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## **Motives for Independence: The Case of Spain's Catalonia**

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Honors Project for Political Science

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### **Abstract:**

*After decades of struggling for autonomy, Catalonia, Spain has initiated a renewed independence movement. This paper seeks to answer the question: what economic motives are driving the possibility of Catalan secession from Spain, and how have these motives affected Catalonia's economy and ways of life? I will focus on the politically and economically significant timeline of 2008-2019, analyzing indicators of economic health such as Gross Domestic Product, Foreign Direct Investment Rates, Unemployment, and the actions of Ibex-35 Businesses within Catalonia. Further, I will use public opinion polls on independence and national identity to gauge support for independence within the region, examining whether support for independence and Catalan identity vary during this time. I argue that when economic motives to support Catalan independence began to dwindle, political cries for independence became muted as a response to fears of secession creating an economic crisis.*

## Introduction

Catalonia, Spain, is a unique region that offers great contributions to the rich history and livelihood of Spain. To any outsider, they possess many of the same characteristics as any independent State. They have a national anthem, a flag, their own government (the Generalitat), and parliament. In fact, they even provide some of their own public services, such as a police force and education systems. However, the difference is, while Catalonia resembles an independent State, it is not. Inside the region are people who have faced years and years of oppression and struggle. After the Spanish Civil War of 1936-1939, Catalans suffered under the regime of Dictator Francisco Franco. Franco suppressed their native language, Catalan, from the world along with their culture. Moments like this are not gone, as Catalans remain in a constant fight to protect their right to autonomy, and to make their own decisions outside the powers of the Spanish government. That fight for “being Catalan” continues, but today, it rests on a struggle for independence.<sup>1</sup>

Since the reinstatement of Catalonia’s Autonomy in 1979, many Catalans have weighed the options of independence from Spain. Common arguments include that Catalonia has unique cultural, political, and economic attributes which entitle the region to independence, and the right to make its own decisions (Boylan, 2015, p. 763). My research seeks to examine the question of, what economic motives are driving the possibility of Catalan secession from Spain, and how have these motives affected Catalonia’s economy and ways of life? While there are many reasons behind the possible secession of Catalonia from Spain, I argue that economic motivations are the most important. Catalonia has long been recognized as one of the most wealthy and industrialized regions of Spain, raising the argument that while the Catalan economy is

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<sup>1</sup> “Being Catalan” refers to a fight for Catalan autonomy, expression of culture, and for language to be recognized by the Spanish government. Today, it has expanded to mean a right for Catalans to have power over their own economy and fiscal decision making powers.

extremely important to Spain, it is just as relevant in the fight for Catalonia's independence. This study aims to uncover just how important the economy is in Catalonia's quest for independence, showing consideration of all possible scenarios. While there is a long-standing belief that political and cultural influences have been driving the independence movement, it is actually the economic conditions, specifically those of 2008, that began to indicate a new direction of independence. This moment marked the beginning of economic independence, where a desire for Catalonia to possess adequate tax systems, support their own economy, and have greater fiscal decision-making power became apparent. However, these aspirations for economic independence came with the threat of losing stability by potentially exiting the European Union and creating a new economic crisis, placing new pressure on what it means to be Catalan (Connolly, 2013, p. 55). Does being Catalan mean supporting an independence movement that risks the financial stability of the European Union? Or, does it mean supporting the movement so long as Catalonia gains its desired fiscal decision-making powers and fair tax systems? The economic crisis of 2008 gave Catalonia a window to express their economic grievances against the Spanish government and call for change, a moment they capitalized on to garner support for independence. I argue that when economic motives to support Catalan independence began to dwindle, political cries for independence became muted as a response to fears of secession creating an economic crisis. Without the presence of strong economic motives as to why Catalonia should stand independently, political aspirations for independence would have experienced a significant change.

### **Literature Review**

In the realm of discussing nationalism, and the creation of national identity, there is a vast amount of literature on the subject. There are four major approaches that are relevant to the

discussion of Catalan identity and nationalism. The first is a functionalist approach emphasized by Ernest Gellner, in which he associates nationalism with the rise of the State. He emphasizes that the nation is a product of the state, where the state makes the national identity what it is. In Gellner's scenario, there is less of a socially constructed idea of identity, because the State has all the power in determining what it is. Identity can be shaped by the State, or government, directly. It can be done through the implementation of government policies which may seek to provide a more streamlined use of language, education, or even economic policies. As a result of this power, Gellner finds that the nature of peoplehood, and national identity, will go through a change as the State does. Without the guidance and policies of the State, Gellner would find that culture, and national identity, would not survive (Gellner, 2013). Regarding the topic of conflict within the state, from Gellner's perspective, it is expected that a change in national identity will be observed before and after this conflict. For example, a newfound sense of national pride, or the widespread anger at the government's actions (Gellner, 2013).

Gellner emphasizes the notion that it is the State who generates the movements which take place, but in the case of Catalonia, there is an anti-state independence movement. Catalonians are trying to move away from the Spanish state and gain more decision-making powers, so the state is not the source here, but the problem. Concerning economics, Gellner's approach emphasizes economic motives which are also State-driven. While the Spanish government may determine economic policies, they are not driven in the direction that Catalans would like. It is a lack of favorable state-driven economic policies which fuels the Catalan independence movement (Boylan, 2015, p. 766). The implementation of unfair government policies and decisions are all things that have further angered Catalans in a desire for secession. Further, when Gellner describes a change in national identity before and after a conflict, it is a

relevant argument to the case of Spain's Catalonia. As Catalans kept feeling more disrespected and angered by the actions of the Spanish government, they began to share a new national identity, a desire for independence. While Gellner may be correct about the importance of conflict changing national identity, his approach is not relevant to the discussion of a movement that is anti-state, making it important to think about the Catalan independence movement in another way.

A second approach is a primordial approach led by Anthony Smith. In opposition to Gellner, he argues that the nation is before the State, acting under the assumption that people and their values exist independently of the government. Since people have a common language and history, he argues that they naturally consider themselves to be part of the same nation. If they consider themselves to be part of the same nation, then it is assumed that they share a national identity. With this primordial school of thinking, Smith makes apparent that he finds national identity to not be fabricated but is instead organically present within the people (A. Smith, 2000). For example, when separate nations exist within one state, there is bound to be tension, as some people will wish to continue speaking their native language, while others may be open to learning a new language. Under this viewpoint, it can be said that language plays an important role in how some national identities will form. While Smith emphasizes the importance of people having a common language and history to possess a national identity, he also makes apparent that since nationhood is prior to the state, states may be powerless to change these national stories (A. Smith, 2000). The state may try all they want to change the national story, but a strong and naturally present sense of identity is difficult to overcome. Eventually, the language and history that is more numerous is more likely to become a part of the national identity, than that of any other group.

Anthony Smith's assumption that people and their values exist independent of the government, is certainly true of Catalonia. Under his approach, Catalans have a historical, and unique ethnic identity that binds them together. Catalans have possessed a native language and way of life which has existed within Spain for centuries, regardless of any government policy. Sharing this language and culture has certainly made Catalans feel as if they are "one people," making them appear as a united front against obstacles they may face. Given this long history of cultural formation and grievances held against the actions of the Spanish government, there is a rise in new socio-economic processes that have an impact on how Catalonian identity is expressed. For example, while Catalonia is a region of Spain, they also consider themselves to be an important part of Europe. They are important trade partners with many European countries and are an essential part of Spain's economy. Contemplating secession has important economic ramifications for Catalonia. Declaring independence from Spain would mean risking European trade, alliances, and the overall relationship between European countries (Connolly, 2013, p. 94). These ramifications then have implications for how nationalism gets expressed within Catalonia. A major part of how Catalans think of themselves is in relation to the economic strengths they possess as a major European trade partner and leader of the economy. With these ramifications in mind, Catalans may become more hesitant to support a movement that risks their stability within Europe. What is found is that if Catalans see an open window of opportunity to express a need for change in the economy, or a potential risk of economic stability, Catalans may start to think of secession differently. But, his idea of tension within the State, between different groups, is also relevant in the case of Catalonia. Catalans feel they deserve more independence and rights to decision making, while authorities of the Spanish government feel they are only entitled to the autonomy they already possess (Connolly, 2013, p. 93). The demonstration of this conflict

between two groups, again shows how Catalan national identity is shaped, and how it may influence a desire for secession.

The third approach is social constructivism, backed by Benedict Anderson's ideas of "imagined communities." He defines the nation as a socially constructed community that is "imagined" by the members who feel they belong to it. In many cases, these members will create a community that behaves in a way that mirrors that of a nation. However, while members of a community play a role, the creation of the community is still guided by the opinions of the elite groups of society. Making it so, the nation and its beliefs are finally "imagined" by the rest of society, once the elites have fabricated their opinions, as it is assumed that the general populace will follow the elites. Anderson's idea of "imagined communities," also emphasizes the idea that community is made up of shared fellowship. He finds that a group's fellowship is created by believing another group's fellowship to be different (Anderson, 1991). The confrontation between these different fellowships, or identities, can then be seen as a conflict between imagined communities, resulting in the formation of what may be called national identities.

An emphasis on a community that behaves in a way that mirrors that of a nation, in the words of Benedict Anderson, is indeed a scenario that can be applied to the analysis of the Catalan independence movement. To an outsider, Catalonia does resemble a nation, when in reality they are only a community that acts like one, just as Anderson said. It can be assumed that if Catalans feel and act as if they are a nation, not simply a community, then there is an obvious motive for their independence (Rodon, 2012, p. 133). His mention of the elites' opinions guiding the creation of a community is also relevant, as the Catalan independence movement has in many ways rested on the actions of political elites (Rodon, 2012, p. 132). However, while Anderson feels the populace will follow the opinions of the elites, in the case of Catalonia it is vital to



consider not only the opinions of the elite politicians on independence but also the opinions of the people.

The final approach aims to highlight the connection between economic, cultural, and political instances of nationalism. This connection is best exemplified by Rogers Smith's "peoplehood theory," which lays the groundwork for this paper's research design and analysis. In his work, Smith argues that within a nation there are multiple stories that compete, or vie, for national attention. These stories are known as, "three stories of peoplehood." The three stories are as follows: "economic stories, political power stories, and ethically constitutive stories." The economic story pertains to a promise of material security and economic prosperity. Together, these are seen as a testament to an ability to provide for a nation and deliver goods to the people. The political power story argues that the power of the people is most influenced by the format of a political constitution or power which they choose to support. Ethically constitutive is then defined as a story that carries values or beliefs across generations, with all groups having distinct and shared ethical narratives which bind them together (R. Smith, 2003). Under this thought process, values can be expanded to mean culture, with a focus on cultural rights and the independence to practice them, which has been carried down across generations.

All four of these approaches offer valuable insights into the construction of national identity, with each contributing differing explanations as to how Catalonia's drive for independence has been shaped. Roger Smith's stories of peoplehood, however, show the necessary connection between economic, cultural, and political influences which have shaped the Catalan independence movement. From an ethically constitutive perspective, supporters of independence argue that Catalonia's unique cultural identity justifies their desire to deserve recognition from the State. While from a political perspective, supporters feel the Spanish

government inadequately recognizes their government and right to autonomy. A desire for recognition of their unique culture, and greater autonomy, has evolved into a modern-day argument resting on economic concerns. Economically speaking, Catalans believe that the Spanish government has not adequately represented its best interests. They feel that by seceding from Spain and becoming an independent state, they would be better off economically. Catalans believe that how they do economically influences how they see themselves, and if any changes in the economic standing of the region occur, it can be assumed that changes in national identity will as well. Under a potential change in national identity, secessionist goals may be deterred and the independence movement reevaluated, leaving me to situate my research within this reasoning.

### **What is the Catalan Independence Movement and What are its Grievances?**

The treatment of Catalonia throughout history is marked by years of struggle for autonomy and for an equal representation of their values, culture, and language within the Spanish state. This struggle has existed for hundreds of years, from the unification of Spain under Queen Isabel and King Ferdinand (1469) to the years following the end of the Spanish Civil War (1936-1939), Catalonia has led a movement for autonomy (Rodon, 2012, p. 132). Today, the debate over Catalonian autonomy remains a modern-day issue.

At first glance, Catalonia possesses all aspects of an independent nation. It has a native language unique to the territory, a flag, national anthem, and the regional government, a department of the Spanish government, controls many of its public services as well. Also unique to Catalonia is the unique ethnic identity they possess of “being Catalan.”<sup>2</sup> This identity, with links to their pride in their language, culture, and history, is a central part of their collective

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<sup>2</sup> It is necessary to recognize that there is much debate over what it means to be Catalan, and who is truly Catalan. This debate is fueled by whether “being Catalan” means being born and raised within the region, or if it is simply someone who resides within Catalonia.

identity as a region. There are several important factors at stake when considering the ethnic identity of Catalonia. First, language is extremely important to the Catalan identity. Catalan, their native language, is a symbol of their distinct cultural heritage. Next is culture, as Catalans possess unique customs, music, traditions, and art which are important to their heritage. This cultural identity runs hand in hand with their ethnic identity. Further, Catalans are proud of their history and how they are resilient, overcoming any oppression and never stopping the fight to preserve their identity. Finally, is the importance of self-determination to the Catalan identity. They feel they have the right to decide their future and make their own decisions to benefit their region (Hau, 2020, p. 181 ). The protection, promotion, and preservation of these factors are all important goals of the independence movement within Catalonia, and it is for this reason that the independence movement was initially ignited.

While it may appear to have independence, there is a gray area between Catalonian autonomy and the Spanish State's control over Catalonia. This gray area has existed for decades, leading to many modern day grievances to still be held against the Spanish State by Catalonia. The Catalan independence movement first emerged in the late 19th century in response to the centralization of power in Madrid, and the suppression of Catalan culture and language under the Spanish monarchy.<sup>3</sup> The movement gained further momentum in the 20th century, mostly during the Franco dictatorship (1939-1975) when Catalan autonomy was abolished and the language was banned.<sup>4</sup> Both of these instances relate to moments of history in which Catalan was being

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<sup>3</sup> It is worth noting that between 1914 - 1925, the Spanish government did give permission for an administrative body called the Mancomunitat de Catalunya to be created. While this administrative body had few powers, it constructed a set of institutions which gave status to the political movement of Catalonia to help improve the livelihood of Catalans. Since then, the Catalan political movement has expanded into a desire for independence as a means to give Catalans more power in determining policies which affect their people (Rodon, 2012, p. 136).

<sup>4</sup> Following Franco's death in 1975, King Carlos I of Spain, led a transition to democracy which changed the politics of Catalonia for the better. In 1977, the Generalitat was restored after it had been suspended for over 40 years by the Franco regime. Then, in 1979, the Statute of Autonomy of 1979 was approved in Catalonia, establishing the Autonomous Community and its legal status within Spain (Boylan, 2015, p. 763).

suppressed, and the Spanish government believed Castilian was the only language to be spoken, constructing what it meant to be “Spanish.” With that, the main grievances, or concerns, which drive the independence movement mainly center on issues of culture, language, and autonomy. Many Catalans feel that their language is unfairly treated and not recognized by the Spanish central government in Madrid. Further, they also feel that the Spanish government does not respect their right to autonomy and that they seek to suppress the Catalan language and cultural identity (Rodon, 2012, p. 132).

The global economic crisis of 2008, expanded their independence movement in a new direction, showing that their grievances not only rely on the cultural and political, but also on economics. It created an opportunity for Catalans to express their grievances against the Spanish government’s influence on their economy, showing that one of Catalan's biggest grievances is that they pay a disproportionate amount in taxes and other resources which flow out of Catalonia and into other regions of Spain (Boylan, 2015, p. 768). Regarding this opportunity, the British Broadcasting Corporation (BBC) remarked, “Spain's economic crisis... has sharpened Catalonia's demand for fiscal independence from Spain, as well as political autonomy” (Rodon, 2012, p. 130). Catalonia would take advantage of this opportunity, allowing it to expand and renew its independence movement.

A push for Catalan autonomy, self-determination, and respect for their way of life has certainly driven a renewed independence movement. Movement leaders have articulated these grievances through a variety of means, including peaceful protests and civil disobedience, and more often than anything else, political action. The voices which express these grievances are those who identify as Catalan and believe that Catalonia has the right to be a separate nation from Spain. In regard to a desire for Catalonia to exist separate from Spain, Catalan President

Carles Puigdemont said, “The welfare of Catalonia is only possible outside of Spain.” These words echo the views of many supporters of Catalan independence, as they believe Catalonia will be more successful once they are free of Spain. Supporters come from diverse political and cultural backgrounds but they share one powerful thing, Catalan pride. They continue to show their pride in their region, arguing that Catalonia has the right to self-determination and that the Spanish government’s refusal to allow a legal referendum on independence and address these grievances is a violation of that right. Many have also pointed to examples of other European nations that have achieved independence or increased autonomy in recent years, such as Scotland and Kosovo, as evidence that their case is fair and feasible (BBC, 2019). Movement leaders have also recognized the important role of the European Union in their independence movement, as evidenced by Puigdemont saying, “No Catalan citizen and no Catalan company will leave the E.U. That is evident, and nobody can dispute it.” This shows that just as representing the grievances of the Catalan people seems to be important, so is a commitment to EU membership which guides the independence movement in a new direction.

It is important to recognize that the movement leaves out the significant minority of Catalans who do not support independence or who identify more strongly with a Spanish identity than that of being Catalan. It is often remarked that those who are in opposition to Catalan independence include those who have moved to Barcelona (the capital of Catalonia) from other regions of Spain.<sup>5</sup> For this reason, many of those individuals feel they are more Spanish than Catalan and are considered less likely to support the movement (BBC, 2019). However, Barcelona has still experienced its fair share of cries for independence. For example, in 2012, a massive demonstration took place in the streets of Barcelona. As thousands of people crowded

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<sup>5</sup> A little over 60% of Catalans were born in Catalonia. About 20% were born in other communities in the State, and approximately 15% are of foreign origin. Not only is Catalonia a region which sees a great number of immigrants from other regions of Spain, but also from other nations (Data gathered from the Catalan government site).

the streets to support Catalan independence they rallied under the slogan, “Catalonia, New State in Europe,” (Rodon, 2012, p. 140). Cries for independence seemed to be everywhere, showing that a new era of Catalan independence was truly alive.

Despite the opposition, Catalans have remained committed, feeling they must do what is best for their people. It is this commitment that has influenced a cry for Catalonian independence from Spain altogether. A pro-independence movement exists which has not only come to reflect a cry for more political and cultural representation, but also sentiments for independence which are marked by economic grievances, and a desire for a more adequate tax system, fiscal decision making powers, and greater economic freedom.

### **Research Design**

The design of this research relies on three main parts. The first part will show which Spanish state institutions are relevant to the grievances Catalans have against the Spanish government. Specifically, these institutions are the Spanish Constitution of 1978 and the Statute of Autonomy of Catalonia of 1979. Describing the aspects of these institutions will help explain how Catalans are angered by the Spanish government, and frustrated with their lack of decision making power. Further, evaluating these two institutions will allow me to understand and test to see which of Rogers Smith’s stories of peoplehood are most relevant to the case of Catalan secession.

The second part of this research relies on the fact that due to the presence of a political movement that holds grievances against Spanish state institutions, a secessionist movement within Catalonia has been ignited. I will analyze the reasons why Catalans may be hesitant to support this secessionist movement, or why they may encourage secession. By analyzing the

reasons for secession, I will further be able to understand which story of peoplehood best applies to Catalonia's desire for secession.

The final part of my research will demonstrate how the Catalan secessionist movement may have impacted the livelihood of Catalans. To evaluate these impacts I will look mainly at economic factors which determine how well a state, or region, is faring, as a state relies greatly on its economy for survival. My economic factors to consider include Gross Domestic Product (GDP), number of annual tourists, Foreign Direct Investment (FDI) rates into Catalonia, unemployment rates, and level of business activity. I argue that if economic factors are truly motivators in the secessionist movement, then a decrease in GDP, FDI, foreign tourists, loss of business activity, and increase in unemployment rates, would have all become motives which deterred the Catalan secessionist movement. If the Catalan economy began to experience negative changes, then many Catalans would have feared an economic crisis, and cries for secession would have become muted. To measure the fears, or opinions, of Catalans on secession I will examine public opinion polls' data on support for secession, opinions on Catalonia's political status within Spain, and overall feeling of nationality identity.<sup>6</sup> The assumption is that if Catalonia began to experience a decline in economic factors, then Catalans would have supported secession less and felt less "Catalan."

To properly research the secessionist movement taking place within Spain, I have chosen a timeline of 2008 - 2019. This timeline is important because it encompasses the occurrence of many important events. The first year, 2008, is not only significant economically but also politically for Catalonia. The economic crisis of 2008 had an impact on Catalonia just as it did on

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<sup>6</sup> Just as there is much debate over who is truly Catalan, there is much debate over who is allowed to vote in public opinion polls. The public opinion polls are administered by the Generalitat de Catalunya's Centre d'Estudis d'Opinió (CEO), and residency within Catalonia is a requirement to participate in the survey. This survey data does not take into account who was born and raised in Catalonia versus who moved to the region, all of which may influence how individuals support Catalan independence or how they identify as Catalan.

any other nation. In many ways this economic crisis did not halt a desire for independence, it fueled it by exposing the economic inequalities between Catalonia and the rest of Spain. Specifically, unemployment levels were on the rise, and so was social inequality, along with Catalans feeling they pay far more in taxes than any other region. The argument was that an independent Catalonia would be able to better protect its economy, be managed more effectively, and use resources more efficiently, which would then increase the region's prosperity. At this moment, many Catalans began to question whether Spain had their best interest at heart, and began looking at independence as an avenue to better their economic and social standings (Connolly, 2013, p. 58). Politically, 2008 follows the 2006 passage of the new Statute of Autonomy of Catalonia, which was sure to ignite changes in public opinion and support for the Catalan independence movement. The Statute gave Catalonia more financial autonomy and strengthened the powers of the regional government, and its passage showed the desire of Catalans to have more autonomy separate from the influence of the Spanish government (Boylan, 2015, p. 763).

Moving forward, the year of 2010 marked the Spanish Constitutional Court striking down several articles of the 2006 Statute of Autonomy of Catalonia. These included, "opposing the status of Catalonia as a 'nation,' limited the creation of a separate judicial system, restricted fiscal decisions, and insisted on the co-official status of the Spanish language." (Narotzky, 2019) This ruling reduced the autonomy of Catalonia and limited its capacity for self-government, just as Catalans were trying to move forward. Many Catalans saw this decision as a significant setback in their fight for greater autonomy. They believed the Spanish government to be diminishing their democratic rights, and they wanted more protection for their native language and fiscal autonomy, adding more fuel to the fire of secession. The movement existed under the



slogan, “Som una nació i nosaltres decidim,” meaning “We are a nation and we decide.”

(Narotzky, 2019) Furthermore, the push for an independence referendum picked up steam in the early 2010s. Catalans believed that they had a right to decide what was best for their region, and whether or not to remain with Spain. Respect for their culture and the right to choose was a vital part of the Catalan identity, and they felt independence from Spain may be one of the only ways to protect it. To gauge support for independence, the Catalan government, led by President Artur Mas, began pushing for an independence referendum. The Spanish government refused to let it take place, arguing that it was illegal under the Spanish constitution. But, Catalans did not let this obstacle stand in their way, as seen in the events of 2013 and 2014.

In 2013, the Catalan Parliament approved a “declaration of sovereignty and of the Catalan people’s Right to decide.” In 2014, the Spanish Constitutional Court responded by declaring this declaration unconstitutional because “only the Spanish people is sovereign” (Narotzky, 2019). Events such as these would have significantly impacted public opinion for independence, and potentially the economy. Perhaps the most telling year is the events of 2017. In 2017, the Catalan Parliament announced a referendum that asked the question, “Do you want Catalonia to be an independent state in the form of a Republic?” The results of the referendum included a turnout of 43 percent, in which 90.2 percent voted “Yes,” 7.8 percent for “No,” and the rest white or null (Narotzky, 2019).<sup>7</sup> The Catalan government took these results as a strong “yes” from the Catalan people to declare their path toward independence. On October 10, 2017, Carles Puigdemont, the president of the Generalitat of Catalonia, unilaterally declared independence. After the president of Spain asked for clarification from Catalonia on their

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<sup>7</sup> It is important to acknowledge that within a 43% voter turnout, there are more democratic variations that are not captured perfectly by the poll data. It is taken amongst Catalans, but there is much debate over who gets to vote and who truly identifies as Catalan. Given this information, it is still important to analyze the results of the referendum as it was an important event within the Catalan independence movement.

declaration of independence but received no response, he activated Article 155 of the Spanish Constitution on October 17, 2017. The activation of Article 155 suspended the autonomy of Catalonia, following its activation earning a majority vote in the Senate (Narotzky, 2019). The independence referendum results show that supporters of the Catalan movement would have viewed public support for independence as high, but it is also of interest to see how the economy responded to these events.

### **Spanish State Institutions and the Grievances They've Created**

The first institution which is relevant to the grievances held by Catalans against the Spanish state is the role of the Spanish Constitution of 1978.<sup>8</sup> The Spanish Constitution evolved out of the passing of dictator Francisco Franco in 1975, and an agreement reached between the main political parties emerging from the first democratic election post-Civil War. However, many scholars argue that the struggle to find agreement and consensus amongst the parties is apparent within the Constitution. For example, “the lack of precision and coherence,” (Guibernau, 2000). One concern was the structure of Article 143, in comparison to the structure of Article 151. Both of these Articles were vital to how Statutes of Autonomy were distributed to Autonomous Communities, and the differences between them frustrated Catalans. Since 1978, Catalonia had been existing as a restored autonomous community, and this was immediately protected as full autonomy under Article 143. Article 151, however, maintains that other communities had to sit through a five years of “restricted autonomy” before receiving full autonomy. The difficulty, however, is that once full autonomy is achieved, “the Constitution makes no distinction between the different communities; rather it places nationalities with a

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<sup>8</sup> Although not relevant to this research, it is important to recognize the Amnesty Law of 1977 in Spain. This law freed political prisoners and allowed those who were exiled from Spain to return following the death of Franco in 1975. It also guaranteed impunity to anyone who committed crimes in Franco's regime or during the Spanish Civil War. This law was debated, as some Spaniards feel that anyone who committed crimes should receive punishment, but others just want Spain to move on and forget (Reuters, 2013).

strong distinctive identity embedded in a common culture, language, and past on the same level as artificially created ‘communities,’” (Guibernau, 2000). Catalonia would be a community considered to have a “distinctive identity,” due to its rich history of culture and native language, while the Canary Islands may be seen as more of an “artificially created” community because it lacks a rich history. Under this reasoning, the Basque Country, which possesses a rich history and also its own unique language, would have been considered a “distinctive identity” as well. The lack of distinction between the historic communities with years of shared language and culture in comparison with the newer communities angered many. The concern here was that if Spain cared so much to protect and mention these nationalities within the Constitution, then the proper distinction and level of autonomy should have been established based on the historical status of these nationalities, not the desire to make a new “artificially created community.”

Catalonians, specifically, felt their region played a special role in the Spanish State, and that they were entitled to a different variation of autonomy than that of the other Autonomous Communities. To them, the Constitution contained some sort of implied understanding, in which pro-independence Catalan radicals would renounce their desires for secession while the main politicians of Spain promised there would be no more revitalization of the Spanish state in which Spanish nationalism suffocated the cultures and values of all minority groups (Castells, 2014). Also, with the Constitution establishing the Autonomous Communities, it was seen as a moment of the Spanish state accepting self-government, a historical and celebrated step. However, Catalans quickly began to feel that they were entitled to an even greater amount of autonomy.

The next institution to consider is the Statute of Autonomy of Catalonia of 1979 and its role in frustrating many Catalans. After enduring 40 years of Franco’s dictatorship and oppressive regime, Catalonia’s autonomous government was recovered in 1977. Its government,

the *Generalitat*, became sanctioned with the passing of the new Statute of Autonomy of Catalonia in 1979. Under the Preliminary Section of the Statute, Catalonia is defined as, “a nationality which in order to accede to self-government, constitutes itself as a Self-Governing Community in accordance with the Constitution and with this Statute” (Guibernau, 2000). With this statement, the sovereignty of Catalonia is implied, and the ability of the *Generalitat* to make government decisions. However, Article 1 Section 3, adds that the powers of the *Generalitat* emerge from “the Constitution, this Statute and the people,” (Guibernau, 2014). The continuous mention of the Catalonia government’s powers emerging from the Constitution is a reminder that while Catalonia may have autonomy, they are still ruled by the Spanish state. Even if most Catalans and the Catalan government were in agreement on a decision, they are still only one minority group ruled by the Spanish state.

Concerning economics, the Statute of Autonomy of Catalonia led to a period of stability with the Spanish government that lasted from about 1980-2000. Since then, Catalonia has experienced problems along the lines of clarity of responsibilities between themselves and the Spanish government, the financial system, and the allocation of expenditures from the Spanish government within Catalonia. The Statute makes it apparent that it is the direct responsibility of Catalonia to manage health and education systems, but at the same time, key regulations over these public services are still monitored and set by the Spanish government (Castells, 2014). This raises the concern that if Catalonia is to control and provide its own public services, then why must the Spanish government dictate how they implement these programs? In areas of public policy even, there is not a dedicated allocation of duties to one sole level of government, instead, different governments share duties. One important example is that the central government possesses the power to pass a law and the governments of the autonomous communities set the

“secondary” level of the law, exercising their executive power as they see fit. Therefore, although the communities possess some executive power, they do not have equal discretion or decision making power as that of the Spanish government. Again, these powers make it so the communities “have low-quality responsibilities of a more administrative than political nature.” (Castells, 2014)

Further, this Statute allows for the Catalan government to possess bonds in their name and accrue debt, but this debt is not backed by the central government of Spain. Despite it not being backed, the central government must still be the entity to issue any new bonds, so long as it follows their “Annual Borrowing Plan” (Castells, 2014). This again raises the concern that if Catalonia can possess its own debt, debt that is not even backed by the central government, then it seems unjust that the central government is allowed to issue and dictate Catalonia’s debt.

After analyzing the Spanish Constitution of 1978 and the Statute of Autonomy of Catalonia of 1979, it is clear that their structure has motivated Catalans to hold grievances against the Spanish government. It is also apparent that Catalonia’s grievances have consisted of a variety of cultural, political, and economic arguments. Catalans argue that Spain has continuously suppressed their right to use their native language of Catalan and the lack of recognition of their culture and language throughout the nation. Further, they feel that the Generalitat lacks the necessary decision-making powers to benefit the Catalan economy and that their financing system has put them at a disadvantage, where they feel they are not being treated adequately on a financial level. They have a desire for greater political representation, but mainly political representation which gives them the power to support their economy, provide adequate tax systems, and experience the power to make decisions that are right for their economy. All in all, this emphasis on economy and the lack of representation Catalans feel they have in making

financial decisions for their community, shows that Rogers Smith's "economic story of peoplehood," is more relevant than the "political peoplehood" or "ethically constitutive" story in the case of the secessionist movement in Catalonia.

### **To Secede or Not Secede?**

Scholar Francois Vaillancourt (2010) lays out four plausible scenarios as to how Catalonia may respond to its grievances against Spain. The first scenario would be one of a decline in Spanish nationalism. Here, a strong reform of the constitutional framework would be done, or a new interpretation of the constitution must be done to benefit the communities, as has been attempted in recent years. The second scenario relies on a constitutional reform that would introduce a system of federalism, while the third represents a specific and agreed-upon deal being made for Catalonia within Spain. The final scenario is one of secession, in which Catalonia would withdraw from Spain, becoming independent (Vaillancourt, 2010, as cited in Castells, 2014). However, the consequences of this scenario vary depending on the overall goals of Catalonia as an independent nation. The purpose of this portion of the paper is to not analyze the chances that these events occur but to understand the reasons why Catalonia may be motivated to secede from Spain or remain a part of it.

### **Reasons to Secede**

The primary reason motivating Catalonia secession emphasizes the role of Catalonian GDP and the economy as an economic motivator to secede. Catalonia is widely known as one of Spain's major economic regions. It is home to the second most populous region of Spain, with 7.5 million inhabitants representing 16% of Spain's total population. It is also one of the top-producing regions of Spain, accounting for approximately 19% of Spain's GDP. The region has historically been recognized as a center of industrial activity, with a special focus on

manufacturing. They contribute heavily to sectors such as the production of automobiles, textiles, and chemicals. Specifically, the automotive industry represents 10% of the industry in Catalonia, while 27% of Spain's chemical companies reside within the region. Altogether, manufacturing remains an important part of the Catalan economy, as it carries approximately 20% of its annual GDP. On the other hand, agriculture is a significantly smaller part of the Catalan economy, accounting for around 3% of its GDP. The region is known for its production of wine and olive oil, but this sector is smaller in Catalonia than in the other regions of Spain. In more recent years, the service sector has seen growth. It accounts for roughly 70% of the Catalan economy, including industries such as finance, real estate, transportation, and tourism (ICEX, n.d.). Specifically, tourism is an important part of the Catalan economy, accounting for approximately 12% of its GDP. The region is a popular tourist destination for both domestic and international tourists, which is no surprise given that tourism in Barcelona alone represents about 12% of the city's GDP (Barcelona City Council, n.d.). What was once only a city of industrialization has now evolved into a hub of research, technology, and a variety of other sectors. This expansion from industrialization has directly impacted the economy, making Catalonia a strength that Spain does not want to let go of (OECD, 2011). Further, the structure of the economy shapes Catalonia's assessment of its own resilience (along with the European Union's interests within the region), affecting how the benefits of leaving or remaining with Spain are evaluated.

The strength and power of which the Catalonian economic system holds within Spain is evident. It is for this reason that Spain refuses succession, but it is also for this reason that Catalonia feels it could stand alone as an independent nation. One majorly controversial issue as to why Catalonia feels it should stand alone is the debate over Catalonia's fiscal deficit, and the

lack of power Catalans feel they possess in making fiscal decisions. The fiscal deficit is composed of the difference between the central tax burden and the central government spending allocated to Catalonia. Catalans feel that they pay more in taxes than they receive in allocated spending from the central government, with no representation of their beliefs in the central government. Allocation of central government expenditures is based on two approaches: “the benefit approach, which allocates to territories according to who is receiving the service, and the cash-flow approach, which gives to the territories where the spending is made.” (Castells, 2014). In the cash-flow approach, Madrid seems to be allocated a good portion of the expenditures as many central institutions and services which provide public goods are housed there. The benefit approach instead allocates to all territories according to an indicator of who receives the services, usually based on population (Castells et. al. 2000). Addressing the fiscal deficit leads many Catalans to believe that if the deficit indicates that Catalonia could fare better financially, then independence seems like a logical option. They also know that independence will bring them full fiscal autonomy, where they can make decisions as they see fit and make their opinions heard.

To analyze these two approaches, and see their role in Catalan independence, it is important to understand the idea of “neutralization.” Neutralization occurs, “depending on whether the allocation of revenues and expenditures is made ‘as if’ the central government budget was balanced.” (Castells, 2014). Depending on neutralization, it is then possible that the cash-flow and benefits approaches may have differing effects. Further, it also depends on whether neutralization relies on total expenditures or total revenues. In the short-term effects, scholars believe that non-neutralized figures are more suitable in determining the economic potential of an independent Catalonia, as the “immediate impact on the GDP and on the Catalan public finances would depend on current fiscal flows.” (Castells, 2014). Under this reasoning, it



can be reasonably argued that an independent Catalonia may have a more sustainable form of finances over time. However, it is also important to understand that even if Catalonia gained independence, the financial problems of their government would not disappear immediately and easily, it would be an uphill battle.

Ultimately, it seems that scholars believe the benefit approach is more helpful in understanding and estimating the impact of Catalan independence on the reduction of the public deficit of the Catalan government, while the cash-flow approach is more useful in studying the impact of Catalan independence on the total GDP of Catalonia (Castells, 2014). The assumption to be made is that since there is the plausibility that Catalonia could stand alone economically, and potentially fare better, then the Catalan government deserves the power to have more control over their region's finances and be independent of Spain's influence in that regard.

The second economic motive towards secession is the inadequate structure of the Catalonian Tax System. According to Article 203 of the Statute of Autonomy of Catalonia (2006) the Generalitat, or the government of Catalonia, is provided with powers such as being "responsible for the management, collection, settlement, and inspection of totally ceded State taxes and the same functions in the measure attributed, in accordance with the provisions of Article 204, regarding partially ceded taxes." They also possess, "the power to establish, by means of an Act of Parliament, its own taxes, over which it has regulatory power," (Generalitat de Catalunya, 2006). On a more specific level, Article 203 of the Statute goes on to outline how the Catalan government participates in the structure of the Spanish tax system. For example, they hold powers such as, "participates in the income arising from State taxes ceded to Catalonia." Specifically, the types of taxes they receive income from are totally ceded taxes and partially ceded taxes. The Statute defines them as, "Totally ceded taxes, that is, taxes the entire income

and regulatory power of which corresponds to the Generalitat,” and “Partially ceded taxes, that is, taxes part of the income of which and, where appropriate, regulatory power of which corresponds to the Generalitat.” (Generalitat de Catalunya, 2006). As shown, the Generalitat has some control over the implementation of ceded taxes but the yields they receive vary year to year based on tax rates. To maintain their economy, they rely on shared taxes as well.

For Catalonia, shared taxes represent the majority of tax revenue and total revenue. The revenues produced by these shared taxes are shared between the central government and the autonomous governments on a percentage basis: personal income tax (50-50), value-added tax (50-50), and excise tax (58 for Autonomous Communities and 42 for the central government of Spain) (Castells, 2014). The personal income tax consists of taxing individuals based on their worldwide income at progressive rates. For example, even if an individual was drawing a U.S. pension and living in Spain, they would still have to report their pension on their Spanish taxes (Greenback, n.d.) The Value Added Tax and the excise tax have more of a relation to the economy, as they are based on goods and services. The Value Added Tax, also known as “Impuesto sobre el Valor Añadido,” is a form of consumption tax that is applied to the sale of goods and services. However, the percentage of VAT paid depends on the type of good or service purchased. For example, a general VAT rate of 21% applies to the sale of appliances and phones, while a super-reduced VAT of 4% applies to necessities such as food. There are also other types such as reduced VAT and VAT-free rates found throughout Spain as well (N26, n.d.). The excise taxes are “indirect taxes levied on specific forms of consumption and charged as a one-step process on the manufacture, importation and, where appropriate, introduction into domestic territory of certain goods, as well as on the registration of certain means of transport, the supply of electricity and the supply of coal for consumption.” (Ministerio de la Presidencia, n.d.).

Common examples of products with excise taxes include tobacco products, alcohol, and anything which relies on Hydrocarbons such as diesel, natural gas, and petrol. Eventually, an excise tax will increase the price of the product, and the burden of the new price will be shared by both the producers and the consumers.

While the Catalan government receives a variety of taxes that fund their economy, their grievances against the Spanish government are about not receiving enough money back from the central government in comparison to how much they pay in taxes. On average, Catalan citizens make a tax contribution per capita to the funding of total autonomous communities which is 20% above the average of all other autonomous communities, but the resources per capita available to the Catalan government are around the average. However, this fluctuates yearly depending on tax contributions and population and other expenditures needs (Castells, 2014). To many Catalans, this seems unfair. They feel that if they pay more in taxes, then they should receive more benefits. The distribution of resources is based on the “Fundamental Public Services Guarantee Fund,” a partial equalization method. Here, the autonomous communities allocate 75 percent of their potential tax capacity into a shared pool, and the total amount is later distributed between all the autonomous communities according to their population and adjusted by need (Castells, 2014). The most prosperous communities, such as Catalonia, have a negative to be brought to the pool, and the poorest ones, a positive aspect. Due to this, Catalonia will receive less in tax revenue than what it contributes to the pool due to its population and economy.

An explanation of two more funds is important to understand the tax system of Catalonia. These are “the “Global Sufficiency Fund” and the “Competitiveness Fund,” both of which are also funded by the central government. The “Global Sufficiency Fund” was created to “guarantee that all autonomous communities at least maintained the same level of revenue obtained with the

previous mechanism.” The “Competitiveness Fund” was set in the economic reforms of 2009, aiming to allocate funds to regions where “the difference between ‘fiscal capacity’ (how much they contribute to the “common pool”) and revenue (how much they receive) is larger.” (Castells, 2014). Altogether, these funds dictate how the autonomous communities receive their financing from the central government.

To address their grievances, many Catalans wish to have implemented a special tax system in which the situation is more favorable to their economy. They look to the more favorable tax system of the Basque Country, the “Concierto.” Here, the Basque government has full responsibility for the collection of the Value Added Tax (VAT) and corporate tax. This is full-fiscal autonomy, and Catalonia wishes to echo that. An amount of the collection, called “cupo,” is then returned to the state as a way to compensate for general services provided by the state in the region (Barón, 2015). Catalonia officially submitted a reform of the financial tax system, called the “Fiscal Pact,” which echoed the Basque system, but it was rejected by the Spanish government in 2012 (Castells, 2014). The implementation of the “Fiscal Pact” would have brought both positive and negative changes to the region. Catalans would be pleased that under this proposed system, money that usually would have been allocated to other regions, could now remain within Catalonia for spending. Further, with this money, the Catalan government could potentially lower the tax level of the region. Anyone who was seeking more favorable tax conditions would benefit from this change (Barón, 2015). Consequently, if this system were to have been implemented, major banks or businesses in the service sector operating outside of Catalonia would face a potential change in their earnings. Additionally, workers in the industrial zones of Barcelona, or born in other regions of Spain, would lose the ability to provide money to family members in poorer parts of Spain. With these potential changes in businesses’

revenues, Spanish workers who work in Catalonia may feel the security of their jobs is threatened as well (Barón, 2015). These positive and negative consequences of the “Fiscal Pact” would have certainly influenced public opinion support of independence. Any Catalan who was wishing for a more adequate tax system that provided greater funds to Catalonia would have supported this reformed system and independence. However, anyone who may have a job in the business or service sector may have felt this reform threatened their livelihood, leading to decreased public support for independence within these groups.

Scholar Antoni Castells provides a “special model,” or solution, which he feels would provide Catalans with the solution and voice they desire. He proposes a reform that would consist of three things. First, increased fiscal responsibility for the autonomous governments in which they would be funded by the taxes they levy and collect, not grants given by the central government. Second, addressing equalization themes so that horizontal and vertical fiscal imbalances are recognized. This would be accomplished by matching the expenditure needs of the communities with the potential tax resources they possess. Third, an overall increase in regional community input in all decision-making (Castells, 2014) This reform would echo the structure of Basque Country, making it feasibly satisfactory to the Catalans. However, it seems that the support for reform has passed, and Catalans are instead pushing for secession and independence.

### **Reasons to Remain with Spain**

The first, and perhaps most important reason to remain within Spain, is the role of the European Union. The argument has been made that Catalonia needs to understand the importance of the European Union (EU) and the eurozone in its evaluation of whether to secede from Spain. It might be thought that the emergence of the EU’s economic crisis was the political

opportunity the Catalan movement needed to secede from Spain, but that is not the case given all the uncertainties involved. Regardless of whether Catalonia would remain in the EU or not, it can be assumed that it would wish to maintain its role in the markets of the EU. But, this may change depending on the secession scenario. First, there is a large number of European businesses in Catalonia, with Catalonia accounting for a large percentage of the transport of goods between Spain and other parts of Europe. Without this “Catalan corridor,” trade routes within Europe may become disrupted. However, since Catalonia is a major player in all European trade, it seems unlikely that barriers would be enacted against them from trading if they were to secede (Castells, 2014). If Catalonia were to secede from Spain, there is no telling how the EU would react in whether or not to grant Catalonia EU membership as an independent state. Initially, the EU had no specific legal provision which dictated what would happen if a territory or region of a member state seceded from their country and tried to readmit as an independent. However, the European Commission (EC) has since adopted a position that states, “after seceding from a member state, a new entity would need to apply for membership, subject to a unanimous vote.” (Barón, 2015) This comes as a response to the Scottish Independence movement of 2014. Further, the EU Committee of Regions, of which Catalonia is a member, stated “any region seceding from a state to be a third state, and that once a state secedes from an EU member, EU law no longer applies for that territory.” (Barón, 2015) This shows that if Catalonia were to secede from Spain, not only is EU membership in jeopardy but also all securities afforded to the region by the EU.

In the case that Catalonia was to try and regain its membership, it would be a tedious and complicated process. To become a member one must comply with all required EU laws and standards. Further, it must win the vote or unanimous consent of all current EU members

(Reuters, 2017). In this scenario, Spain could attempt to block Catalonia's admittance by denying them their vote for admission and could encourage its allies to do the same. A situation like this would make the process much more complicated. Also, even if Catalonia were to be granted admittance, it would not be a quick process. For example, the last member to be admitted was Croatia in 2013. Their process lasted 10 years after they first applied for membership in 2003 (Reuters, 2017). In the long run, concerns of secession include that even if Catalonia could regain its membership in the EU, it would be a long-winded process that would cost the community all types of economic security.

Also relevant to the European Union argument, is that it is important to consider that Catalonia is a member of the Eurozone, meaning that its monetary system is based on the Euro. Hypothetically, the consequences of leaving the Eurozone could include; Catalan banks having difficulties using the European Central Bank and the Catalan government being unable to finance its debts, potentially making them default on their payments. Further, if Catalan currency becomes lesser in value compared to the Euro, it may then become an issue of Catalonia being unable to repay foreign debts (Castells, 2014). Specifically, the European Central Bank has "warned against the traumatic costs of exiting the EU without an 'exit clause.'" They list "the near impossibility of that region's returning to the euro in the short-run" as a "traumatic cost." (Barón, 2015). Upon seeing these potential consequences for the Catalan economy if it were to secede, they must also weigh the options of remaining in the Eurozone.

The next potential economic motive driving Catalonia to remain with Spain is the issue of Catalonia's debt, deficit, and its reliance on Spanish money. The Spanish market has traditionally been the primary customer for Catalan exports. If Catalonia were to secede from Spain, the issue is raised of the so-called "border-effect," which could have detrimental effects on the Catalan

economy. The border effect finds that the “existence of an international border significantly reduces trade between two territories,” (Castells, 2014). However, the strength of this effect is debated among scholars. One scholar, Rodríguez Mora, estimates that the border effect would reduce the intensity of trade between Catalonia and Spain by 80 percent (Rodríguez Mora, 2012, as cited in Castells, 2014). However, other scholars believe that the effect would be much lower. One common argument is that the border effect is seen as a long-term effect, in which one cannot assume that trade flows between Catalonia and Spain would suddenly drastically decrease (Castells, 2014). However, the economic state of Catalonia following a potential secession is still a concern.

Another major concern of Catalonia’s secession is that of how common assets and shared liabilities (such as debt) would be allocated between Catalonia and the Spanish government. One typical approach is to allocate a State’s debt according to population shares, but scholars Bosch and Espasa argue that it is feasible to allocate based on shares of central government expenditures (Bosch, N. & Espasa, M., 2012, as cited in Castells, 2014). On the issue of allocating assets that the Spanish state has ownership of (financial or physical), there is great uncertainty over how this process should be carried out (Castells, 2014). However, common practice dictates that it can be assumed that “the new state should assume a share of assets and liabilities from the common state,” (Castells, 2014). In this case of secession, Catalonia would take on some of Spain’s debt, along with assets as well.

### **The Evolution of Economic Motivators for Independence in the Years of 2008-2019**

In the years following the events of 2010, 2013, and 2014, it is predicted that public support for independence will remain high, as Catalans are unsatisfied with the recognition that



Spain has given them and wish for more. Further, I predict that the economic indicators will not see much of a change at this time. I argue that it is the events of 2017 that would have caused the most significant impact on the health of Catalonia's economy and public support for independence. As stated above, Catalonia is home to a large number of European businesses. The assumption can be made that following the announcement of Catalan sovereignty in 2017, many major businesses may have moved from Catalonia, as they feared the economic fallout of their companies if Catalonia were to fall from EU membership. It can also be assumed that if many major businesses began to relocate, then Catalonia's GDP would have decreased and unemployment rates would have increased in the years following 2017. However, Spain's GDP would have risen because companies will move elsewhere in the nation. It can also be assumed that not only would businesses have feared the potential consequences of Catalonia's secession on the economy, but so will citizens. I predict that public opinion polls on independence would have seen a downward trend in support following the events of 2017, as citizens feared economic decline and were dissuaded by the government's belief that independence is feasible. Further, the cultural indicator of citizens feeling more "Catalan" v "Spanish" would change as well, because as fears of economic failure rose, citizens may have begun feeling "less Catalan."

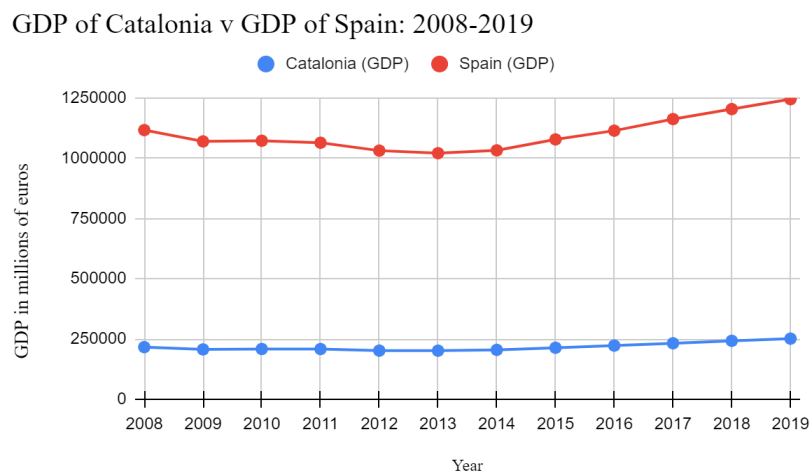
These predictions would act as evidence of the impact of Rogers Smith's economic story of peoplehood to be true, more so than the political or cultural story. I hypothesize that the economic story does matter in Catalan nationalism, and that without faith in the Catalan economy surviving secession, all cries for a political story of secession will be muted, and once muted, Catalans may feel less strongly about "being Catalan" meaning a fight for independence and autonomy.

The evidence, or data, presented below will show changes in Catalonia’s GDP, FDI, tourism, unemployment rates, and business activity from 2008-2019. These measures of economic activity will act as a further test of how relevant R. Smith’s economic story of peoplehood is in representing the secessionist movement of Catalan. If the economic activity had changed in the years as predicted above, then it can be assumed that R. Smith’s economic story is plausible. Further, if public support for Catalan independence and identification of “being Catalan” had changed, then it is plausible that economic activity during the secessionist movement may have influenced support for secession after all, showing that economic activity does bolster, or influence, the political and ethical stories of peoplehood.

### Results & Discussion

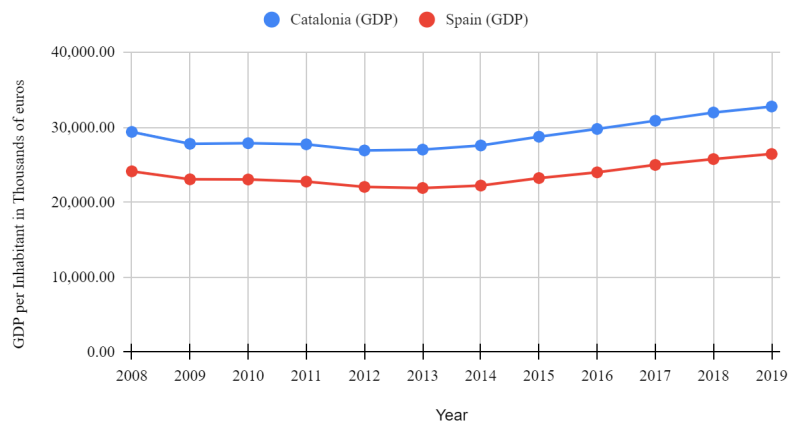
To assess whether the Catalan economy may have been negatively impacted by the secessionist movement, indicators of economic activity were analyzed from the years of 2008 - 2019. Of particular interest are the years 2010, 2013, 2014, and 2017, because they represent moments in which important events relating to Catalan independence occurred. The following tables and graphs depict the behaviors of the Catalan economy during this period of time.

*Graph 1*



Graph 2

Catalonia GDP per inhabitant v Spain GDP per inhabitant

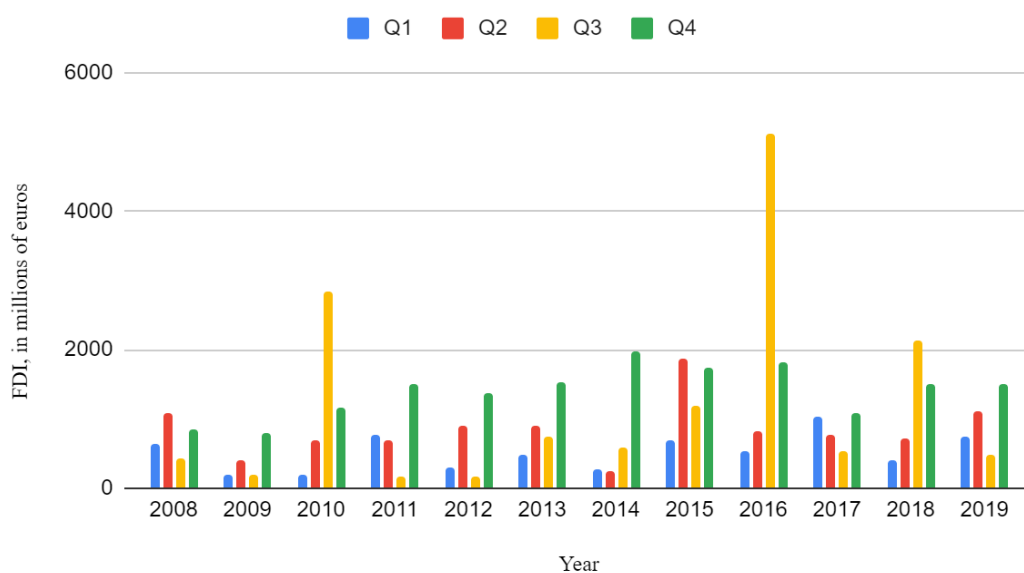


The data provided in Graph 1 depicts the behavior of Catalonia's Gross Domestic Product (GDP) throughout the selected time period. A drop in Catalan GDP is observed from the years 2010 to 2014. In the time of 2014 to 2017, the GDP then begins to consistently rise again. This is interesting because, given the events taking place within Catalonia during this time, I expected to see a decrease in GDP, especially in 2017 and 2018, after Catalonia declared its independence from Spain. However, that is not the case as GDP is increasing during those years. In comparison to the GDP of the rest of Spain at this time, Spain is experiencing a more drastic upward trend in GDP than Catalonia. Spain's GDP experiences a sharp increase in the years of 2014 to 2019, while Catalonia remains with a consistently small increase. This difference could be understood as while the entirety of Spain is experiencing a great increase in GDP, Catalonia does not receive the same benefits because their livelihood and economy conflict with one another. This secessionist conflict had given them no room for upward growth, but instead, a fight to maintain a consistent GDP during this time.

Graph 2 instead depicts the behavior of GDP per inhabitant for both Catalonia and the rest of Spain. A drop in GDP per inhabitant is seen in the years 2010 to 2011, but in the years 2014 to 2018 GDP per inhabitant yet again experienced an upward trend. In comparison to the GDP per inhabitant of Spain at this time, they share a similar pattern of upward growth and there are no extreme differences between the two. The presence of an upward trend in GDP per inhabitant as well does not fit my predictions that a drop in GDP would have occurred due to the events occurring in Catalonia at this time.

### Graph 3

Total Foreign Investment (FDI) in Catalonia by Fiscal Quarters: 2008 - 2019



Consideration of rates of Foreign Direct Investment (FDI) within Catalonia is also important to consider during this time. If FDI rates are high, then international businesses are bringing projects and financial strength to the economy. If FDI is down, that will have a poor effect on the economy. Each year is represented by FDI rates (in millions of euros) in Catalonia during each four of the fiscal quarters. Q1 occurs from January to March, Q2 occurs from April

to June, Q3 occurs from July to September, and Q4 occurs from October to December. Looking at 2010, the Spanish Constitutional Court striking down the 2006 Catalan Statute of Autonomy occurred in July, represented by Q3 of this year. Q3 of 2010 experienced an extreme increase in FDI, compared to Q3 of the previous year. In 2013 the Catalan Parliament approved a declaration of sovereignty, and the power of the Catalan people to decide. This declaration occurred in January of that year, placing it in Q1. Compared to the FDI of Q1 in the previous year, Q1 of 2013 experienced an increase. In 2014 the Spanish Constitutional Court responded by declaring this declaration unconstitutional, angering many Catalonians. The court's response occurred in November, Q4 of that year. Q4 of 2014 experienced an increase in FDI compared to Q4 of the previous year. Finally, in 2017 Catalonia's president unilaterally declared independence from Spain in October, which is represented by Q4. Interestingly, Q4 of 2017 experienced FDI rates significantly lower than those experienced in Q4 of the previous year. Perhaps, 2017 was the most telling year of how events of Catalan secessionism may have hindered the Catalan economy. The data from all other years rejects my assumption that FDI rates would have decreased in the years where an important event on Catalan independence occurred. But in the case of 2017, if FDI rates had decreased, it can be assumed that businesses were fearing a potential economic fallout and may not have invested as much of a presence in Catalonia.

Table 1

The Presence of Businesses within Catalonia: 2008 - 2019

Company	Location Moved To	Income from 2016 (euros)	Net Profit from 2016 (euros)	Number of Employees
Banco Sabadell	Alicante	5.2 billion	710.4 million	17,000
Gas Natural Fenosa	Madrid	23.9 billion	1.34 billion	20,000
CaixaBank	Valencia	6.8 billion	1.05 billion	32,403
Abertis	Madrid	4.75 billion	795.6 million	17,000
Cellnex	Madrid	670.4 million	39.8 million	11
Colonial	Madrid	835.2 million	274 million	70

Source: The Economy Journal, 2017

Under the assumption that if businesses fear a potential economic fallout from the Catalan secessionist movement, they may choose to invest less in Catalonia, which may mean relocating or stopping their business altogether.<sup>9</sup> According to data compiled by the Spanish Association of Registrars, approximately 3,023 companies moved their registered offices out of Catalonia between October 2nd and December 13th of 2017. Most concerning, is that six of the businesses which had moved represent six of the seven Catalan companies which are listed on the Ibex-35, the benchmark stock index of Spain.<sup>10</sup> Table 1 mentions the name of each company, the location they moved to, the income and net profit they contributed to Catalonia in 2016, and the number of employees they possess. Not only are all six of these companies some of the highest-profit companies in Catalonia, but four of these companies are moving their offices to Madrid. So, not only is Catalonia facing a potential loss in revenue from the movement of these

<sup>9</sup> While businesses may relocate their headquarters outside of Catalonia, that doesn't necessarily mean they may take all jobs or production of goods with them. However, the relocation of headquarters is still seen as a signal of negative economic change within Catalonia.

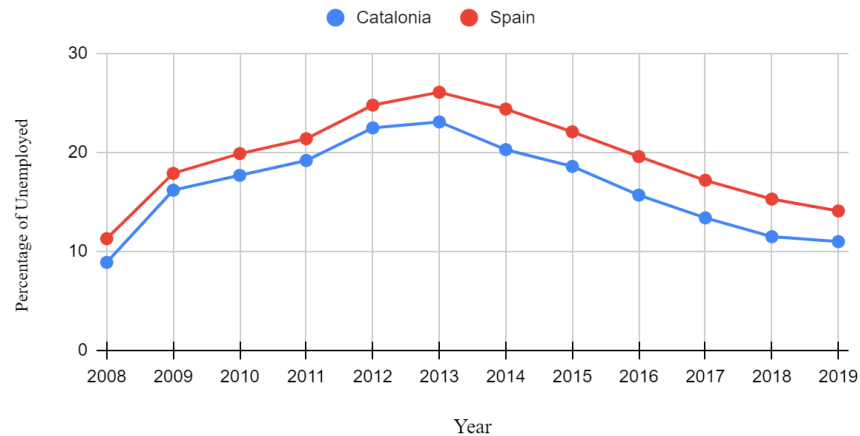
<sup>10</sup> It is also important to note that different sectors have different degrees of moveable capital. In the case of Catalonia, automobile factories and chemical production facilities are less moveable than the human capital involved in technology firms. Banks can also be seen as having a modal position. It is for this reason that a variability in capitalism has been a reason why political scientists are against solely using economic theories to explain state behavior.

businesses but will also see the Spanish government potentially benefit from these headquarters moving to Madrid.

In an analysis of what the relocation of these businesses means for Catalonia, economist Fernando de Trias de Bes believes that “these changes may seem initially cosmetic but over time may lead to a partial relocation of economic activity to other regions.” (Turner, 2017). Bes also conducted a survey of a hundred Catalan managers where he found that a certain paralysis was present while companies awaited a decision on the political state of Catalonia. This idea of paralysis is echoed by what the EU Economic Journal explains is the situation of the relocation of these companies. They wrote, “The argument put forward by most of the companies that have left is that the change of address or headquarters is a strategic move to protect the interests of its shareholders, customers and employees.” (The Economy Journal, 2017). The protection of these interests can be assumed to be a way to protect the financial stability of the company. This fear of losing stability goes back to the previously mentioned concerns about Catalonia leaving the EU. If Catalonia were to leave the EU or the eurozone, all of these companies would lose the financial stability that is afforded to them by the EU, through Catalonia as a region of Spain. By moving their headquarters to Madrid, or elsewhere, they are protecting themselves but guaranteeing that they will remain under EU protection and policy. The inclusion of these businesses which have relocated from Catalonia following the events of 2017, shows that the Catalan secessionist movement has had an impact on the economy, an impact which will continue to be investigated.

Graph 4

Percentage of Unemployed, Catalonia vs. Spain  
 Source: Institut d'Estadística de Catalunya



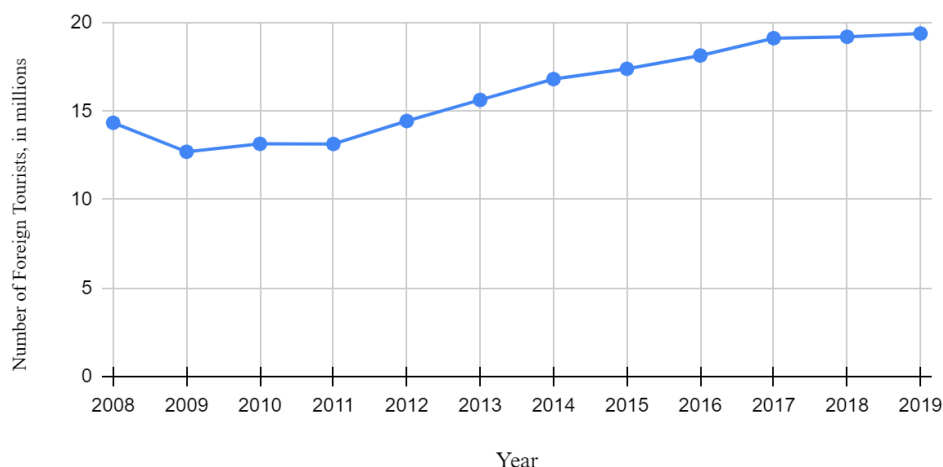
In the case that many businesses had relocated their offices from Catalonia to elsewhere in Spain, it is possible that unemployment rates in Catalonia experienced an increase. Businesses began leaving following the unilateral declaration of independence from Spain which Catalonia announced in 2017. Interestingly, in the years 2013 and on, Catalonia had been experiencing a constant decrease in unemployment rates. This proves my assumption incorrect, as in the years 2017 to 2019, unemployment had decreased before beginning to level off in 2019. The absence of these businesses did not create an increase in unemployment as expected. In this case, the assumption can not be made that the movement of these 3,023 businesses did influence an increase in unemployment rates after all.



Graph 5

## Number of Foreign Tourists to Catalonia: 2008 - 2019

Source: INE (Spain); Subdirección General de Conocimiento y Estudios Turísticos; Turespaña



As Catalonia experienced many instances of political conflict from 2008 - 2019, it can be assumed that foreign tourists would be hesitant to visit the region during this time, leading to a lower number of foreign tourists per year.<sup>11</sup> However, the years 2008 - 2012 experienced a slight decline in the number of tourists, and then a slight increase in 2012. In the years since 2012, there has only been an increase in the number of foreign tourists each year. In 2017 - 2019, however, there seems to be little increase but instead a maintained number of tourists. While this data disproves the assumption that tourist rates dropped as a result of Catalan secession, it could still be argued that perhaps 2017 - 2019 experienced a standstill in tourism growth because of the events of Catalan secession. However, that is not what this paper aims to address.

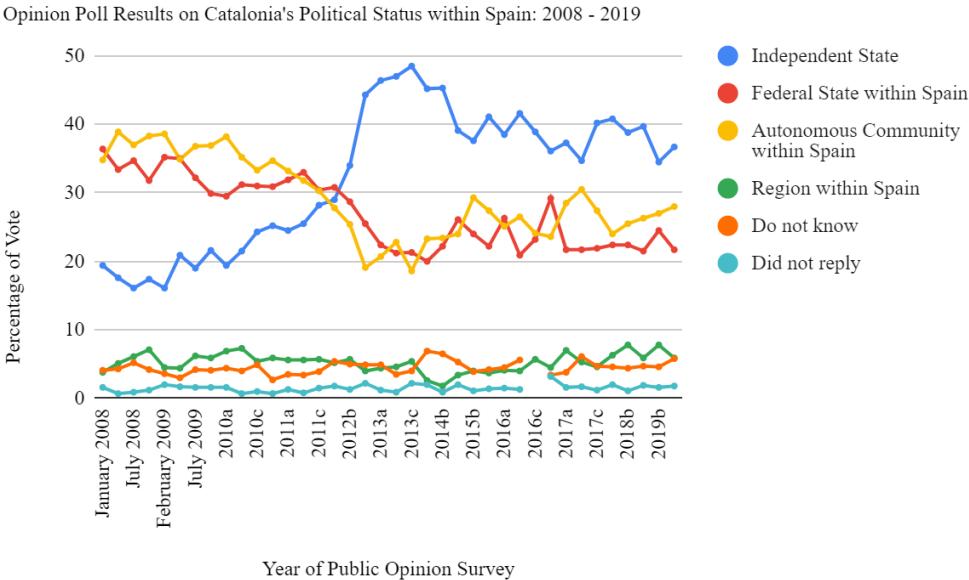
While the data collected at this point has represented the economic health of Catalonia, it only shows how the economy fared during the years of the Catalan secession movement. It is also vital to understand how people's opinions on Catalan secession and Catalonia's political status have fared. This is especially important as my hypothesis argues that if the economic

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<sup>11</sup> In the data, foreign tourists are defined as any individual who does not reside in Spain, and traveled to Catalonia.

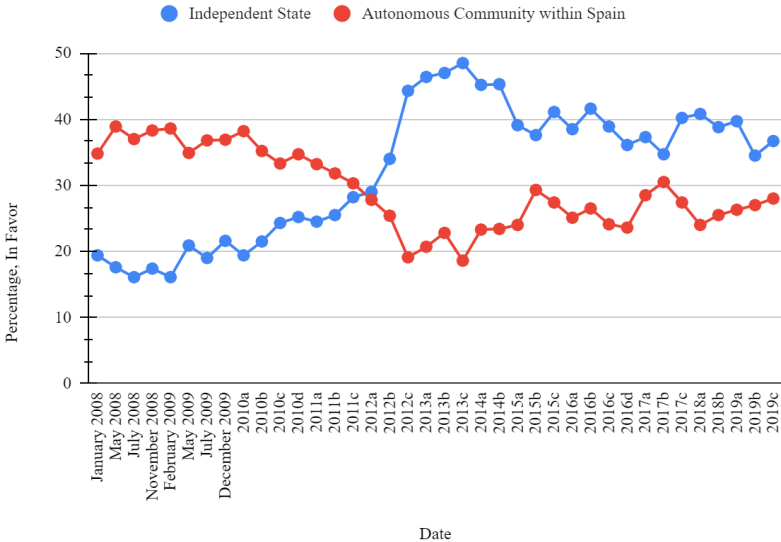
health of Catalonia began to dwindle, then public support and cries for secession became muted. To investigate public support, data will be presented that shows opinions regarding Catalonia's political status within Spain, sentiment towards independence, and self-identifying as Spanish versus Catalan.

Graph 6



Graph 7

Public Opinion Polls: In Favor of Catalonia as Independent State v Autonomous Community in Spain



Regarding public opinion polls on the question of how Catalans feel about the political status of Catalonia within Spain, individuals were given six options to choose from. The options were Catalonia as Independent State, Federal State within Spain, Autonomous Community within Spain, do not know, and did not reply. Graph 6 shows the results of this survey. The survey was administered about three times a year in 2008 and 2009, but from 2010 on, the survey was conducted as a series every year. The letter “a” represents the first series, the letter “b” represents the second series, and so on. As this research aims to focus on how Catalans feel about secession from Spain, I chose to further examine the results of those who voted for Catalonia’s status as an independent State versus those who voted for it as an Autonomous Community within Spain. As Catalonia is already recognized as an Autonomous Community, by comparing these two options I am better able to see the differences in the number of people who voted for a change, and those who voted to remain.<sup>12</sup> The results of this survey are represented in Graph 7.

In Graph 7, the first item to recognize is the years in which a desire for independence was at its highest and lowest point, while also seeing when a desire to remain an Autonomous Community was at its highest and lowest point. I will mainly be examining the years 2010, 2013, 2014, and 2017, for the reasons previously mentioned. In 2010, the desire for independence increased in the four series conducted, while the desire to remain an Autonomous Community decreased. This same pattern was then echoed in 2013. In 2014, however, a desire for independence remained the same, along with the desire to remain an Autonomous Community. From 2017 to 2018, the desire for independence increased before dropping, while the desire for Autonomous Community remained the same before increasing. It is no surprise that the desire

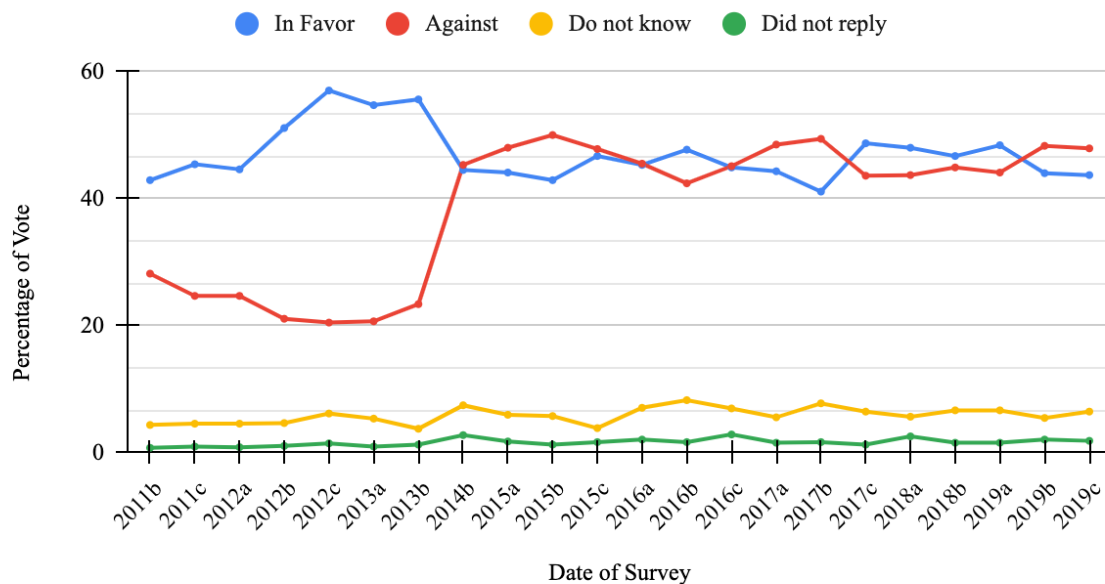
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<sup>12</sup> To vote for change would be a vote for independence from Spain, and a vote to remain would consist of favoring Catalonia to maintain its current political status and remain an Autonomous Community within Spain.

for independence was high in 2017, as that was the year the Catalan President announced a declaration of independence from Spain. The increase in desire for independence in 2013 is not surprising to me, as that was the lead-up to the 2014 referendum vote on Catalonia's independence. If a vote were to be held on independence in 2014, there needed to be a strong desire for independence driving that movement the year prior. On that note, however, the almost even split between those who favored independence from Spain and those who favored remaining an Autonomous Community in 2014 was surprising. Given the importance of 2014 and the referendum vote, I would have expected for there to be more variation between those in favor of independence and those in favor of remaining an Autonomous Community.

*Graph 8*

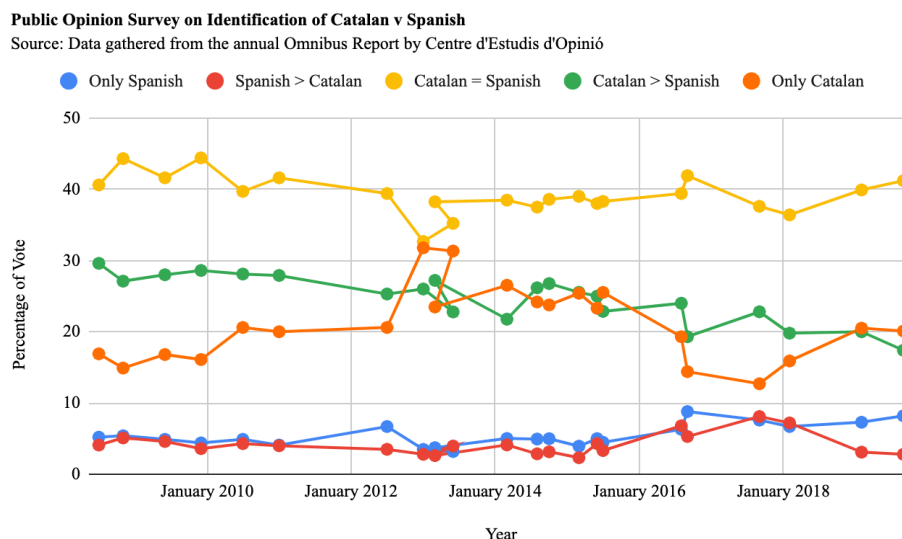
Public Opinion Poll Results on Sentiment Towards Catalan Independence: 2011 - 2019  
Source: Centre d'Estudis d'Opinió; CEO



The next graph, Graph 8, examines the trends in public opinion polls regarding sentiment toward the possibility of Catalan independence. The options for voting included: In favor,

against, other, abstain, do not know, and did not reply. Graph 8 depicts the results of options including in favor, against, do not know, and did not reply, because those are the most important aspects of this data when considering the goal of this research. The survey data only represents the years 2011 to 2019, because the Centre d'Estudis d'Opinió, run by the Catalan government, did not start conducting this survey until 2011. The survey was conducted a variety of times each year, with the first time being represented by the letter “a” of that year, and so on. According to the data, in 2013 there were fewer people in favor of independence and more against it. Then, in 2014, the number of votes in favor of independence decreased, while against increased. In favor was represented by a 44.5% vote and against was represented by a 45.3% vote. This is an even split between the two, and similar to the graph above, I would have expected more of a variation. In 2017, there was an increase in favor of independence during the three surveys conducted that year. At this same time, there was a decrease in those voting against independence. However, going into 2018, there was a slight decrease in the percentage of those who voted in favor of independence, while those against independence remained consistent. This supports the assumption that 2017 was a pivotal year in the Catalan secession movement and that public support for independence rose with the independence announcement in 2017, but fizzled out in the years following, as the possibility of independence seemed less feasible.

Graph 9



The final set of data represents how Catalans describe their identity from 2008 - 2019. This is an annual survey conducted by the Centre d'Estudis d'Opinió of Catalonia and asks which identity Catalans have more: Spanish, Catalan, or somewhere in between. Survey options include identifying as Only Spanish, Spanish more than Catalan (Spanish > Catalan), Catalan as much as Spanish (Catalan = Spanish), Catalan more than Spanish (Catalan > Spanish), or Only Catalan. In 2010, there was an increase in the percentage of those who identified as Only Spanish, Spanish > Catalan, and only Catalan, while a substantial decrease in the number of those who identified as Catalan = Spanish. This is not surprising as 2010 was still early in the secessionist movement, so a drastic increase in the number of those who identified as Catalan more so than Spanish, was not expected. The data suggest that the decrease in the number of those who identified as Catalan = Spanish was a signal of an oncoming conflict between the two sides. One side believes that they are more Catalan, making them more unique and deserving of secession from Spain. Others feel Catalonia is a part of Spain and they should remain that way. In 2013-2014, there was no significant increase or decrease in the percentage of those who identified as more Spanish than Catalan. The same applies in regards to those who felt more Catalan than Spanish. However, March of 2014 was marked by an increase of 3% of survey takers having felt only Catalan. This data is surprising to me. Given the lead up to the independence referendum in 2014 and the referendum's existence, I would have expected there to be a sharp increase in those who identified as Catalan > Spanish, or only Catalan. If an independence referendum is being held, and it is supported, then I would have expected to have seen a strong influx of national identity or belonging, leading to more individuals feeling Catalan.

Interestingly, the years 2017-2018 also experienced little variation. In 2017, the percentage of those identifying as “Only Spanish” decreased by 1% and again by 1% in 2018. The percentage of those identifying as Spanish > Catalan on the other hand, increased in 2017, but then decreased by 1% in 2018. The percentage of those identifying as Catalan = Spanish decreased by 3% in 2017 but then remained consistent in 2018. For those identifying as Catalan > Spanish, there was an increase of 3.5% in 2017, but dropping back to 2016 levels in the following year. Finally, the percentage of those identifying as only Catalan increased by 3.2% between the years 2017 and 2018. This shows that instead of more Catalans viewing themselves as Catalan > Spanish from 2017-2018, more individuals were viewing themselves as only Catalan. If more individuals began to identify as only Catalan, they saw themselves as outside “being Spanish,” just like the independence movement wished for Catalonia to be outside or independent of Spain.

### **Conclusion**

Within the case of Catalan secession, and the events that unfolded during 2008-2019, I found that 2017 was the only year that experienced the most significant impact on the Catalan economy. In this limited sense, my hypothesis was confirmed. But it was not confirmed in other major ways, as I had predicted that all of my chosen indicators of economic health would experience negative effects during 2017 as a result of the secession movement, but that was not the case. While Foreign Direct Investment rates and Ibex-35 business activity seemed to be affected; annual Gross Domestic Product, unemployment rates, and the number of foreign tourists were not. Interestingly, GDP, unemployment rates, and the number of foreign tourists either remained consistent or experienced a positive change. Based on these findings, my

hypothesis that Catalonia experienced an economic decline on all accounts during 2017 was disproved.

When considering the question of how public support for independence and national identity fared during this time, my hypothesis was more accurate. In 2017 and into 2018, public support for Catalonia having “independent” political status experienced an increase in public support before eventually dropping. This was as predicted due to the declaration of Catalan independence from Spain which occurred in 2017. The drop in support, however, proves my hypothesis correct that there was a muted call for independence following 2017, as the situation of secession worried some and seemed less feasible. When focusing on public opinion polls directly asking Catalans if they are for or against independence, the results were very similar. In 2017, there was an increase in favor of independence during the three surveys conducted that year. At that same time, there was a decrease in those voting against independence. But, going into 2018, there was a slight decrease in the percentage of those who voted in favor of independence, while the percentage of those against independence remained consistent. This again supports my hypothesis that 2017 would be a pivotal year in determining public support for independence as well. Finally, data depicting Catalans’ opinions on their identity, showed that the percentage of those identifying as “only Catalan” increased between the years of 2017 and 2018. This increase shows that instead of more Catalans viewing themselves as “more Catalan than Spanish” from 2017-2018, more citizens were viewing themselves as “only Catalan.” As more individuals began to identify as only Catalan, it became apparent that Catalans continued to value their own unique identity, even as Catalan secession had the potential to create economic decline.



As we continue to monitor Catalonia's relationship with Spain and its secessionist movement, we must assume that the economic consequences of these events may continue to evolve and not take full force until years down the road. Further, we must recognize that just as the struggle for Catalan autonomy was a long battle, the fight for Catalans to have fiscal decision-making powers and fair tax systems will be as well. To other regions looking to secede from their central governments, Catalonia's secessionist movement is a cautionary tale. It shows the difficulties of navigating the strengths and weaknesses of secession, especially the risky scenario of losing European Union membership. While the economic crisis of 2008 allowed Catalonia a window to express its economic grievances and fuel secessionist aspirations, it also affected the Catalan economy and sentiment towards independence. But, one thing is for certain, people must be resilient to see their aspirations through. From decades of fighting for cultural recognition and autonomy to a modern-day independence movement that calls for a just tax system and fair access to economic policy-making, the Catalan people have been resilient for hundreds of years and will continue to be.

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