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CATALONIA CRISIS: EXPLORING THE GENESIS, NATURE AND MOTIVES

Abstract

The recent independence movement of Catalonia which culminated in declaring independence by Catalan Parliament has duly attracted a great deal of attention of media, academia and political analysts. It is an important development not only for Spain but also for the European Continent where a number of nationalist movements already exist. The article provides an in-depth analysis of the crisis with an aim to find its roots and define its character. It shows that Catalonia crisis originates from economic grievances; identity factor played a secondary role while political grievance acted as a vehicle. It also shows that Catalonia crisis is a revolution led by the middle class with divided support from the working people whereas opposed by the big capitalists¹.

1. Introduction

Catalonia, a rich region of Spain, has long been a subject of academic discussion on stateless nation or sub-state nationalism and so on. But recent developments in the region which culminated in declaring independence by Catalan parliament in October 2017 caught the academics and observers off guard to some extent.

The present phase of Catalonia crisis started from January 2013 when Catalonia's regional parliament organised a non-binding referendum on independence defying the central government. For arranging the referendum disobeying Spanish Constitutional Court, Catalan President Arthur Mas was barred from public office for two years but it could not stop Catalonia's march towards independence. Mas' successor Carles Puigdemont promised another referendum.

Ahead of the second independence referendum in 2017, Madrid moved on to crush the referendum. 700 Catalan mayors backing the referendum were summoned by Spanish prosecutors; teachers, police and other civil servants had been warned

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¹ Here middle class refers mainly to the white collar employees and the intelligentsia. Big capitalists include owners of big enterprises including banks while capitalists mean owners of enterprises including financial ones irrespective of size.

that by assisting the referendum they could risk fines or losing their jobs. Catalan's top Court warned seven newspapers not to publish any news regarding referendum. Spanish police raided printing shops and other places to haunt ballot box, ballot paper, leaflet etc. Despite these credible threats, 26,000 volunteers registered for the organisation of referendum and 650 municipalities continued their support. On the day of the referendum, police clashed with the voters leaving 900 injured. The scene of Spanish Police beating and dragging the people out of polling station created outrage all over Catalonia and local Catalan police were seen to guard the protesters.

The referendum which was ruled as illegal by the Spanish Constitutional Court was held on 01 October 2017. It had a turnout of 43.03 per cent where 92 per cent voted in favour of independence. After nine days of the referendum, Catalan pro-independence leader Carles Puigdemont signed a declaration of independence but proposed Madrid that it would be suspended for two months to allow for dialogue regarding peaceful separation. In response Spain's Prime Minister Mariano Rajoy asked the Catalan parliament to clarify their position regarding declaration of independence and set up a deadline of 19 October. Rajoy made it plain that there would be no negotiations until Puigdemont renounce his independence plans and revert Catalonia back to "constitutional order". Eventually on 27 October, Catalan regional parliament passed a resolution to "declare Catalonia an independent state in the form of a republic" amid an opposition boycott and soon after Spanish parliament imposed direct rule over Catalonia.

Thus, a political impasse has been created in Catalonia - Madrid is not willing to lose this rich region while a good majority of Catalans are unwilling to be a part of Spain. The independence movement of Catalonia constitutes a political crisis deserving attention for several reasons. First, it is a widely held view that economically advanced democracies make stable states and so far there is no such example where a secessionist movement has succeeded in peacefully breaking away from existing state.² Also, various theories (from Marxist Theories to Liberal Modernist and Globalization Theses) have predicted decline, if not end, of such secessionist movement.³ It is, therefore, imperative to see why the crisis took place invalidating the widely held assumptions. Second, Catalonia crisis will definitely have impact on other existing nationalist movements active in several developed economies in Europe and beyond. Third, the crisis was heightened amidst the 2008 economic crisis, the impact of which is still felt by the global economy. One may, therefore, wonder whether a renewed financial crisis in future would stir other already existing nationalist movements. An in-depth analysis of Catalonia crisis will help to better understand these issues which are so vital for today's politics in developed capitalist countries.

² Ryan D. Griffiths, Pablo Guillen Alvarez and Ferran Martinez I. Coma, "Between the Sword and the Wall: Spain's Limited Options for Catalan Secessionism", *Nation and Nationalism*, Vol. 21, Issue 1, January 2015, p. 43.

³ André Lecours, "Sub-state Nationalism in the Western World: Explaining Continued Appeal", *Journal of Ethnopolitics (Formerly Global Review of Ethnopolitics)*, Vol. 11, Issue 3, 2012, p. 269.

In this context, this article provides an in-depth analysis of the crisis with an aim to find its roots, define its character and identify the motives behind it. The feature that distinguishes it from the existing literature is that it takes into account the division among the Catalan people with respect to attitudes towards independence. Thus, unlike many existing literature, this paper attempts not only to explore why a part of the Catalan people are demanding independence at this moment, but also to identify reasons why the 'other part' of Catalan people do not want independence.

With the mentioned objectives, the article seeks answers to the following questions. Is this 'independence drive' a new or old phenomenon in Catalan politics? What is/are the driving force/s of the crisis? Which section of Catalan people are in favour of independence and who are against it? And, why?

The article is organised as follows: after Introduction, section two offers the theoretical perspective for analysis. Section 3 provides a blend of political and economic history of Catalonia which outlines the background information necessary for answering the research questions mentioned above. Based on the context provided by section three, section four and five respectively identify the root causes of the crisis and examine the role of different actors. Section six concludes the article.

The article endeavours to make a qualitative analysis using secondary data which comprises articles, books, reports and documents. It uses data from various surveys, particularly the surveys of Centre d'Estudio d'Opinio (CEO) of Catalonia under the title "Public Opinion Barometre". It also uses data from various reports of Instituto Nacional de Estadística (INE) of Spain.

2. Theoretical Perspective

There is no dearth of literature on decentralisation, nationalism, ethnic conflict and civil war but, not surprisingly, there is lack of consensus in this regard. Existing theories provide diverse explanations for the rise of secessionist movement. The diversity of explanation stems from the diverse character of secessionist movements as well as from differences in the contexts in which they take place. Three broad categories, however, can be traced. Theories belonging to the first category explain secessionism primarily from economic perspective arguing that secessionists weigh the costs and benefits of remaining in the existing state with that of independence. For example, Patrick Bolton and Gérard Roland argue that when contemplating a move toward independence, the aggrieved region weighs the efficiency benefits of the union against the benefits of having a redistribution policy closer to the preference of majority of the region. Their model of break up/unification of nations shows that a region's decision on separation depends on three major factors: 1) difference between centre and periphery over fiscal policy; 2) efficiency losses from separation; and 3) change in tax revenue (whether the

region will lose due to smaller tax base or benefit from not providing a tax transfer to poorer regions).⁴

Wittman argues that two nations would join together (separate) if the economies of scale and synergy produced by their union create greater (smaller) benefits than costs. He envisages that as international organisations improve and thereby, the threat of war is decreased and barriers to international trade are reduced, the size of nations will be reduced. As European integration increases, he predicts, British integration is likely to decrease, with Scotland.⁵

Paul Collier and Anke Hoeffler argue that secessionist political communities invent themselves when part of the population perceives secession to be economically advantageous. Using empirical evidences from Scotland, East Timor and Aceh in Indonesia, Nigeria and Eritrea, they show that perceived opportunity of controlling natural resources are often instrumental in transforming this invention “from the pipe-dream of a handful of romantics to the reality of a large political or military organization”. Besides natural resources, other incentives may also encourage this process.⁶

The second category focuses on identity/ethnicity issue. For example, taking India as the case of study, Atul Kohli show that ethnic conflicts are best thought as power conflict. Given well-established central authority, he argues, self-determination movements typically follow the shape of an inverse “U” curve: a democratic polity encourages group mobilisation and heightens group identities; mobilised groups then confront state authority, followed by a more-or-less prolonged process of power negotiation; and such movements eventually decline as exhaustion sets in.⁷

Third category connects the secessionist movement with the democratic institutions; the connection, however, is tricky. While some assert that democratic practice and decentralised institutions, although meant to mitigate differences among groups and ethnicities, in reality facilitates secessionist movement⁸, others claim that democratic practice and institutions do mitigate the differences and dampen the desire to exit the state.⁹

⁴ Patrick Bolton and Gérard Roland, “The Breakup of Nations: A Political Economy Analysis”, *The Quarterly Journal of Economics*, Vol. 112, No. 4, November 1997, pp.1057–1090.

⁵ Donald Wittman, “Nations and States: Mergers and Acquisitions; Dissolutions and Divorce”, *The American Economic Review*, Vol. 81, No. 2, May 1991, pp. 126-129.

⁶ Paul Collier and Anke Hoeffler, “The Political Economy of Secession”, in H. Hannum and E.F. Babbitt (eds.), *Negotiating Self-Determination*, Oxford: Lexington Books, 2002

⁷ Atul Kohli, “Can Democracies Accomodate Ethnic Nationalism? Rise and Decline of Self-Determination Movements in India”, *The Journal of Asian Studies*, Vol. 56, No. 2, May 1997, pp. 325-344.

⁸ André Lecours, *op. cit.*

⁹ Benjamine Goldsmith and Baogang He, “Letting Go Without a Fight: Decolonization, Democracy and War, 1900–94”, *Journal of Peace Research*, Vol. 45, No. 5, September 2008, pp. 587–611.

D. Horowitz offers a different analytical framework. He proposes two approaches in the analysis of ethnic separatism and secession. One is to ask what forces are responsible for the general up-surge in secessionist movements. Another approach is to ask, what moves certain territorially discrete ethnic groups to attempt to leave the states of which they are a part (or at least to secure substantial territorial autonomy), whereas other groups, also regionally concentrated, make no such attempts. The first question calls for a general explanation of aggregate trends; it aims to compare the present with some period in the past. The second calls for an explanation that can discriminate among classes; it entails comparison not across time, but across space.¹⁰

Literature on Catalonia nationalist/secessionist movement also belong to the three categories mentioned above. According to Montserrat Guibernau, three main factors that explain the current rise of secessionism in Catalonia are: 1) Jose Maria Aznar government's lack of response to demands for greater autonomy; 2) legal challenging of the 2006 Statute of Autonomy and its subsequent trimming; and 3) increasing awareness of the impact of accumulating deficit due to the financial arrangements established by the Spanish state.¹¹

Jordi Munoz and Raül Tormos combine a multivariate analysis of observational survey data with an original survey-embedded experiment to find the drivers of support for secession. They find that although identity and partisanship are the main drivers of support for secession, economic consideration also plays an independent role. Thinking that the economy would get better after secession increases the probability of supporting independence by 18 per cent with respect to those who think that it would be no matter or that they do not know.¹²

Brandon M Boylan also finds that self-reported identity factor has the largest effect on preferring independence. However, after controlling for a variety of factors supposed to influence support for independence, stronger support for Catalonia to assume fiscal policy is found by him to be positively and significantly associated with higher preferred levels of Catalan self-governance.¹³

A review of the literature on Catalonia crisis suggests that most of the existing literature overlook the division among the Catalan people with respect to attitudes towards independence. And, this is where Horowitz's approach claims superiority.

¹⁰ D. Horowitz, "Patterns of Ethnic Separatism", *Comparative Studies in Society and History*, Vol. 23, No. 2, April 1981, p. 165.

¹¹ Montserrat Guibernau, "Secessionism in Catalonia: After Democracy", *Journal Ethnopolitics (Formerly Global Review of Ethnopolitics)*, Vol. 12, No. 4, November 2013.

¹² Jordi Munoz and Raül Tormos, "Economic Expectations and Support for Secession in Catalonia: Between Causality and Rationalization", *European Political Science Review*, Vol. 7, No. 2, 2015, pp. 315-341.

¹³ Brandon M. Boylan, "In Pursuit of Independence: The Political Economy of Catalonia's Secessionist Movement", *Nations and Nationalism*, Vol. 21, No. 4, 2015, pp. 761-785.

Horowitz's approach suits most to explain the present crisis of Catalonia for two reasons. First, Catalan crisis has both identity and economic aspects and it is pertinent to ask which factor led to this general up-surge of secessionist movement. Second, Catalonia is greatly divided on the issue of independence. Therefore, to understand the nature of the movement as well as to understand its dynamics, dissection of role and attitude of different sections of Catalan people towards independence is a must. The article thus uses Horowitz's approach while exploring the genesis and nature of and motives behind Catalonia crisis.

3. Catalonia Crisis: A Historical Review

Catalan nationalism has a long history starting from early 1900s. Since then, following various economic and political developments, Catalan nationalism has gone through various phases and finally reached the phase of separatism. To understand the nature of Catalan nationalism and the present Catalonia crisis, a review of these economic and political developments is crucial and this is what the following paragraphs provide.

3.1 Early History (16th Century -19th Century)

Today's Spain is the result of a process of dynastic unions and conquests which brought some previously independent units of Iberian Peninsula under control of one dynasty within 16th century. The Kingdom of Castile was the driving force in this state building process. Throughout this unification process Catalonia remained autonomous with its own constitution, court and fiscal practices. This autonomy status was lost when Catalonia was defeated by Castilian King Philip V in the War of Succession in 1714.

Interestingly, abolition of Catalan autonomy by King Phillip V came as a blessing for the economy of Catalonia. Full integration with Spain and resultant access to its colonies helped Catalonia in primitive accumulation of capital and laid foundation for its industrialisation.¹⁴

Catalonia's industrial transformation began much earlier than most regions of Spain and with a thriving industry dominated by textile, the region soon took the lead. In the word of Sidney Pollard, "[Catalonia] was as early as 1770 called 'a little England in the heart of Spain'."¹⁵ Although Catalan textile was unbeatable within Spain, its production cost was higher compared to other West European countries. This made

¹⁴ Romà Pujadas I. Rubies, "The Catalan Industry", *The Societat Catalana de Geografia*, Special Number: August-September 1986, p. 105.

¹⁵ Martínez Galarraga and Marc Prat Sabartés, "Wages and Prices in the Early Catalan Industrialization", paper presented at *European Historical Economics Society Conference*, London on 6-7 September 2013.

Catalan textile capitalists dependent upon protectionist legislations enacted by the Spanish government. Besides, Catalan capitalists also had to depend on Spain to oppress the working people and control unrest.

But this dependency was not one sided. Spain also needed Catalonia; by 1860, Catalan textile accounted for about 80 per cent of Spanish market for textile products¹⁶ and Catalan industry provided 25 per cent of Spain's manufacture employment.¹⁷ Moreover, due to weakness in state and nation building process, the Madrid based ruling class was compelled to maintain an alliance with peripheral elites.¹⁸

3.2 *Rise of Nationalism (Late 19th Century - Early 20th Century)*

Mutual cooperation between the two ruling classes was first challenged by the loss of Spain's last colonies to the US in 1898 which came as a heavy blow for Catalan capitalists, particularly the textile capitalists. To compensate the damage, they started demanding a fiscal arrangement for Catalonia similar to the one granted to the Basque in 1882. Unwillingness of Castile based ruling class of Spain to meet their demand pushed the Catalan capitalists, who were already dissatisfied with the incompetence of the former, to turn to their last resort - nationalism.¹⁹ They started sponsoring a local party *Lliga Regionalista* which eventually established itself as the vehicle of Catalan capitalists-led nationalism.

Lliga on the one hand, constantly opposed governmental policies and on the other hand, sought the government's authority whenever it needed to repress the working people. This vacillating attitude eventually undermined the *Lliga's* social base and played into the hands of progressive nationalism.²⁰ Ultimately, *Lliga* was replaced by a left coalition in 1931 election which resulted in the Second Republic and later dissolved during the Spanish Civil War (1936-1939).

When the capitalists of Catalonia were busy protecting their interests playing the nationalism card, another type of nationalism – progressive nationalism was gaining ground. The latter, based on the support of middle and lower middle class and led by an intelligentsia committed to their causes, fought for various rights of the working people and at the same time demanded self determination for Catalonia.

¹⁶ Juan Díez Medrano, "Patterns of Development and Nationalism: Basque and Catalan Nationalism before the Spanish Civil War", *Theory and Society*, Vol. 23, Issue 4, August 1994, p. 553.

¹⁷ Joan R. Rosés, "Why Isn't the Whole of Spain Industrialized? New Economic Geography and Early Industrialization, 1797-1910", *The Journal of Economic History*, Vol. 63, No. 4, December 2003, p. 1002.

¹⁸ Sebastian Balfour, "A Brief History of Catalan Nationalism: The Roots of the Current Crisis", 18 October 2017, available at <https://www.foreignaffairs.com/articles/spain/2017-10-18/brief-history-catalan-nationalism>, accessed on 10 November 2017.

¹⁹ Juan Díez Medrano, *op. cit.*, p. 562.

²⁰ *Ibid.*, p. 550.

The 1931 election which resulted in the famous Second Republic saw the defeat of capitalists-led nationalism by progressive nationalism. Under the auspices of the latter, a Statute of Autonomy for Catalonia was approved in 1932. Thus, Catalonia regained its autonomy after more than two centuries only to lose it again in the following years by Dictator Francisco Franco.

3.3 *Franco Era (1939-1975)*

Franco forcibly eliminated the progressive nationalist movement in Catalonia just as he did in the rest of Spain. 1932 Statute of Autonomy was annulled, all the Catalan institutions including the *Generalitat* were banned, *Generalitat* President Luis Companys was executed along with about 4000 fellow Catalans and official use of Catalan language was banned.

First fifteen years of Franco regime is marked by economic stagnation and drastic fall in standard of living. In 1950, per capita bread consumption was half of the level of 1936.²¹ With prices tripled within a decade, soaring black market, acute shortage of necessities and widespread deprivation, internal migration from poorer south to richer north reached an unprecedented level.²²

Catalonia was no exception to this chaos. Catalonia's dominant industry, textile, had long been suffering from various structural weaknesses and the situation got worse due to war time shortages as well as various autarky policies of early Franco regime.²³ But in Franco's Spain, the worst off was the working people, in Catalonia as well as in the rest of Spain. Working hour was increased from 40 to 48 hours a week, overtime was made compulsory, workers' right to strike was banned and above all wages was cut back to pre-civil war level.²⁴

Then came the neoliberal 'Stabilization Plan of 1959', which along with other favourable political developments, led to the Spanish Miracle placing Spain as the 9th largest economy of the world and Catalonia played a leading role in this. But this Miracle involved, at least in the beginning, a heavy social cost including harsh cuts in public spending and freezing of wages.²⁵

²¹ "Rebuilding Europe: Spain 1953-75", available at http://www.internationalschoolhistory.net/western_europe/spain/1953-75.htm, accessed on 07 December 2017.

²² Eric Solsten and Sandra W. Meditz (eds.), *Spain: A Country Study*, Washington, D.C.: Federal Research Division, Library of Congress, 1988, available at <https://www.loc.gov/item/90006127/>, accessed on 25 October 2017.

²³ For details, see, Leandro Prados de la Escosura, Joan R. Rosés and Isabel Sanz Villarroja, "Economic Reforms and Growth in Franco's Spain", *Journal of Iberian and Latin American Economic History*, Vol. 30, No. 1, 2012, pp. 45-89.

²⁴ Joseph Harrison, "Early Francoism and Economic Paralysis in Catalonia, 1939-1951", *European History Quarterly*, Vol. 39, No. 2, 2009, pp. 202-203.

²⁵ Eric Solsten and Sandra W. Meditz, *op. cit.*

As expected, it was the working people, led by the leftist force, which initiated and spearheaded anti-Franco movement in Catalonia as well as in the rest of Spain.²⁶ While the Catalan big capitalists were always mostly on the side of Franco, a section of them, under the leadership of Jordi Pujol of Democratic Convergence of Catalonia (CDC), accompanied the middle class to join the anti-Franco movement. Following a non-violent path and carrying on numerous activities enlisting mass support this movement succeeded in regaining a Statute of Autonomy for Catalonia in 1979. After Spain's transition to democracy, taking advantage of the division on the left front, Convergence and Union (CiU), the election alliance of CDC, became the hegemonic political power of Catalonia.²⁷

3.4 After Transition to Democracy (1978-2003)

During its long regime (1980-2003) CiU gave support to five out of nine governments in the centre headed respectively by the three major national parties of Spain – Union of Democratic Centre (UCD), Spanish Socialist Workers' Party (PSOE) and Partido Popular (PP). During this period Catalonia played a key role in Spain's inclusion in the European Union (EU). Catalonia's role was also crucial in helping Spain overcoming the 1993 currency crisis and fulfilling the conditions to join the euro-zone.²⁸

CiU could but did not use this leverage to bring any significant amendment in the Statute of Autonomy of Catalonia. Rather, it followed a strategy of permanent bargaining with the central government in order to gradually extract small concessions.²⁹ Even during the second term of President Jose Maria Aznar, when demand for reform of Statute of Autonomy or a new fiscal arrangement was on rise, CiU denied to demand such reform.³⁰

After its 2000 landslide victory, PP moved further to a neo-centralist, conservative and neo-liberal political discourse aimed at halting the devolution process.³¹ This approach of PP alienated substantial parts of Catalan electorate and

²⁶ Montserrat Guibernau, "Prospect for an Independent Catalonia", *International Journal of Politics, Culture and Society*, Vol. 27, No. 1, 2014, p. 11.

²⁷ Santiago Pérez-Nievas and Marta Fraile, "Is the Nationalist Vote Really Nationalist? Dual Voting in Catalonia 1980-1999", paper presented at *IV Congreso de la Asociación Española de Ciencia Política y de la Administración*, Granada, 30 September 1999, p. 5.

²⁸ Montserrat Guibernau, "Secessionism in Catalonia: After Democracy", *op. cit.*, p. 380.

²⁹ Xavier Cuadras Morató (ed.), *Catalonia: A New Independent State in Europe?: A Debate on Secession Within European Union*, New York: Routledge, 2016, p. 22.

³⁰ Anwen Elias and Ludger Mees, "Between Accommodation and Secession: Explaining the Shifting Territorial Goals of Nationalist Parties in the Basque Country and Catalonia", *Revista d'Estudis Autònoms i Federals*, No. 25, 2017, p. 147.

³¹ Montserrat Guibernau, "Secessionism in Catalonia: After Democracy", *op. cit.*, p. 381.

heightened territorial disputes³². The unpopular alliance with PP took its toll on CiU, by damaging its regional political hegemony. The following 2003 regional election resulted in the *Tripartite* government of the left coalition Socialists' Party of Catalonia (PSC)-Esquerra Republicana (ERC)-Initiative for Catalonia Greens (ICV). Thus, for the first time after Spain's transition to democracy, a government was formed in Catalonia keeping CiU outside.

3.5 From Devolution to Secession (2003 and Upwards)

The main political project of the 2003 *Tripartite* government was the reform of the Catalan Statute of Autonomy. It should be noted here that in Catalonia demand for reform of Statute of Autonomy started to gain ground after the failure of 'Europe of the Regions' project of which Jordi Pujol was an early exponent. According to his promise in 2004 general election campaign, Jose Luis Rodriguez Zapatero, the Socialist Premier of Spain carried on the process of reforming the Statute. The new proposed statute was, however, significantly watered down, particularly regarding the two most disputed and significant issues – Catalonia's right to levy its own tax through its own tax agency and recognition of Catalonia as a nation.³³ ERC denied to accept the compromised statute and called for 'no' vote in the following referendum while CiU entered in an agreement with PSOE to support the 'polished' statute prior to the referendum.³⁴ Finally, the statute was passed in a referendum in June 2006.

PP, which vehemently opposed the reformed Statute for Catalonia from the very beginning, took it to the Spanish Constitutional Court. The Constitutional Court took almost four years to reach a decision on the statute. In the meantime Sovereign Debt Crisis hit hard Catalan economy like the rest of Spain to be followed by infamous austerity programme.

Therefore, the verdict of the Constitutional Court in June 2010 which suppressed 14 articles and modified another 30 of the 2006 Statute of Autonomy of Catalonia acted as a spark in an already explosive situation. In the following days Madrid saw over one million people demonstrating in the streets of Barcelona with the slogans "We are a nation. We decide." and "Catalonia: A New European State". In the next year, civil society organisations and movements in favour of Catalan independence formed the Catalan National Assembly (ANC), which along with other civil society platforms like *Ominum Cultural* organised a series of events in the following years, some of which was attended by more than 1.5 million Catalans.

³² Guillem Rico & Robert Liñeira, "Bringing Secessionism into the Mainstream: The 2012 Regional Election in Catalonia", *Journal of South European Society and Politics*, Vol. 19, Issue 2, 2014, p. 261.

³³ Diego Muro, "Territorial Accommodation, Party Politics and Statute Reform in Spain", *Journal of South European Society and Politics*, Vol. 14, No. 4, 2009, p. 460.

³⁴ Xavier Vilà Carrera, "The Domain of Spain: How Likely Is Catalan Independence?", *World Affairs*, Vol. 176, No. 5, January / February 2014, pp. 79-80.

In such an environment, political capital of CiU was seriously at stake which prompted the coalition to put negotiation on a new fiscal arrangement on the top of its agenda in 2010 regional election,³⁵ a demand they neglected earlier. After returning to regional office in 2010 with a minority government, CiU executed austerity measures which further added to its unpopularity. When PP won 2011 general election with absolute majority, CiU could foresee that achieving any substantial advancement in fiscal arrangement would no more be possible. Faced with increasing unpopularity, CiU at last took a secessionist course for the sake of survival of their political existence.

Being compelled by the circumstances, CiU ran 2012 regional election by signing pact with the ERC about holding an independence referendum in 2014. The 2014 referendum was followed by a snap regional election where pro-independence parties won the majority. As a result the Catalan Parliament continued their journey for independence. The Spanish Constitutional Parliament banned all activities regarding independence but it could not stop the separatists from organising another independence referendum in 2017 and thus, creating the present impasse.

The brief review of political and economic history of Catalonia, presented above suggests that Catalan nationalist movement had largely been non-secessionist in character and secessionist movement is a comparatively new phenomenon in Catalan politics. Data on people's support for independence also tells the same story. A 1977 survey found only 5 per cent of Catalans in favour of independence.³⁶ CEO data shows that throughout the 1990s support for independence hovered between 15 and 20 per cent; it started skyrocketing after the verdict of Constitutional Court in June 2010 reaching a level as high as 57 per cent within 2012. The reasons that led Catalonia to take such turn are discussed in the following paragraphs.

4. Identifying the Driving Factors

There are two major contending factors in explaining the Catalonia crisis – one is identity factor, another is 'economy' factor. This section attempts to evaluate the comparative role of these factors with an aim to find out which one played the decisive role.

4.1 Identity Factor

Many hold the view that tension between Catalonia and Spain has its root in the state building process of Spain, a process in which Catalonia, the most economically developed part of Spain, found itself politically subject to an anachronistic and

³⁵ Guillem Rico and Robert Liñeira, *op. cit.*, p. 262.

³⁶ Andrew Dowling, "Accounting for the Turn Towards Secession in Catalonia", *International Journal of Iberian Studies*, Vol. 27, No. 2-3, September 2014, p. 220.

backward nation, Castile based in Madrid.³⁷ According to Peter Gourevitch such lack of congruence between political leadership and economic dynamism gives rise to peripheral nationalism in the regions with 'ethnic potential'.³⁸ Although one could apply Gourevitch's theory of peripheral nationalism to explain Catalan nationalism in early years, this is no more applicable for present day Catalonia which has been declining compared to Madrid since mid-1980s.

A widely held view is that Spanish nation building process has been less successful if not unsuccessful compared to other West European countries.³⁹ Spanish state was very slow in integration of peripheral areas and nationalities, ensuring acceptance of the Spanish state by the periphery and dissemination of Castilian (which outside the country is simply called Spanish) language.

One outcome of this lower level of integration is symbiotic relation between the political elites at centre and that in periphery because the former cannot penetrate the peripheries while the latter cannot exercise power in centre. Capitalising the lack of integration, political elites of the periphery play nationalist card to fulfill their own interests while maintaining its political capital at regional and national level. This explains the gradualist approach of both *Lliga* over the period of 1901-1923 and that of CiU over the period of 1980-2003.

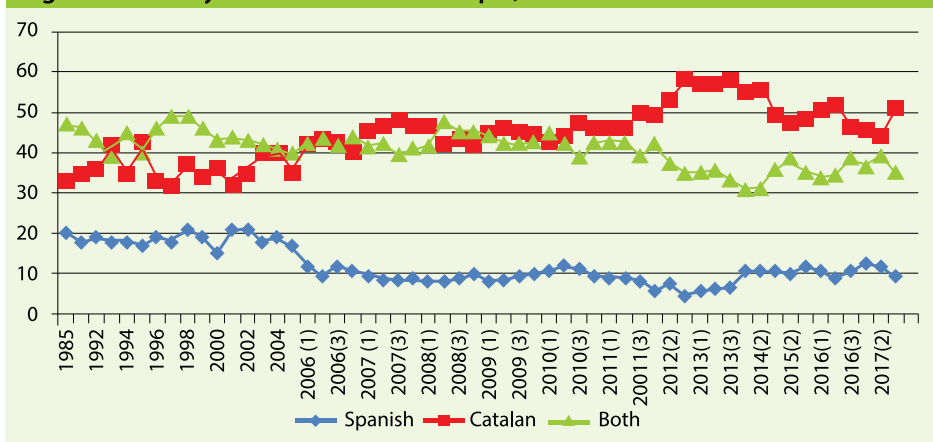
Another outcome of this lack of integration is dual identity. Figure 1 shows that among the three categories of identity – Catalan (identifying oneself as only Catalan or more Catalan than Spanish), Spanish (only Spanish or more Spanish than Catalan) and dual (as much Catalan as much Spanish), dual identity clearly dominated in Catalonia till the early 2000s and then fluctuated for a brief period until 2010, before registering a decline.

³⁷ Montserrat Guibernau, "Secessionism in Catalonia: After Democracy", *op. cit.*, p. 373; K. Medhurst, "The Prospects of Federalism: The Regional Problem after Franco", *Government and Opposition*, Vol. 11, No. 2, Spring 1976, pp.180-197.

³⁸ Peter Alexis Gourevitch, *Paris and the Provinces: The Politics of Local Government Reform in France*, California: University of California Press, 1980, cited in Yuan-Kang Wang, "Toward a Synthesis of the Theories of Peripheral Nationalism: A Comparative Study of China's Xinjiang and Guangdong", *Asian Ethnicity*, Vol. 2, No. 2, September 2001, p. 178.

³⁹ Michael Keating, "The Minority Nations of Spain and European Integration: A new Framework for Autonomy?", *Journal of Spanish Cultural Studies*, Vol. 1, Issue 1, 2000, pp. 1-25 ; Eric Storm, "The Problems of the Spanish Nation-Building Process around 1900", *Journal of National Identities*, Vol. 6, Issue 2, July 2004, pp. 143-157.

Figure 1: Identity Pattern of Catalan People, 1985-2017



Source: For 1985: Luis Moreno, *Catalonia's In(ter)dependence and Europeanization*, Instituto de Políticos Y Bienes Públicos, Working Paper 07, 2015, p. 8; for 1991-2004: Guillem Rico & Robert Liñeira, "Bringing Secessionism into the Mainstream: The 2012 Regional Election in Catalonia", *Journal of South European Society and Politics*, Vol. 19, Issue 2, 2014; for 2006-2017: *Generalitat de Catalunya*, Centre d'Estudio d'Opinio, Baròmetre d'Opinió Política of various years, available at <http://ceo.gencat.cat/ca/barometre/>, accessed on 08 December 2017.

Note: 2006(1) and 2006 (3) represents first and third quarter of 2006 respectively.

In fact, three phases can be clearly identified in the identity pattern of the region.

- First phase (1985-2002): Dual identity dominates with its share being 40-45 per cent, followed by Catalan identity with a share hovering around 35 per cent, while Spanish identity remains close to 20 per cent.
- Second phase (2003-2009): Catalan identity gains more popularity and closely contends with dual identity where both Catalan and dual identity floats around 40 to 45 per cent of total population. During this period, public acceptance of Spanish Identity among the Catalan people continued to decline.
- Third phase (2010-2017): Catalan identity clearly dominates with a share of around 50 per cent.

Any attempt to explain the trend of identity in Catalonia would be incomplete without considering the immigration factor. What follows is, therefore, a very brief account of Catalan immigration.

So far, three large flows of immigration to Catalonia can be identified.

- First huge inflow into Catalonia from other parts of Spain, in search of better job opportunity, took place at the outset of World War I. During the period 1910-1930, three quarter of population growth of Catalonia was due to immigration.⁴⁰
- Second massive inflow from poorer South of Spain to its richer North was seen at the late Franco era which has been described in section three.
- The third inflow started at the end of 1990s and continued till the 2008 economic crisis. Unlike the previous two flows, the latest one was from outside Spain which increased the share of foreign born people in Catalan population from 3.5 per cent in 2000 to 18.1 per cent in 2009.⁴¹

It is now evident that predominance of dual identity in Catalonia over a long period was the outcome of two historical facts: 1) weakness in Spanish nation building process; and 2) huge migration to Catalonia from other parts of Spain over a large span of time.

Predominance of dual identity implies that Catalonia crisis is not originated from a deep rooted identity conflict. Taking into account the mentioned flow of Spanish and non-Spanish migrants to the region, it becomes evident that the rise in Catalan identity did not emerge from increase in share of Catalonia born people in its population. Instead, it may be due to the fact that faced with increased economic and political grievances, many people who earlier expressed dual or Spanish identity, are now showing Catalan identity.

The first rise in Catalan identity can be seen as reaction to the conservative policies of the two consecutive PP governments during 1996-2004, which increasingly sought to halt the process of further devolution. Andrew Dowling connects this attitude of PP with the comparative rise of Madrid. In his words, "Spain's narrowing of its economic differences with its European counterparts, produced an ever greater self-confidence around Spanish national identity, which was capitalised on and increasingly mobilised by the rebranded conservatism of the Partido Popular."⁴²

On one hand, PP's policy, together with declining significance of Catalonia hurt the 'ego' of the proud nation. On the other hand, by halting devolution of power and thus, limiting opportunity of further development of Catalans as a nation, it

⁴⁰ Vicent Climent-Ferrando, "Immigration in Catalonia: In search of a Public Philosophy", *Project ALIAS—Autonomy, Labour and Integration in South Tyrol (Bozen: European Academy of Bolzen/Bolzano)*, 2012, p. 10.

⁴¹ *Ibid.*, pp. 8-9.

⁴² Andrew Dowling, available at <http://faberresidency.com/andrew-dowling-opinion/>, accessed on 12 December 2017.

appeared to create a threat to Catalan identity. The more the Catalans felt alienated, both economically and politically, by PP government's policy, the more Catalan identity got stronger.

It is not difficult to understand why the Catalan identity skyrocketed after Constitutional Court verdict in 2010. Beside fiscal issues, one of the major issues of contention in the new Statute was about Catalonia's status as a 'nation' which was de facto rejected by the verdict. The verdict thus hurt Catalan's ego further and strengthened their sense of alienation and threat to a great extent. However, one should not forget that the sense of alienation and threat would not have been so great, if the nationalist parties were not there in Catalonia to orchestrate the feeling.

Three conclusions can be drawn from the discussion above. First, historically there is no deep rooted identity 'conflict' between Catalonia and the Spanish state. Second, the Catalonia crisis did not 'originate' from any sort of identity conflict. And third, triggered by economic and political developments, a structural change in identity pattern did take place in Catalonia in recent years which helped to make the region a fertile ground for secessionist movement.

Tormos, Munoz and Hierro arrived at similar conclusion by applying nonrecursive structural equation model on public opinion survey data. They found that in Catalonia, beyond the usual causal path from identity to preference, national identification is also becoming influenced by secessionist preferences.⁴³

It is thus, evident that the rise of Catalan identity was primarily an outcome and not cause of political grievance, although this change in identity in turn helped to aggravate the situation.

4.2 *'Economy' Factor*

For the Catalans, one major source of grievance is decline of the region over time compared to Madrid in terms of economic importance. Although the sign of this comparative decline has become more vivid in recent days, its root can be traced back as early as late Franco era when the 'Stabilisation Plan' initiated concentration and internationalisation of capital in Spain as well as in Catalonia. In 1973, about one third of big Catalan companies had presence of foreign capital. Initially, the multinational companies settled in Catalonia to take advantage of the already existing industrial environment. Later on, a good part of these multinational companies started using Catalonia as their arrival point from which they diversified their location in other parts

⁴³ Raul Tormos, Jordi Muroz and Maria Jose Hierro, "Endogenous Identities? How the Independence Debate is Reshaping Catalan's Identity", available at http://www.cuimpb.cat/files/TormosMu%C3%B1ozHierro_EndogenousIdentities.pdf, accessed on 15 September 2017.

of Spain, favourably in Madrid. This diversification of multinational companies started blurring the image of Catalonia as a “supplier of Spain.”⁴⁴

This process continued thereafter. Although Catalonia’s share in Spanish GDP continues to be the largest (closely followed by Madrid) and the region remains the largest manufacturer of the country with the largest share in industrial output and employment (see Table 1 in Appendix), it is undeniable that big capital is largely escaping Catalonia. In 2002, among the Spanish subsidiaries of the 100 largest transnational companies, 50 per cent were located in Madrid, 31 per cent in Catalonia and 4 per cent in the Basque.⁴⁵ This situation continued throughout the 2000s and in 2015, Catalonia’s share in foreign direct investment (FDI) stood at 14 per cent only compared to Madrid’s share of 64 per cent.⁴⁶

Not only FDI, Catalonia was comparatively deprived of public investment too. The region was lagging behind in public infrastructure since 1975. In fact, Catalonia has been systematically receiving public investment at a level lower than its weight in Spanish GDP. On average, during the period of 1991-2004, with 15.5 per cent of population, Catalonia supplied 19 per cent of national GDP while it received 12 per cent of public infrastructure investment.⁴⁷

But the most important source of tension involves fiscal arrangement. Under the existing fiscal arrangement, Catalonia can retain only 30 per cent of the tax collected from the region while the rest goes to Solidarity Fund managed by the central government of Spain. To meet its expenses, the regional government receives a fund allotted by the central government. Catalan secessionists argue that this fiscal arrangement causes the region an annual deficit of 8 per cent of GDP, which they claim to be one of the highest among developed countries. Catalan officials and pro-independence economists assert that the region would have been solvent if it did not have to transfer about 9 per cent of its GDP to Madrid.⁴⁸ Others, however, suggests using burden/benefit approach instead of monetary approach and calculates the deficit to be 5.1 – 7.5 per cent of GDP; the latter figure they think are quite comparable with other developed countries.⁴⁹

⁴⁴ Romà Pujadas I. Rubies, *op. cit.*, pp. 113-114.

⁴⁵ Pankaj Ghemawat and Xavier Vives, “Competitiveness in Catalonia”, *Reports of The Public-Private Sector Research Center*, IESE Business School, July 2009, p. 14.

⁴⁶ Valentina Romei, “Catalonia’s economic strength push for independence”, *Financial Times*, 28 September 2017, available at <https://www.ft.com/content/62118282-a35a-11e7-b797-b61809486fe2>, accessed on 10 October 2017.

⁴⁷ Pankaj Ghemawat and Xavier Vives, *op. cit.*, p. 14.

⁴⁸ David Gardner, “Spain: Autonomy under Fire”, *Financial Times*, 22 August 2012, available at <https://www.ft.com/content/00d27e14-e63a-11e1-ac5f-00144feab49a>, accessed on 30 September 2017.

⁴⁹ Félix López Martínez and Javier López Bernardo, “Fiscal Balances and the Rise of Catalan Separatism: The Misuse of Economic Theory”, *American Affairs*, Online Exclusives, 18 December 2017, available at <https://americanaffairsjournal.org/2017/12/fiscal-balances-rise-catalonian-separatism-misuse-economic-theory/>, accessed on 25 December 2017.

Whatever be the extent of fiscal deficit, to Catalan separatists, more important is the discriminatory nature of fiscal arrangement. According to a recent study in 2012, Catalonia collected 118.6 per cent of the national average of taxes per capita, putting it in third out of 15 regions. But after redistribution, its resources fell to 99.5 per cent of national average, putting it in 11th place. At the other extreme, the region of Extremadura collected 76.6 per cent of the average in taxes, putting it in 14th place, but after redistribution it ended up with 111.8 per cent, putting it in third. Catalan separatists claim that their complaint is not simply that Catalonia subsidises poorer regions of Spain; rather, it is that Catalonia does so to such an extent that many of Spain's other regions have more resources per capita than Catalonia to spend on essential services. "The redistribution of tax money in Spain doesn't merely bridge the wealth gap between regions; it reorders the divide."⁵⁰

Another factor which adds fuel to their accusation is that with a slightly higher per capita GDP than Catalonia, the Basque Country and Navarre has fiscal deficit of three per cent of GDP only,⁵¹ a situation which they attribute to the special fiscal arrangement of the Basque Country and Navarre. Under this special arrangement, called the *floral system*, these regions retain the full amount of tax collected from their region and give a fixed amount to the Solidarity Fund, the amount being proportionately lower than Catalonia.

The notion that Catalonia is facing economic discrimination by the Spanish state became a part of Catalan political discourse in as early as mid-1990s. This is why a new Statute, more specifically a new fiscal arrangement became a pivotal issue in Catalan politics in mid 1990s which ultimately brought a left coalition in power in 2003 ending the long hegemonic regime of CiU.

As expected, one of the major goals of the reformed 2006 State was to address the economic grievances of Catalonia. It thus included the following provisions.⁵²

- Catalan government could set up its own taxes at local level.
- Catalonia's contribution to the solidarity fund should be made conditional on a similar fiscal effort being made by other AACC (Autonomous Communities).
- The state's investment in Catalonia should be on a level with the percentage of Catalan GDP in relation to the overall Spanish GDP.

⁵⁰ Ian Mount, "In Spain, the fight for Catalan independence comes down to cash money", *Fortune*, 30 January 2015, available at <http://fortune.com/2015/01/30/spain-catalonia-independence-taxes-economy/>, accessed on 11 August 2017.

⁵¹ Ryan D. Griffiths, Pablo Guillen Alvarez and Ferran Martinez I. Coma, *op. cit.*, p. 59.

⁵² Montserrat Guibernau, "Secessionism in Catalonia: After Democracy", *op. cit.*, p. 382.

But the Constitutional Court deemed the first two provisions as unconstitutional and accepted the third one, if and only if, "it does not entail an 'economic privilege' for Catalonia and remains without 'binding effect for the state'".⁵³

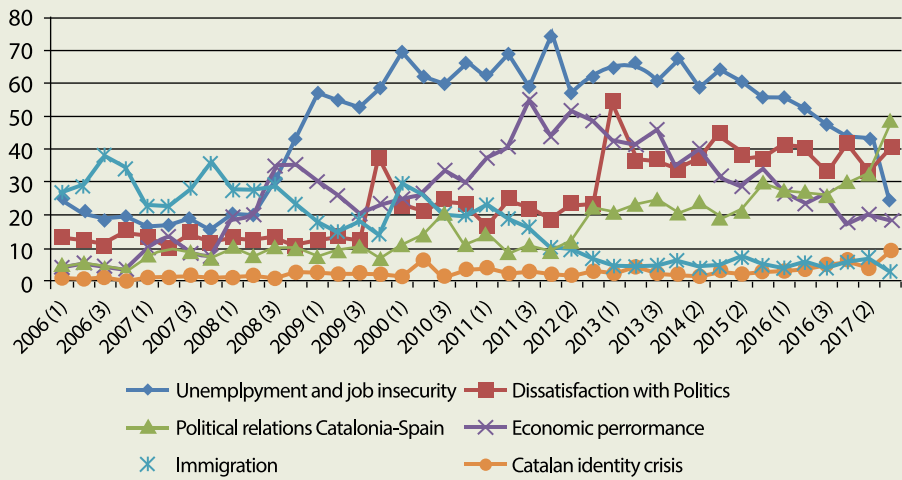
The Constitutional Court took four years to give verdict on the statute and in the meantime economic crisis hit Spain in 2008. Economic crisis made the economic situation worse in Catalonia as well as in other parts of Spain which made the demand for new fiscal arrangement and a new statute stronger among the Catalans. The verdict of the Constitutional Court, therefore, added insult to injury which made the Catalan mainstream politics to take a secessionist direction abandoning their 'pragmatic gradualist' approach which they followed so far.

Figure 2 supports the view that economic cause is the most important source of tension between Catalonia and the centre. In a survey conducted over the period 2006-2017, a period marked by heightened independence movement, Catalan people were asked what they considered to be the most important problem. The survey found that the Catalan people were more concerned about economic issues than political one.

For example, over the last decade, particularly in the years following the 2008 Financial Crisis, about 60-70 per cent people considered unemployment and job insecurity as the most important problem and another 30-50 per cent identified economic performance of Catalonia as the main problem. In the same period, only 10-25 per cent people expressed that dissatisfaction with politics is the main problem. Percentage of people who considered relation with Spain to be the main problem was even lower, around 10 per cent. This situation continued even after the verdict of Constitutional Court in mid 2010 when Barcelona streets saw 1.5 million people marching demanding independence. It is also interesting to note that a very few people, almost a negligible number, reported identity crisis as the main problem.

⁵³ *Ibid.*

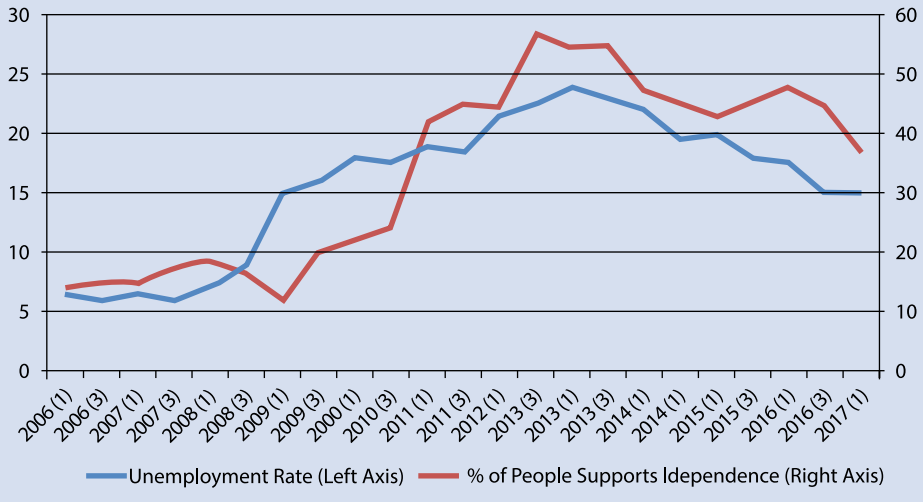
Figure 2: Plot of Answer to the Question- "What Do You Think are the Main Problem Currently in Catalonia?" (% of Respondents)



Source: Generalitat de Catalunya, Centre d'Estudio d'Opinio, *Baròmetre d'Opinió Política* of various years, available at <http://ceo.gencat.cat/ca/barometre/>, accessed on 20 December 2017.

The relation between economic grievances of Catalans and their support for independence is more vivid in Figure 3. It shows how closely demand for independence follows the unemployment pattern (for details, see Table 3 in Appendix). As can be seen from Figure 3, unemployment rate in Catalonia started skyrocketing in 2009 after the Financial Crisis set in. After an initial lag, people's support for independence also started rising in 2010. And, interestingly, both the figures reached their peak in 2013. Unemployment rate of Catalonia reached as high as 24 per cent in 2013 from 7 per cent in 2008 while people's support for independence increased from 18.5 per cent in 2008 to 54.7 per cent in 2013.

Figure 3: Unemployment Rate and Support for Independence in Catalonia



Source: Félix López Martínez and Javier López Bernardo, “Fiscal Balances and the Rise of Catalan Separatism: The Misuse of Economic Theory”, *op. cit*; Generalitat de Catalunya, Centre d’Estudio d’Opinio, *Baròmetre d’Opinió Política* of various years, available at <http://ceo.gencat.cat/ca/barometre/>, accessed on 06 November 2017.

Although economic grievance supplies the fuel for secessionist movement, it cannot succeed if it is not translated into political grievance. Ironically, the Spanish state itself helped to bring this driving force into existence. In Spain, the Aznar government’s policies followed by PP’s vehement opposition to the new Statute and finally the Constitutional Court verdict helped greatly not only to translate the economic grievance into a political one, but also to make the latter increasingly stronger over time.

One can see in Figure 3 that people’s support for independence closely followed unemployment pattern but with an initial lag. This lag can be explained by the fact that, during this lag period economic grievances had been translated to political grievance. Once this translation was complete by 2011, political grievance surpassed the level of economic grievance. In other words, since 2011 people’s grievance over economic issues did not drop off as much as the rate of unemployment did. It thus supports the notion that although economic grievance lies at the heart of Catalonia crisis, it is driven by political grievances.

It can be concluded from the above discussion that present Catalonia crisis originates from economic grievances of Catalan people, centering on the issue of fiscal imbalance, which was later translated to political grievance upon denial of their Spanish counterparts to address it.

5. Role of Different Classes

Catalonia is divided on the issue of independence. This division of Catalan people has been manifested on various occasions. The much discussed October 2017 referendum, which led to the declaration of independence by Catalan parliament, had a turnout as low as 43 per cent. The parliament session which passed the resolution on independence, was boycotted by the opposition parties. Finally, in December 2017 regional election, following the imposition of direct rule of Madrid, pro-independence parties again won the majority but not with the previous majority. On the other hand, a pro-Madrid party, Ciudadanos (Citizens Party), emerged as the single largest party. The following paragraphs attempt to examine this difference elaborately while identifying the role of different classes in Catalonia's independence movement.

5.1 Role of the Capitalists

History of Catalonia shows that autonomy or significant devolution of power was never a significant concern for Catalan big capitalists. All they wanted to secure is their business. In early years of industrialisation they cooperated whole heartedly with the ruling class of Madrid to meet their dual interest of pursuing protectionist policies and suppressing working people. In 20th century, upon failure to secure a fiscal arrangement similar to Basque they resorted to *Lliga* to use it as an instrument of exerting pressure on the central state. But due to their inherent weakness stemming from their dependence on the latter, they failed to create pressure enough to secure the desired fiscal arrangement. In reality, economic concession from the central government was all that they tried to achieve through *Lliga*.⁵⁴

During Franco regime, Catalan industry went through several structural changes:⁵⁵ traditional industrial sector such as textile declined while new sectors like chemical and metallurgy flourished; foreign capital penetrated immensely and market started organising in oligopolistic manner. In 1970, about 55 per cent of Catalan industrial workers were employed by 6 per cent firms and in 1973 foreign capital was present in one third of big Catalan industries. One of the reasons which made Spain, including Catalonia, an attractive place for FDI was Franco's anti labour legislations. Thus, being benefitted by Franco's 'Stabilisation Plan' and his anti-labour legislations, the Catalan big capitalists, notably those running export and FDI oriented big oligopolistic firms, maintained their loyalty to him throughout his regime. It can be added here that when Franco's army entered Catalonia, it was the Catalan big capitalists who were at the forefront of the welcoming crowd.⁵⁶

⁵⁴ Juan Díez Medrano, *op. cit.*, pp. 549-550.

⁵⁵ Romà Pujadas I. Rubies, *op. cit.*, pp. 109-114.

⁵⁶ Joseph Harrison, *op.cit.*, p. 197.

But certainly there was a section of local capitalists which was neither beneficiary nor supporter of Franco. This fraction, accompanied by a group of intellectuals and professionals, joined the anti-Franco movement under the leadership of Jordi Pujol of CDC. In post-Franco Catalonia, taking advantage of friction in the leftist front, Catalan capitalists again established their hegemony in Catalan politics through CDC or CiU.

With this legacy, it was not surprising that Catalan capitalists, using CiU as its primary vehicle, again took a gradualist approach in dealing with the Spanish state in CiU's long regime stretching from 1980 to 2003.

Catalan big capitalists are not much concerned about the economic causes of Catalonia described in section four. They are not worried about rise of Madrid compared to Catalonia as long as their revenues continue to rise. Nor they are bothered about lack of public financing and government deficits, which might result in reduction in job opportunities or poorer education or health service, as long as their export see smooth growth. In fact, Catalan export to foreign countries increased 55 per cent over the period 1998-2006 and 68 per cent over the period 2006-2017 (see Table 2 in Annex). If sales of goods to the rest of Spain are also considered as export, the growth rate will be even higher because one third of Catalan products that are sold outside the region, find their destination to the rest of Spain.⁵⁷ Although the 2008 economic crisis took a heavy toll on small and medium firms, that was not the case for the big firms. As a result, in the following years of the crisis, when many Catalan people were feeling the daunting effect of austerity programmes on their lives and living standard, Catalan exporters saw a tremendous growth in export – 17.9 per cent in 2010, 12.5 per cent in 2011 and 7.1 per cent in 2012. Thus, with about 18 per cent growth in export, the year 2010, marked by the verdict of Constitutional Court and beginning of austerity programme, was a welcoming year to the Catalan big capitalists. This fact metaphorically shows how the interest of Catalan big capitalists stands in sharp contrast with that of other classes of Spain.

Wall Street Journal informs: "Some surveys suggest Catalan business executives are more wary of secession than the general population. A survey published in July by PricewaterhouseCoopers LLP found just over a quarter favored a referendum on independence, while more than half favored some kind of negotiated solution to keep Spain together."⁵⁸ And, this is quite expected. Rational choice of business implies that Catalan producers will not want to lose a market which is destination of one third of their goods sold outside. No less important is the fear that if Catalonia secede from Spain, its products might face tariff in EU market which is the destination of about two third of Catalan export. The same Wall Street Journal report says, Isidro

⁵⁷ "Catalonia's Trade: The Cost of Freedom", *The Economist*, 23 November 2012.

⁵⁸ Mat Mofett, "Catalan Business Comes Out", *Wall Street Journal*, 02 March 2015, available at <https://www.wsj.com/articles/catalan-business-comes-out-1425338070>, accessed on 09 October 2017.

Faine, chairman of CaixaBank, Spain's third-largest bank headquartered in Catalonia, has called for King Felipe VI to mediate "a grand agreement." Finally, the Catalan big capitalists sent their strongest signal to separatists by shifting the headquarters of more of 3000 companies to outside Catalonia.

But the lot of small and medium firms is different. Lower public spending and government deficit had been affecting the owners of these small and medium firms. They were also hit hard by 2008 economic crisis. In 2009 alone, 14,000 small and medium farms closed.⁵⁹ Faced with huge loss, owners of these firms lost confidence on political parties and joined protests largely organised by non-political organisations.

Catalan industry has always been characterised by predominance of small firms, of which many are export oriented. As mentioned above, owners of these small family firms had suffered from the long standing economic disadvantages of Catalonia and then from 2008 economic crisis. This section created pressure on CDC, the senior partner of CiU to change both its internal strategy and political course. Consequently, in a process of organisational renewal, CDC saw the rise of a generation of pro-sovereignty activists who were dissatisfied with CiU's historical strategy of advancing Catalan autonomy incrementally through negotiations with the central state.⁶⁰ External pressure was created through the continuous protests, including a series of mass demonstration, organised by middle class civil organisations which compelled CiU to change its course since 2010.

Thus, a situation emerged in Catalonia where small and medium firm owners, who are the majority among the Catalan capitalists, are leaned towards independence but big ones are opposed to independence move. This explains why CiU hesitated over a long period and finally unwillingly took the independence move. This internal dynamics of Catalan capitalists make them unreliable partner in independence movement.

5.2 *Role of the Middle Class*

As mentioned before, in Catalonia a progressive nationalism emerged at the end of 19th century, with the intelligentsia as its leader and the middle and lower middle class as its support base, which defeated capitalists-led nationalism for a short period during the years of the second republic and subsequently lost the battle with Franco.

During the dictatorship of Franco, not only the working people was repressed, the middle class also suffered a lot. Skyrocketing of unemployment and inflation,

⁵⁹ Andrew Dowling, "Accounting for the turn towards secession in Catalonia", *op. cit.*, p. 224.

⁶⁰ Anwen Elias and Ludger Mees, *op. cit.*, p. 148.

degradation of standard of living, cultural repression – all these made the middle class a hotbed of anti-Franco movement. The intelligentsia also joined it. For, besides other reasons, as a part of cultural repression, they were also a target of Franco regime. One such decree in 1939, ordered the suppression of University of Barcelona and expulsion of around half of its professors.⁶¹ Therefore, the Catalan middle class, which included owners of small and medium firms, intellectuals and also a well off section of the working people, under different groups and parties including leftist ERC as well as centre-right CDC, actively joined the anti Franco movement, initiated and spearheaded by the working people.

Andrew Dowling points to the fact that the Catalan middle class was facing employment instability since the middle 1990s. He observes, “2006 easy credit mostly masked the growing employment instability of middle class sectors Yet growing discontent was increasingly apparent as professionals of all types no longer had the employment stability of previous generations.”⁶² 2008 economic crisis made the situation worse for them with skyrocketing of unemployment accompanied by austerity measures. The middle class related the worsening of their condition with the economic causes described in section four and raised the slogan “Madrid rob us”. Whether Madrid really has anything to do with the worsening of Catalan middle class or it was just a natural outcome of capitalist development of Catalonia, is a debate which is out of the scope of the article. For the present article, it is suffice to say that out of grievance over their deteriorating condition over time, Catalan middle class came at the forefront of independence movement.

Over the period of 1995-2005, the pro-independence movement was shaped by ERC, representative of a mix of middle class and working people and also a part of *Tripartiti* government (2003-2006). Ironically, soon after its triumph, ERC had to pass through a period of internal friction starting from 2006 which brought another force in the forefront of independence movement - a force purely made up of middle class and led by its civil organisations. The middle class civil organisations which now came to spearhead the movement, themselves were an outcome of cultural movement which took place in post-Franco Catalonia and continued over a long period. This cultural movement resulted in proliferation of civil organisations; today in Catalonia there is one civil organisation for each 152 citizens. Most importantly, this cultural movement provided the networks and cadres of today's independence movement. *Plataforma pel Dret de Decidir* (Platform for the Right to Decide), ANC and *Ominum Cultural* – the platforms which are at present shaping the independence movement, are all built upon the pre-existing cultural network.

⁶¹ Joseph Harrison, *op. cit.*, p. 198.

⁶² Andrew Dowling, available at <http://faberresidency.com/andrew-dowling-opinion/>, *op. cit.*

Thus the middle class of Catalonia by providing leadership as well as the support base, acted as the driving force of its independence movement.

5.3 *Role of the Working People*

Catalan working people was an inseparable part of progressive nationalism. The short Second Republic was a case of triumph of this part of Catalan people. Under Franco's dictatorship, it was the working people, in Catalonia as well as in other parts of Spain, who were repressed most, suffered most and hence fought back most. By the time Spain turned to democracy, the leading position that the working people achieved during anti-Franco movement, was lost and it is not regained so far.

The present independence movement of Catalonia is in no sense a working class revolution. The movement is orchestrated and led by civil society organisations which are in no means working class organisations. The most heard slogans in the movement are: "Madrid robs us", "We are a nation, we decide", "Catalonia: new state in Europe" and the like. The nature of these slogans suggests the nature of the movement; none of them target capitalism or the capitalists as the enemy. Moreover, most of the narratives propagated by the pro-independence campaign relate the decline of Catalonia or the degradation of condition of the working people to discriminatory attitude of Madrid, not to the Catalan capitalists. This is not to deny that a fraction of working people led by the communists is actively participating in the movement but they are not the mainstream of the movement.

The fact that the middle class of Catalonia, not the working people, is the driving force of the movement can be substantiated by data too. The Catalan government's figures show that only 29 per cent of Catalans who have "a lot of difficulty" in making ends meet support independence, the figure being 51 per cent for those who are "comfortably off".⁶³ This clearly puts the middle class in the driving seat of Catalan independence. Another data provided by the regional government shows that only 12 per cent of the region's residents who were born elsewhere in Spain are in favour of breaking away. That figure rises to 29 per cent for Catalans whose parents were both born in another region, and reaches 75 per cent in favour among those with two parents and four grandparents all born in Catalonia. Recalling from section four the large inflows to Catalonia from other parts of Spain in search of job, one can identify that the first two groups of the mentioned data are likely to belong to the working people while the last one is likely to belong to Catalonia born middle class. Therefore, this data also indicates that the working people of Catalonia are less likely to support independence.

⁶³ Guy Hedgecoe, "Divided Catalonia: Calm, Negotiated Solution not Going to be the Case", *The Irish Times*, 28 October 2017, available at <http://ie.newshub.org/divided-catalonia-calm-negotiated-solution-not-going-case-27687727.html#>, accessed on 15 November 2017.

Support for independence is low among the working people for two reasons. First, a majority of Catalan working people are immigrants, a good part of which are from other parts of Spain. Naturally, they would not want to separate from Spain. Second, historically, the socialist party of Catalonia, a vital representative of Catalan working people is against the independence move, they prefer federalism to independence. The working people of Catalonia are hence divided. A section of them rigorously support the cause of independence under the leadership of ERC while another section is strictly opposed to it under the leadership of PSC.

It thus appears that both the capitalists and the working people of Catalonia are greatly divided over the issue of independence. It is the middle class, which embraced the independence move as a perceived solution to the problems they are facing with their jobs and lives and is now pushing the greatly divided region towards their own objective.

6. Conclusion

Recent crisis in Catalonia has duly attracted a great deal of attention of media, academia and political analysts. Not only the crisis will determine the future of Spain, it will definitely have impact on other existing nationalist movements in several developed economies in Europe and beyond. The article made an attempt to find the root causes of the crisis and define its character.

There are two major contending factors in explaining the Catalonia crisis – one is identity factor, another is 'economy' factor. The article finds out that dual identity predominated in the region over a long period and hence the crisis cannot be said to origin from a deep rooted identity conflict. But, triggered by economic and political developments, a structural change in identity pattern did take place in Catalonia in recent years which helped to make the region a fertile ground for secessionist movement. Therefore, primarily the rise of Catalan identity was the effect, not cause of political grievance, although this change in identity in turn helped to aggravate the situation. In other words, the role of identity factor in creating the present crisis was a secondary one.

For the Catalans, there are several source of economic grievance - decline of the region over time compared to Madrid in terms of economic importance, discrimination against Catalonia in terms of public investment and a fiscal arrangement which they believe is the source of their government deficit. The article shows that although economic problems are considered to be more important to Catalan people, their support for independence closely follows political grievance. It implies that economic grievance lies at the heart of the crisis and upon negligence by central government to address those transformed the economic grievances into political grievance which in turn deepened the crisis.

Regarding the role of different groups of people in the independence movement, the article showed that the Catalan capitalists, particularly the big ones are historically opposed to such move. In Catalonia small and medium firm owners, who are the majority among the local capitalists, are leaned towards independence but big ones are opposed to independence movement. This internal dynamics of Catalan capitalists make them unreliable partner in independence movement.

The Catalan middle class, who had been suffering from instability in employment, particularly since mid-2000s, related the worsening of their condition with the economic disadvantages from which Catalonia has been suffering long. Catalan middle class thus came at the forefront of independence movement and led it. Support for independence is low among the working people for two reasons. First, majority of Catalan working people are immigrants, a good part of whom are from other parts of Spain. And, second, historically, the socialist party of Catalonia, a vital representative of Catalan working people is against the independence move. The working people of Catalonia are hence divided on independence issue. This makes the middle class as the champion of the independence movement. It, therefore, can be concluded that Catalonia crisis is a middle class revolution in which the capitalists are unwilling partner and the working people provides divided support.

APPENDIX

Table 1: Share in National Industrial Product and Employment

Year	% Share in National Industrial Product			% Share in National Industrial Employment		
	Catalonia	The Basque	Madrid	Catalonia	The Basque	Madrid
2008	24.3	10.5	10.4	22.5	8.5	9.8
2009	24.6	10.5	11.0	22.6	8.6	10.1
2010	24.8	10.9	10.0	22.3	9.6	9.7
2011	24.2	11.1	10.2	22.2	9.6	9.6
2012	24.2	11.2	10.4	22.5	9.7	9.4
2013	24.5	11.0	10.8	22.6	9.6	9.4
2014	25.0	11.0	10.5	22.6	9.5	9.3
2015	25.3	11.0	10.4	22.7	9.4	9.3
2016	25.6	11.0	10.4	22.7	9.4	9.2
2017	25.6	11.3	10.1			

Source: Instituto Nacional de Estadística (INE), Spain

Table 2: Growth Rate of Export of Catalonia, 1998-2017

Year	Growth Rate of Export (%)
1998	9.3
1999	2.7
2000	21.2
2001	8.6
2002	1.6
2003	1.0
2004	4.9
2005	8.2
2006	10.6
2007	5.2
2008	1.7
2009	(-17.9)
2010	17.9
2011	12.5
2012	7.1
2013	0.2
2014	2.3
2015	6.0
2016	2.0
2017	8.7

Source: : Instituto Nacional de Estadística (INE), Spain

Table 3: Unemployment Rate and Support for Independence in Catalonia, 2006-2017

	Unemployment Rate	Percentage of People Who Want Independence
2006(1)	6.5	14
2006(3)	6	15
2007(1)	6.5	15
2007(3)	6	17.5
2008(1)	7	18.5
2008(3)	9	16.5
2009(1)	15	12
2009(3)	16	20
2010(1)	18	22
2010(3)	17.5	24
2011(1)	19	42.3
2012(1)	21.5	44.6
2012(3)	22.5	57
2013(1)	24	54.7
2013(3)	23	54.7
2014(1)	22	47.1
2014(3)	19.5	45
2015(1)	20	42.9
2015(3)	18	45.3
2016(1)	17.5	47.7
2016(3)	15	44.3
2017(1)	15	37

Source: Félix López Martínez and Javier López Bernardo, "Fiscal Balances and the Rise of Catalanian Separatism: The Misuse of Economic Theory", *op. cit*; Generalitat de Catalunya, Centre d'Estudio d'Opinio, *Baròmetre d'Opinió Política* of various years, available at <http://ceo.gencat.cat/ca/barometre/>, accessed on 06 November 2017.