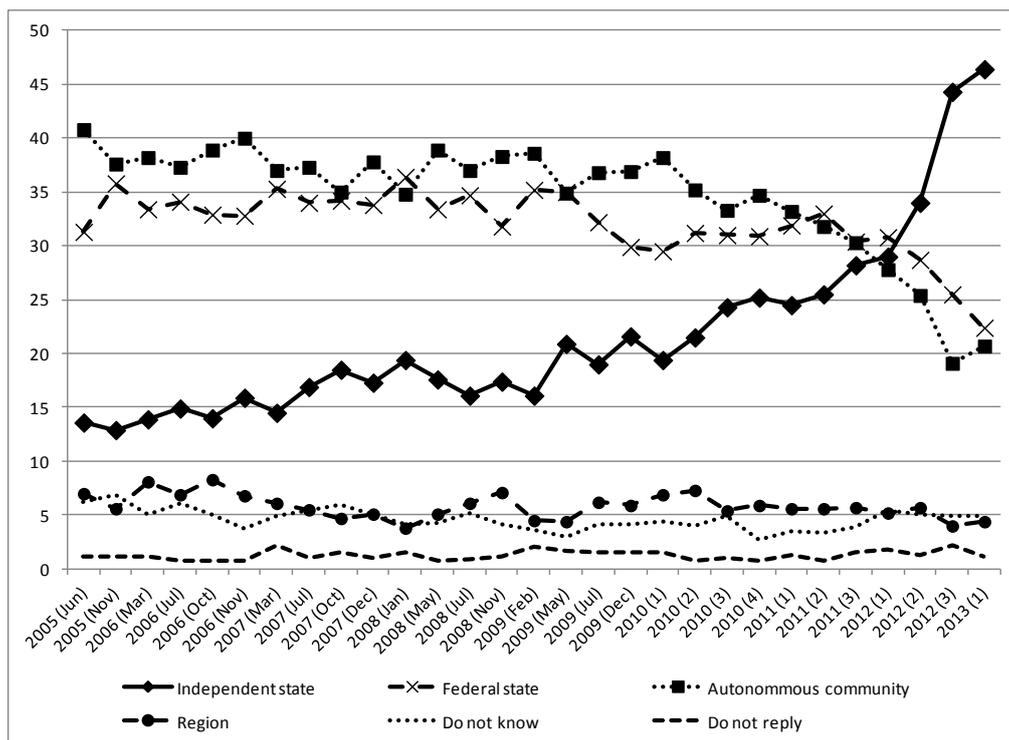


Independence aspirations have consistently grown in Catalonia over the last decade. As Figure 1 shows, when Catalans are asked about their preferred political relationship with respect to Spain, the 'Independent State' option has moved from 19.4% to 46.4% over the last three years, while the 'Autonomous Community' and the 'Federal State' options have moved from 38.2% and 29.5%, respectively, to 20.7% and 22.4%. In other words, the percentage of individuals supporting independence now outnumbers the other two categories combined. If we consider the data from the beginning of the series, the number of supporters for an Independent state has almost quadrupled in about eight years.[xxiv]

A poll from the Catalan governmental organization on public opinion studies (*Centre d'Estudis d'Opinió*, CEO) asked respondents directly about their intention to vote in a hypothetical independence referendum. The last available wave of this study reported that 55.6% of Catalans would vote 'Yes' to independence while 23.4% would vote 'No' (CEO, 2013). These data are listed in Table 1.

**Table 1: Support for Independence in a Hypothetical Referendum**

|          | Yes  | No   | Abstain | Other (includes Not know and No Reply) |
|----------|------|------|---------|----------------------------------------|
| 2011 (2) | 42.9 | 28.2 | 23.3    | 5.7                                    |
| 2011 (3) | 45.4 | 24.7 | 23.8    | 6.2                                    |
| 2012 (1) | 44.6 | 24.7 | 24.2    | 6.5                                    |
| 2012 (2) | 51.1 | 21.1 | 21.1    | 6.8                                    |
| 2012 (3) | 57.0 | 20.5 | 14.3    | 8.3                                    |
| 2013 (1) | 54.7 | 20.7 | 17.0    | 7.5                                    |
| 2013 (2) | 55.6 | 23.4 | 15.3    | 5.7                                    |

If we recalculate these percentages after removing the abstentions, independence would pass by *at least* 65% of the vote. In Table 2 we present the lower bound support for independence estimation in a hypothetical referendum. Note that we have been conservative by pooling the 'Other' option from Table 1 with the 'No' option.[xxv]

**Table 2: Lower Bound Support for Independence in a Hypothetical Referendum**

|          | Yes  | No   | Turnout |
|----------|------|------|---------|
| 2011 (2) | 55.9 | 44.1 | 76.7    |
| 2011(3)  | 59.5 | 40.5 | 76.2    |
| 2012 (1) | 58.8 | 41.2 | 75.8    |
| 2012 (2) | 64.7 | 35.3 | 78.9    |
| 2012 (3) | 66.4 | 33.6 | 85.7    |
| 2013 (1) | 66   | 34   | 83      |
| 2013 (2) | 65.6 | 35   | 84.7    |

We argue that the reasons for this increase in the independence vote are both political and economic. In the next sections we discuss the political and economic landscape of Catalonia and explain why these factors have catalyzed Catalan public opinion.

*The Catalan political landscape*

The Catalan political environment has traditionally been understood along two axes: the ideological dimension (left-right placement) and the identity dimension (more or less prone to independence). Today the 135 seats of the Catalan Parliament are occupied by seven different political parties (two of them are coalitions). The first five columns of Table 3 summarize their placement along the two dimensions mentioned.

The Catalan political landscape is more diverse ideologically than in terms of identity. There are four political parties that could be classified as left or left leaning to different degrees (PSC, ERC, ICV and CUP), and there is one party clearly on the right (PP). Meanwhile, the CiU coalition is center-right, though the two constituent parties possess identity differences. Finally, although originally Ciutadans (C's) shared many similarities

with the PSC, today is a centrist party that has also been quite successful in obtaining

conservative (PP) votes. Overall, the Catalan Parliament is fairly divided; there are 69 seats

on the right, 57 seats on the left, and nine unassigned seats belonging to the C's.

**Table 3: Summary of the Catalan Political Parties**

| | Notes | Ideological placement | Supports referendum | Supports independence | 2012 election | 2013 (2) CEO poll |
|---|---|---|---|---|---|---|
| CiU (coalition) | CDC (senior) | Centre-Right | Yes | Yes | 50 | 35-37 |
| | UCD (junior) | Centre-Right (Cristian Democrats) | Yes | No | | |
| PSC | Allied with PSOE (main opposition party in Spain) | Centre-Left | Yes | No | 20 | 16 |
| ERC | | Centre-Left | Yes | Yes | 21 | 38-39 |
| PP | In power in Spain (absolute majority) | Right | No | No | 19 | 13-14 |
| ICV (coalition) | Eco-socialists and former communist (among others) | Left | Yes | Ambiguous | 13 | 13-14 |
| C's | | Centre | No | No | 9 | 12 |
| CUP | | Left | Yes | Yes | 3 | 6 |
| Supports referendum | | | | | 107 (79%) | 109-110 (81-82%) |
| Supports independence | | | | | 74-87 (55-64%) | 79-96 (59-71%) |
| TOTAL | | | | | 135 | |

The political landscape is more complicated once we include the identity dimension.

In the political discourse there are two key questions: (1) Should a referendum on

independence be held? (2) And if the referendum is held, will the party support voting for

independence? In regard to the first question, all the parties but two (PP and C's) support the

referendum. Thus, 107 out of 135 seats support the holding of a referendum. Those figures

change when considering what the parties would if a referendum passes. Three parties would

campaign against independence (PSC, PP and C's), two would campaign for independence (ERC and CUP), and the ICV position is ambiguous. However, the biggest party, CiU, is split on this issue; the most powerful part of the coalition, CDC, would promote independence, and UDC would be opposed. Since the position of some parties still need to be clarified, the support range for independence would be 74-87 out of 135. In other words, while almost 80% of the political parties in Catalonia support the referendum, support for independence is lower at between 55-64%. But what is also important to note is the match between the public opinion figures and the representation of the political parties in the Parliament.

*The Catalan economic landscape*

Support for Catalan independence is also rooted in economic circumstances. An important proportion of the population believes that their standard of living would be improved if Catalonia was an independent state that controlled its own finances. The above mentioned poll asked about the main reason to support independence, and the most cited reason was economic in nature: 29.4% of respondents referenced the 'capacity and desire of economic self-management.'[xxvi] In fact, the national funding model has been one of the most important sources of disagreement in the devolution negotiations with the Spanish central government. Critically, the Catalan regional government depends on the taxes collected and distributed by the central government. Depending on the way it is measured, the structural fiscal flow (or fiscal deficit) – the difference between the taxes collected in Catalonia and the funds spent in the region corrected by the economic cycle – accounts for about 5-8.5% of the Catalan GDP.[xxvii] This is one of the highest fiscal deficits in the developed world.[xxviii] Subsequent changes to the funding model have been negotiated by the Catalan government and then applied to the other Spanish regions, but in the end the Catalan deficit has held constant.[xxix]

The consequence of this deficit is the public perception that Catalan public hospitals, schools, and public services in general would be improved if the financial model were corrected. Moreover, unemployment benefits and other transfers have a much lower purchasing power in Catalonia than in other, poorer regions of Spain due to significant differences in the cost of living.[xxx] Of course, it is the lower classes that have the most to lose from a weak welfare system. But importantly, in Catalonia a lower socio-economic status is correlated with a Spanish speaking background.[xxxi] So, it could be rational for those with a non-Catalan background to support independence purely for economic reasons.[xxxii]

Although it remains an economic powerhouse of Spain, generating about 20% of the GDP with 16% of the population, the Catalan economy has not been growing as fast as other regions in recent decades.[xxxiii] More importantly, the global financial crisis as a whole has harshly affected Spain and Catalonia. For many Catalans, Spain is not seen as a 'good business' anymore. Banks have failed, unemployment and public debt have soared, GDP has shrunk, and the housing bubble has been deflating for the last few years. Additionally, there is an institutional crisis in which corruption scandals has affected most political parties, institutions, and the Crown. There are no signs of recovery in the near future and a general pessimism persists.[xxxiv] Although the Catalan political climate is bad, Catalans still feel it is better than in the rest of Spain: while 72.4% of the Catalans think that their political situation is bad or very bad, this figure rises to 97.1% when they are questioned about the Spanish political situation.

In sum, Catalan secessionism has gained momentum in recent years partly on account of economic and political problems. We argue that the current economic crisis also presents Catalonia with an opportunity.

**A Path to Independence**

In the previous sections we discussed the key factors in the current push for Catalan independence. First, there is increasing support in the polls for an independent state, making a referendum likely but uncertain to pass. Second, this increasing support is based on economic factors, so Spain can attempt to stop the independence process by offering a better funding model to Catalonia. If Spain does (or cannot) make such an offer, a referendum is likely to occur. In that event, strong support for independence would put Spain in a difficult position between the sword and the wall.

We model the strategic interaction of Spain and Catalonia using a simple sequential game (see Figure 2). The game starts before a referendum is called by Catalonia.[xxxv] At this stage Spain chooses to make an offer to Catalonia between $C_{SQ}$, the status quo payoff, and $C_{MAX}$, the best offer Spain can afford. Then Catalonia will either accept or reject the offer. If they accept, the referendum is cancelled and the game ends. If the offer is rejected Catalonia runs a referendum that passes with probability $p$.[xxxvi] Status quo payoffs, in monetary terms, are realized if the referendum does not pass. If the referendum passes Catalonia can choose to seek a settlement or seek independence. If Catalonia chooses to seek independence Spain then decides whether or not to accommodate.

The game is played by Spain (the Spanish government) and Catalonia (the Catalan government). For simplicity we assume that both players are rational, risk neutral, well-informed of the potential payoffs, and aware of the probability that an independence referendum would pass.[xxxvii] Players seek to maximize their own payoff, which reflects the true outcome, not only the monetary component of an outcome. For instance, Catalonia considers the intrinsic value of independence in $C_A$, not only its monetary value.

**Figure 2: Model of Strategic Interaction**
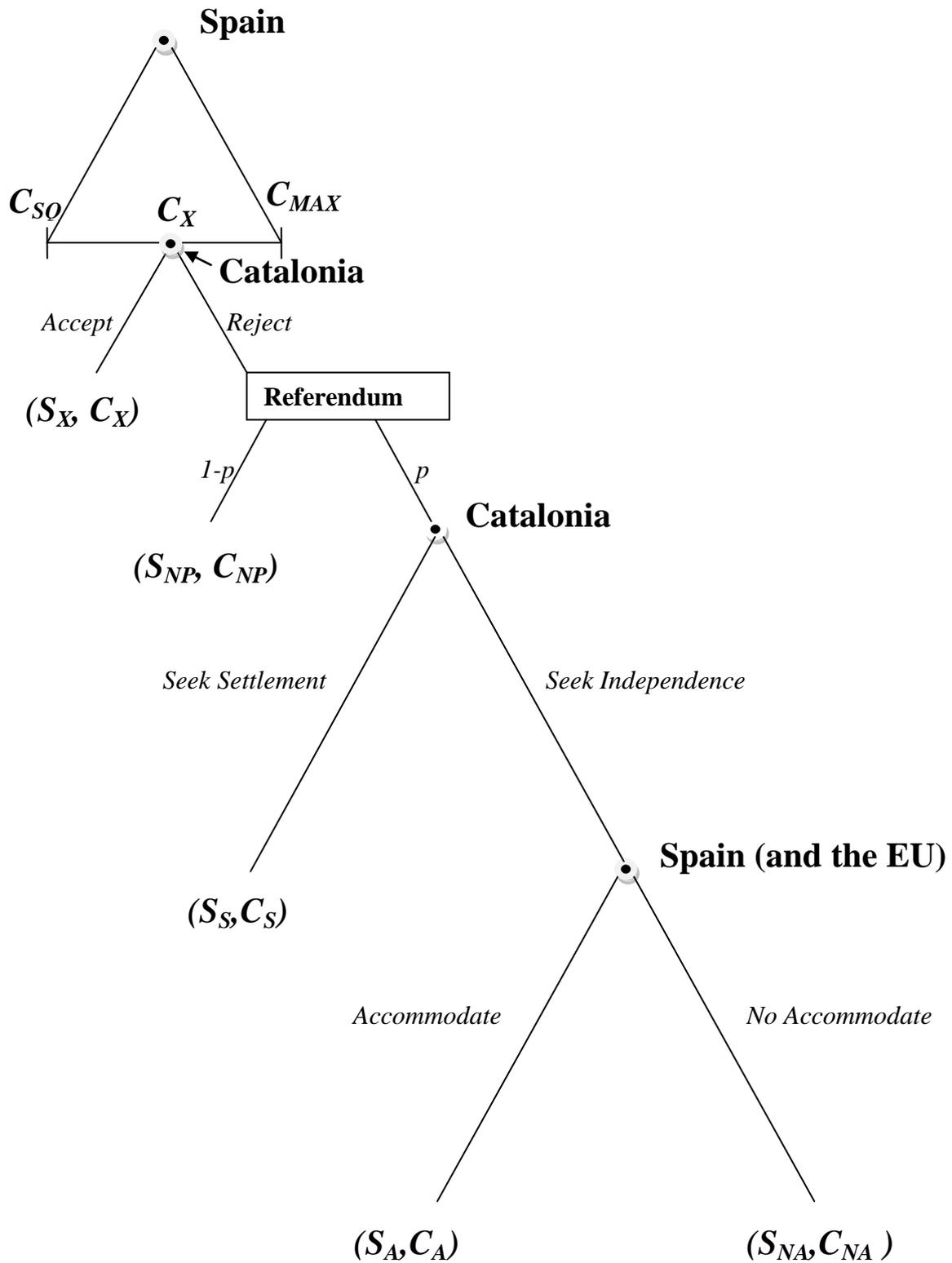


Note that the payoffs related to *Accept, Seek Settlement, Accommodate* and even *No Accommodate* could well be the result of a bargaining situation implying several offers and

counter offers that are not modeled. For instance, *Accept* would be the result of a complicated negotiation that ends when Spain makes their best and last offer, with Catalonia then deciding whether to carry on with the referendum. *Accommodate* would be the result of a complicated, but necessarily swift, three way negotiation between Spain, the EU, and Catalonia. The EU is not a player in our model. It can be argued that in the short term there is no economic effect for the EU as a whole if Spain decides to accommodate Catalan independence. It is just business as usual. On the other hand *No Accommodate* poses a threat to the very existence of the EU. Therefore it is a dominant strategy for the EU to facilitate an accommodation. Catalonia inherits a share of the Spanish debt in *Accommodate* in exchange for EU recognition and, at least, *de facto* EU membership. Once again the details of the bargaining process (precise asset and debt sharing, exact temporary fit of Catalonia in the EU framework) are not in the model, just the end result.

  *No Accommodate* is the worst possible outcome for the two players. It implies no debt sharing and no recognition of Catalan independence. Two scenarios can be contemplated. In the first, Spain might attempt to control the situation by suspending Catalan autonomy and assuming control of the regional government. Such a move would generate tremendous pressure on the debt markets, as it would be unclear whether the situation is sustainable in the long term. The related problems of economic contagion would threaten the EU, and this would place added pressure on Spain. In the second scenario, Catalonia would remain in control. Here, Spain would not be able to collect taxes in Catalonia and thus the Spanish debt to GDP ratio would increase by about 20 percentage points and the tax base would decrease by a similar amount. In this scenario Spain bankrupts, seriously endangering the Euro and the EU.

Given these considerations the payoffs are ranked as follows:

Spain: $S_{NP} \geq S_{SQ} \geq S_X \geq S_{MAX} \geq S_S > S_A > S_{NA}$

Catalonia: $C_A > C_{MAX} \geq C_S \geq C_X \geq C_{SQ} > C_{NP} > C_{NA}$

Most inequalities are straightforward from our previous discussion. Note that for Catalonia the *status quo* is only better than non recognized independence and the payoff associated with the referendum not passing, $C_{NP}$.[xxxviii] The economic consequences of that outcome would be similar to the *status quo*, but the Catalan society would be fractured by a negative result.

A Subgame Perfect Nash Equilibrium (SPNE) of the game can be found by backwards induction. If the last node is reached Spain chooses *Accommodate.* Therefore Catalonia chooses *Seek independence* if the previous node is reached. Note that *(Seek Settlement, No Accommodate)* is also a Nash Equilibrium (NE) of the corresponding subgame, but it entails a non-credible threat and therefore is not in the SPNE equilibrium path.[xxxix] Catalonia chooses *Accept* if $C_X > (1 - p) \, C_{NP} + p \, C_A$. Finally, Spain calculates the smallest $C_X$ such that Catalonia *Accepts*, $C_X^* = (1 - p)C_{NP} + pC_A$. If $C_X^*$ is affordable, that is $C_X^* < C_{MAX}$, then $C_X = C_X^*$, otherwise $C_X = C_{SQ}$.[xl] This condition imposes a lower bound on $p$ for Catalonia to run the referendum $\underline{p} = \frac{C_X - C_{NP}}{C_A - C_{NP}}$. That is, once the Spanish offer is known, Catalonia chooses *Reject* if $p > \underline{p}$. Note that Catalonia can still *Accept* even if $C_X = C_{SQ}$, if the probability of the referendum passing is sufficiently low, that is $p < \frac{C_{SQ} - C_{NP}}{C_A - C_{NP}} = \underline{p}$. Our model is consistent with recent history. When the polls indicated little support for independence the possibility of a referendum was rarely discussed. Once the economic situation of Spain deteriorated, $C_{SQ}$ decreased, affecting the threshold probability $\underline{p}$. The decrease of $C_{SQ}$ also affects $C_{NP}$, as $C_{SQ}$ is the monetary component of $C_{NP}$. Therefore a decrease of $C_{SQ}$ has an effect on $p$, which is indicated by the most recent polls.

In summary, our model predicts either an offer from Spain that is high enough to stop a Catalan referendum for independence or, if such an offer is not affordable, a referendum

16

that, once passing, would lead to independence accommodated by Spain and the EU. Un-accommodated independence entails a non-credible threat and therefore is not on the equilibrium path.

### Peaceful Coercion and Non-Violence

Special attention needs to be paid to the meaning of the strategy *Seek Independence*. This choice needs to be both credible and something that Spain cannot ignore. We argue that here Catalonia needs to do more than simply demand that Spain recognizes them – a demand that Spain may simply ignore if the results are deemed costless. Instead, the Catalan leadership needs to proceed with a strategy of peaceful coercion, which includes several elements. First, Catalonia will need to make a formal declaration of independence in the eyes of the world.[xli] Second, it should make a public statement that the transition to sovereignty will be conducted in a peaceful manner.

Third, Catalonia should take an active role in assuming the functions of a sovereign state. That is, it should clearly and publicly state the schedule for establishing the additional structures of the state. There are many such functions,[xlii] but for present purposes we emphasize taxation. The ability to collect taxes is one of the defining features of the sovereign state. We contend that Catalonia should proceed in a clear and public manner to dismantle tax obligations to Madrid and transform the Catalan tax apparatus from an autonomous region to that of a sovereign state. Of course, these actions would violate Spanish law. Under the 1978 Constitution, Spain could choose to dismantle Catalan autonomy and incarcerate its government and most of the regional MPs. But such a move would be viewed by many as illegitimate after a clear majority had decided to support independence. Most importantly, it would force Spain to respond.

Overall, Catalonia needs to coerce a response out of Spain and the EU. We maintain that clear and public statements regarding sovereignty and the schedule for establishing it are moves that cannot be ignored. The current economic environment in Spain and the EU are a central component of our argument, one that provides Catalonia with considerable leverage. If it proceeds toward independence in the right manner, and the use of force is a non-option, then the outcome becomes binary: (1) Spain accommodates and recognizes Catalan independence; (2) Spain does not accommodate and Catalonia becomes an unrecognized state.

*The Assumption of Non-Violence*

Abraham Lincoln famously stated that the Confederacy's declaration of independence had forced the country to choose between dissolution and blood.[xliii] He was probably not the first leader to frame the issue in that manner and he certainly wasn't the last. Secessionist demands are a frequent source of conflict in the world, implicated in roughly half the civil wars since 1945.[xliv] Nevertheless, we assume in our paper that the Spanish state will not use violence to deny Catalan independence, provided the secessionists deliberately and publicly choose non-violent methods in pursuit of their goal.

There are two reasons for our assumption of non-violence. The first centers on the logic of consequences. If a clear majority of Catalans vote for independence and the Catalan government proceeds in a legitimate and non-violent manner, the Spanish state will suffer costs once it decides to stop that secession with military force. At that point the Catalan secessionists would be more committed, and Madrid's use of force could easily create a violent backlash. Although the scale of the resulting turmoil is hard to predict, it is certain that the resort to violence would threaten the economies of Spain and, for the reasons already mentioned, the EU. Arguments relating financial interdependence to conflict are particularly

salient here.[xlv] Even the increased probability of conflict in the northeast of Spain would frighten investors and exacerbate the existing bank crisis. Although we believe that this factor alone raises the cost of fighting above that of accommodation, we do not include this third option in our model for normative reasons that we now turn to.

The second and more important reason focuses on the logic of appropriateness. The use of violence by the state to deny independence to secessionists using peaceful methods is simply considered inappropriate in Spain and much of EU. The avoidance of war is after all one of the original purposes behind the EU. It is taken as an accepted wisdom among Catalans and other Spaniards that the state would not resort to violence in the face of non-violent and democratic tactics. We believe that illegitimacy of violence can be thought of as a social fact: 'facts that are produced by virtue of all the relevant actors agreeing that they exist.'[xlvi] If all of the relevant actors consider violence to be inappropriate, then it ceases to be option.

In making this argument we deliberately invoke the literature on norms. We argue that there has been normative change with respect to civil war in Spain and many other countries, especially in Western Europe. Despite – or on account – of the fact that some Spaniards can actually remember the Civil War of the 1930s, as well as the repressive regime under Francisco Franco, norms against illegitimate violence have become internalized. As Finnemore and Sikkink argue, norm internalization occurs when it is taken for granted, and when the choice of whether or not to abide the norm ceases to be a consideration.[xlvii] We believe that the Spanish state is as unlikely to use violence on the Catalan issue as the United Kingdom is over Scotland. David Cameron and Mariano Rajoy cannot persuade their people to choose blood, as Lincoln once did. And more importantly, neither man would take that option seriously.

**Conclusion**

We have argued that the current financial situation in Spain and the EU provides Catalonia with an opportunity. If Catalonia attempts to secede after a pro-independence referendum or referendum, and does so in a legitimate and peaceful manner, Spain will be left with two choices: (1) To negotiate Catalan independence and accession to the E.U. if Catalonia accepts a percentage of the national debt; (2) To deny formal recognition to Catalonia but risk Spanish insolvency and the economic viability of the Euro. We argue that the second option is far worse for all parties and, as a result, Spain will be forced to accommodate Catalan independence. To avoid this choice between the sword and the wall, Spain may be able offer a deal to Catalonia that effectively buys off a portion of the population and prevents a referendum from occurring. But Spain may not be able to afford such an offer in the current economic environment. The current economic woes of Spain contribute to the desire for Catalan independence and make it possible.

Rather than argue that this outcome will occur, or even that it should occur, we prefer to draw attention to the fact that it can occur. Catalonia represents a particular breed of secessionist movement, one that may well become more common in the future. Unlike the violent secessionist struggles in Myanmar or Yemen, secessionism in Catalonia has been negotiated in a remarkably peaceful and institutional manner. This seems to be the hallmark of secessionism in advanced democracies. Rather than resort to force, the state has to persuade the break-away region that their interests are better served by staying together. Of course, sovereign states do have other weapons at their disposal, and one of the most potent is their ability to block international recognition of the seceding region.[xlviii] But this is all part of the bargaining environment in which aspiring nations have to negotiate with their sovereign. For Catalonia, the current economic crisis has created a situation in which the home state veto may be too costly for Madrid.

Some may lament the fact that violence is essentially a non-option in Catalonia and Scotland. They may point out, as Lincoln did, that the recursive nature of secessionism imperils states and therefore validates the choice of blood. But we argue that the rejection of violence in modern democracies forces governments to use the political process to balance the interests of center and periphery. Current polls suggest that the center should win the contest if Scotland follows through on its independence referendum in 2014. Such an outcome would be a testament to the government's ability to persuade Scots why they should remain in the United Kingdom. That same outcome may occur in Catalonia if a referendum is held.

It is, however, interesting to speculate on the international consequences of the opposite outcome: Catalonia votes for independence and obtains sovereignty in accordance with our model. That event would set a precedent for secessionist movements in advanced democracies and constitute a victory for the advocates of Choice Theory.[xlix] True, few break-away regions will possess the same leverage over their sovereign, but Catalan independence would likely change the international playing field. After all, the international recognition regime is hardly static[l], and it may one day come to accept democratic secessions even in the absence of sovereign consent. Thus, Catalan independence could incite similar groups to reach for the same end, especially within the EU, and help shape the rights and principles regarding the sovereign recognition of states.

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[i] In making this claim we exclude cases of decolonization.
[ii] Alesina and Spoloare 1997.
[iii] For variation in voter turnout across municipalities, see Munoz and Guinjoan 2013.
[iv] By *de facto* we mean that Catalonia's present economic relationship to the EU will continue. Formal membership as a sovereign state would follow.
[v] Translated: *Entre la espada y la pared.*

[vi] The debt to GDP ratio of Spain would increase by about 20% if an unrecognized independent Catalonia does not take over a share of the Spanish debt. In the current economic circumstances, Spain, an economy too large to fail, would most likely bankrupt, critically destabilizing both the Euro zone and the EU.

[vii] 28.1% of the Catalan GDP in 2012 (last available data) are exports that go outside Spain. 62% of Catalan exports go to the EU.

[viii] Those actions are legal according to the Spanish Constitution.

[ix] Gellner 1983, 1.

[x] Gellner famously estimated that the ratio of potential to actual nationalist movements was 10 to 1. (Gellner 1983, 45.)

[xi] Brubaker 1996; Bunce 1999; Beissinger 2002; Roeder 2007; Laitin 2007; Hale 2008.

[xii] Tiebout 1956; Allesina and Spolaore 1997.

[xiii] Hirshman 1970; Kohli 1997; Lake and Hiscox 2002; Van Houton 2003; Sambanis 2006; Goldsmith and He 2008; Sorens 2012.

[xiv] Coggins 2011.

[xv] Fabry 2010; Armitage 2010.

[xvi] Buchanan 2004; Pavkovic and Radan 2007.

[xvii] Armitage 2007; Manela 2007.

[xviii] Osterud 1997; Radan 2012.

[xix] Crawford 2006, 390.

[xx] Fabry 2010; Buchanan 2004.

[xxi] Alesina and Spoloare 1997.

[xxii] Buchanan 2004; Wellman 2005; Pavkovic and Radan 2007.

[xxiii] Guibernau 1997.

[xxiv] Comparing the official survey data gathered by the Spanish governmental organization, *Centro de Investigaciones Sociologicas* (CIS), in 2001 and 2013 we observe that the desire for independence has more than doubled from 18% to 37%.

[xxv] Note that Turnout is equal to 100 minus the abstentions.

[xxvi] The other responses are: 18.8% state that 'Catalonia would improve'; 14.7% say a 'feeling of incomprehension'; 13.5% declare 'earning decision capacity, level of autonomy'; and 12.2% refers to an 'identity feeling'(Q. 39a1). In the same line, those voting against independence would do it to preserve the unity of Spain (31.2%); because they feel as Catalan as Spanish (18.6%); it would not be possible for Catalonia (14.6%); and independence is not viable (12.5%) (Q.39a2). See BOP 2013.

[xxvii] Bosch et al 2010. There is a heated debate both about the criteria used to measure the inter-regional fiscal flows and whether the size of the flow is fair.

[xxviii] Two famous Spanish economists, Angel de la Fuente and Germa Bel, had an interesting discussion in the press. Finally De la Fuente conceded he was not able to find any region with a higher fiscal deficit than Catalonia outside of Spain. He also pointed out that several states in the US would be similar to Catalonia, and that, in any case the fiscal deficit as a whole is more or less fair. See De la Fuente 2013.

[xxix] With two important exceptions: the Basque Country and Navarra. Those two regions have an exceptional funding model based on medieval rights enshrined in the Spanish constitution. With a GDP per capita similar to Catalonia their fiscal imbalance counts for only 3% of the GDP. The population of the Basque Country and Navarra enjoy the best public services in Spain.

[xxx] INE 2013.

[xxxi] As a result of industrialization and consequent interior migrations a high proportion of Catalans (50%) have ancestors who spoke only Spanish.

[xxxii] Catalan nationalism has a strong civic character. The above mentioned poll from CIS shows that 70% of Catalans believe that a Catalan is someone who has the will to be Catalan and 67% consider that a Catalan is someone that lives and works in Catalonia.

[xxxiii] Instituto Nacional de Estadistica, 2013.

[xxxiv] In fact, the April 2013 survey published by the CIS showed, that 'corruption and fraud' (39.3%) and 'politicians, political parties and politics' (29.4%) were, respectively, the second and fourth most important problems after 'unemployment' (80.7%) and 'economic problems' (35.5%).

[xxxv] A referendum as contemplated in the Spanish constitution needs to be called by the Spanish government. This is unlikely to happen but Catalonia can run some form of referendum on its own. As we write the Catalan parliament is about to pass a law that would allow the Catalan regional government to call for a non-binding vote.

[xxxvi] The vote in favor of independence needs to be strong enough (for instance >55% in favor with no more than 30% against) for the Catalan government to proceed.

[xxxvii] We expect that both players will try to influence *p* using any available tools of political propaganda. Using those tools is a dominant strategy and therefore does not need to be modeled. Assuming *p* is known by both parties is enough.

[xxxviii] Catalonia needs a strong majority. A referendum passing only marginally can be interpreted as a no pass in our model.

[xxxix] That is, Spain cannot commit to play *No Accommodate* if the last node is reached.

[xl] In this case Catalonia can still *Accept* if $p(C_{SQ}) \leq \frac{C_{SQ} - C_{NP}}{C_A - C_{NP}} > 0$ ($C_{SQ} > C_{NP}$).

[xli] This would most likely force Madrid to respond. As Ker-Lindsay states (2012, 77): 'any silence about an act of secession may possibly be read as *de facto* acceptance.'

[xlii] The police force is already under control of the Catalan government. Its president has commissioned the design of the state structures to a so-called Council for National Transition.

[xliii] Abraham Lincoln, *Message to Congress in Special Session*, July 4, 1861.

[xliv] Fearon and Laitin 2003; Walter 2009, 3.

[xlv] See for example Gartzke and Li 2003.

[xlvi] Searle 1984; Ruggie 1998, 12.

[xlvii] Finnemore and Sikkink 1998.

[xlviii] Osterud 1997.

[xlix] See Buchanan 2004; Wellman 2005; Pavkovic and Radan 2007 for a discussion.

[l] Jackson 1990; Fabry 2010.