

## **THE BATTLE FOR THE SECESSION: Catalonia versus Spain**

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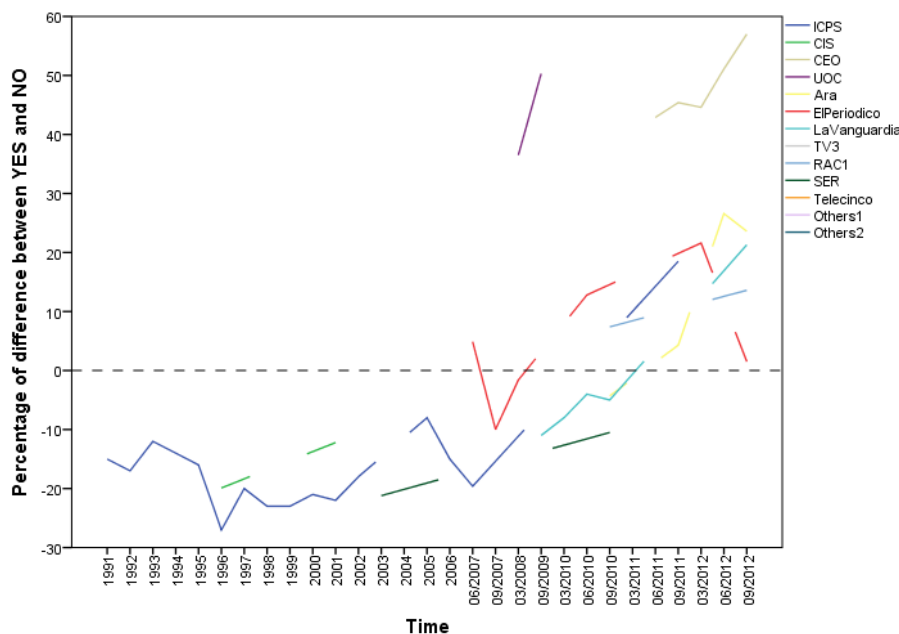
### ***I. Introduction: Historical Background and Contemporary Facts***

Spain's transition to democracy with the constitution of 1978 was expected to offer the political basis for social and national peace. After forty years of Franco's dictatorship, the decentralization of power to the historic national communities was seen as the end of the national rivalries between Galicia, Basque Country, and Catalonia versus Spain, and the start of an era of regional stability. The rapid instauration of regions during the eighties homogenized the political power of the historic nationalities with the rest of newly created regions, excepting for the differentiated fiscal treatment of Basque Country and Navarra. Unlike what would be expected by some (Norris 2008; Wolff and Yakinthou 2012), in regions such as Catalonia, the power-sharing process did not terminate aspirations for increasing self-government powers (Martinez-Herrera 2002, 421-453), as evidenced by increasing secessionist claims (*Figure 1*). Although secessionist claims in Catalonia are not new, they are at their highest peak and constitute a large proportion of the population. The contemporary scenario is characterized not only by increasing polarization between Catalan and Spanish leaders, but also by growing social pressure from this pro-secessionist majority for the celebration of a referendum for self-determination.

Until recently, Catalan nationalism had never been characterized by secessionist claims; in fact, very few Catalans wanted full independence. The main Catalan nationalist coalition, *Convergència i Unió* (CiU), which governed Catalonia for the first twenty-three years of democracy (1980 – 2003), supported the *Partido Socialista Obrero Español* (PSOE) (1993 – 1995) and the *Partido Popular* (PP) (1996 – 2000) when they were minority governments in Madrid. In doing so, CiU guaranteed the stability of Spain. Although CiU has

always defined Catalonia as a nation, it had not historically questioned Spain’s unity (Guibernau 2000, 55-68). However, all this has changed in recent years due to an increasingly perceived lack of recognition to the particularities of Catalonia (unique language, history, and traditions) on the part of Spain and the severe economic crisis that hits the country since 2008. Additionally, many Catalans believe their region transfers an unfair and disproportionate amount of money to the central government and Spain’s poorest regions. In this context, CiU regained control of the Catalan government after seven years in the opposition (2003 – 2010) with a clear intent to relieve the amount of net fiscal transfers<sup>1</sup> from Catalonia to the rest of Spain. However, failed agreement between the leaders of Catalonia and Spain has engendered an escalation of tension that may put the struggle for Catalan independence in the spotlight of European political affairs in the years to come.

Figure 1: Vote intention in a secessionist referendum (percent difference between YES and NO)



<sup>1</sup> The annual net transfer (“fiscal deficit”) is calculated to have moved between 6.7 percent to 10 percent of the Catalan GDP in the last twenty years with an increasing trend in the last decade as shown in Artadi (2012, 58-71). In 2012, it has been of 8.5 percent of the GDP, according to Fuente (2012).

In light of the contemporary political landscape, it is clear that the secessionist aspirations of Catalonia will invariably clash with the Spanish government's long-term policy of denial. However, making sense of the rational strategies on the part of both parties by means of game theoretical tools may shed some light on new paths of dialogues and understanding that cannot be seen by the naked eye. This essay proceeds as follows. Firstly, I show the sequence of the games starting from the meeting between Artur Mas, leader of CiU and prime minister of Catalonia, and Mariano Rajoy, leader of PP and prime minister of Spain, in September of 2012 and the elections to the Parliament of Catalonia of November 2012. Next, I travel to the future and predict the nature of the legal and constitutional dispute between Catalonia and Spain, the referendum, and a prospective post-referendum scenario. Finally, I provide some conclusions and discuss the implications of my findings.

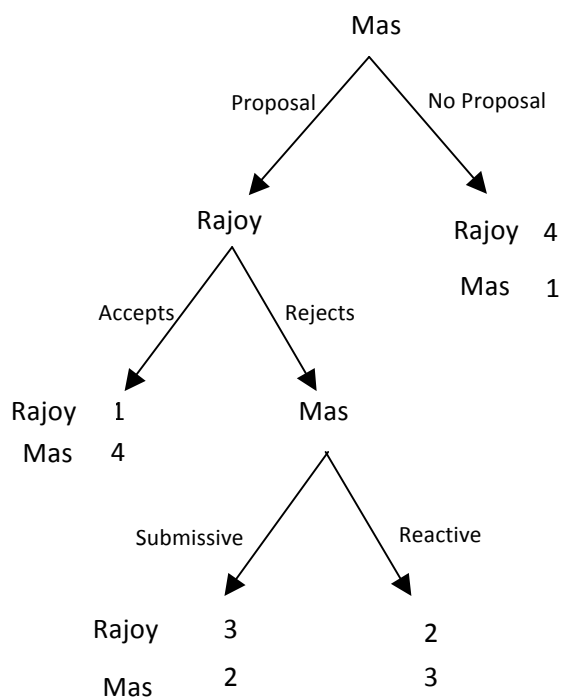
## ***II. The Sequence of Games: Predicting the Process***

The first key point was the meeting between Artur Mas, leader of CiU and prime minister of Catalonia, and Mariano Rajoy, leader of PP and prime minister of Spain, on September 20, 2012, which occurred only nineteen days after a mass demonstration in Barcelona under the slogan: "Catalonia, New State of Europe." The aim of the meeting was to discuss the economic situation of Catalonia and Mas presented a proposal of asymmetric fiscal agreement. The worst option for Mas had been not to try to reach the agreement, because it would have been against his electoral promise and against the demands of the demonstration, which he had supported days earlier. At the meeting, Rajoy could either accept or reject the proposal. Although Rajoy wished he had never received the proposal in the first place – it is less costly not having to reject a proposal than actually having to reject

it – chose to reject it as acceptance would have imposed unacceptable constraints over Spain’s financial situation<sup>2</sup>.

Given Rajoy’s rejection, Mas could either be (a) reactive, triggering some political action to step up the process; or (b) submissive, accepting the rejection without resistance. In this case, Mas clearly preferred to react against the decision in order to increase pressure on Spanish leaders rather than submit to Rajoy’s decision and display weakness. In a nutshell, the subgame perfect Nash equilibrium is proposal-rejection-reaction (see *Figure 2*). To the surprise of many observers, this was what transpired, with Mas announcing both the celebration of elections in Catalonia and the celebration of a referendum in the next legislative period for Catalan independence.

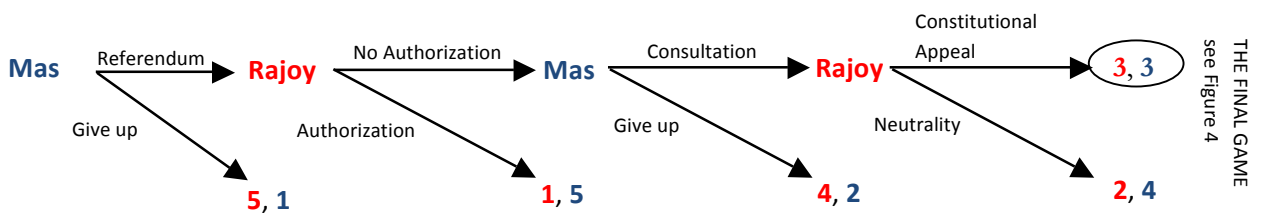
**Figure 2: Extensive Game, Meeting Rajoy – Mas on September 20, 2012**



<sup>2</sup> Catalonia is a rich region in Spain and, therefore, a net contributor to the national balances. Thus, if a different fiscal treatment was accepted, the rest of Spain would lose a great source of money. See above reference, (Artadi 2012, 58-71; Fuente 2012) for more information in this respect.

The November 25, 2012 elections gave an absolute majority to the secessionist bloc, which triggered the process for a secessionist referendum. Based on the results of information gathering about the effects of a referendum, the referendum might be attempted. *Figure 3* shows the sequence of moves wherein Mas has clear political power to push the process forward despite Rajoy’s potential resistance, with the former’s payoffs in blue and the latter’s payoffs in red. First, Mas can try to put forth a secessionist referendum via article 122 of the *Catalan Statute of Autonomy*, Catalonia’s constitution. However, such a move requires Rajoy’s authorization. For his part, Rajoy must decide whether or not to accept the celebration of the referendum. If Rajoy does not authorize the referendum, then Mas must either (a) call for a “public consultation” – a juridical artifact similar to the referendum but one that does not require Spain’s authorization – or (b) give up. However, a public consultation bears less juridical value, as only the municipal census can be used, not the official electoral census. If Mas chooses public consultation, Rajoy must decide whether to appeal its constitutionality. If Rajoy chooses to make a constitutional appeal, the outcome becomes less certain.

**Figure 3: The judicial ongoing game between Mas and Rajoy**



Thus, the final game arrives when Mas decides whether or not to proceed with the public consultation after it has been appealed to the Constitutional Court. The Catalan prime minister could either (a) call for plebiscitary elections, with all the parties for the independence under the same electoral list and the rest on the other side, or (b) issue a unilateral decision from the Parliament. Alternatively, if Mas gives up and forgoes a public

consultation, he abandons the process and may try to negotiate a better accommodation within Spain. We might find either a weak or a strong Rajoy. While the former indicates Rajoy's neutrality in front of the Catalan process, the latter would be attended by Rajoy's intervention in the process by using two possible tools at hand: (a) political intervention through the suspension of Catalan autonomy (art. 155 Spain's Constitution) to stop the consultation, or (b) military intervention through the use of the force.

The game can be analyzed as sequential or simultaneous. In both cases, I assume that Mas decides his positions based on the likelihood that a strong Rajoy would mean a military or political intervention of Catalonia. With respect to the political intervention branch, the best outcome for Mas would be to go ahead with the process, with the passivity of Rajoy, and the second best when he goes ahead even with the suspension of autonomy. Mas could speed up the process by call plebiscitary elections or declaring the unilateral secession from the Parliament before the suspension can be implemented. In this scenario, the referendum could be held without requiring Spain's legal approval. The second worst outcome for Mas would be to give up the process after Spain's political intervention. Mas could excuse himself from abandoning the battle in front of the Catalan electorate as a consequence of intervention. Finally, the worst scenario would be if Mas abandons the project while Spain remains weak as the Catalan prime minister cannot excuse himself for this decision.

As for the military intervention branch, Mas would invariably prefer anything else to Spain's military occupation of Catalan territory, given that he is a risk-averse politician. If the process resulted in Spanish military intervention, the Catalan electorate would ostracize Mas for having led the country to a military conflict; as such, this scenario constitutes the worst possible outcome for him. His best option is still to go ahead when Rajoy is weak, yet

his second best outcome is to give up when he perceives the military threat. Even though he has little excuse in front of the Catalan society, his second worst outcome is to give up when Rajoy is weak, but he prefers to do so rather than to go ahead with a military intervention.

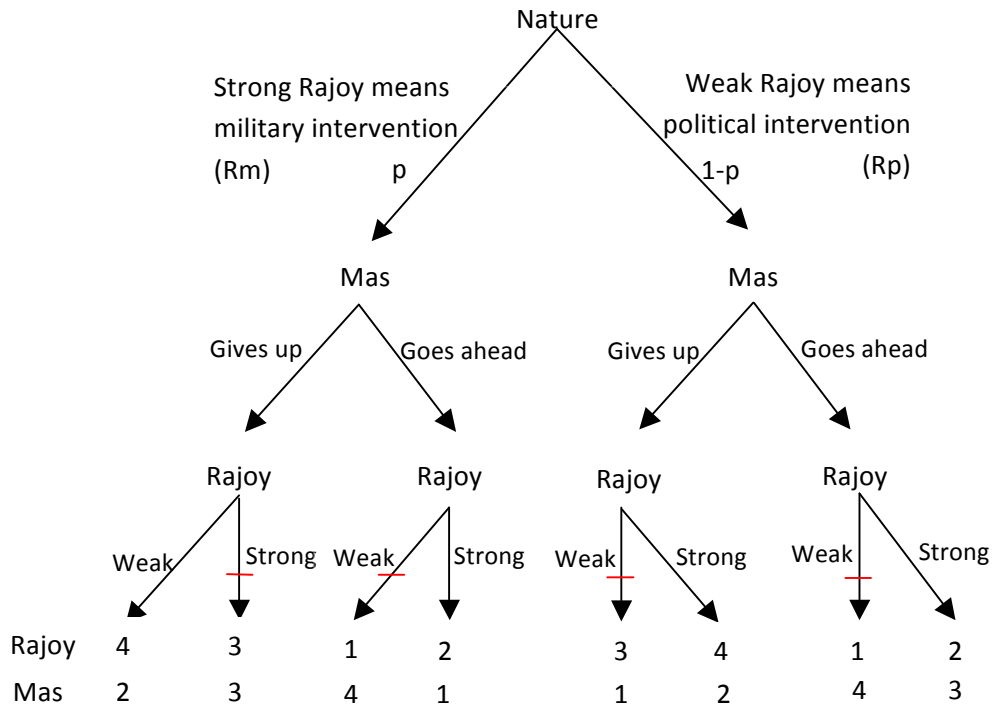
In terms of Rajoy's preferences, we have two scenarios. In terms of political intervention, Rajoy's ideal scenario would be when he only needs to politically threaten Catalonia to force Mas to give up the process. This can be easily sold as a political triumph for Rajoy, with clear electoral benefits. By contrast, Rajoy does not capitalize the victory if he remains neutral and Mas abandons the process, so although this is also a good scenario for Rajoy, it is second best. The worst possible outcome for Rajoy would be when he remains passive while Mas attempts to destroy Spain's integrity. The second worst case is when Mas holds the referendum to break away from Spain, and Rajoy at least has done as much as he could to avoid it by intervening politically.

When military intervention is on the table, Rajoy's ranking preferences will change. He will prefer to avoid making military threats Catalonia to dissuade Mas. However, Rajoy would rather militarily intervene than Mas going ahead, and if Mas goes ahead with the referendum, then Rajoy prefers to stand firm and send the army to stop what would be seen as an internal coup d'état. Finally, the worst option for Rajoy is to do nothing in front of Spain's dissolution.

In an international context where democratic countries do not solve their internal conflicts through war but political negotiation, and within a European Union highly risk-averse to military adventurism – particularly, within its territory – Rajoy would have difficulty generating a credible military threat. For this to constitute a workable action, Rajoy must construct a credible military threat (perceived  $p(Rm) > 0,5$ ) that would deter Mas. Therefore, we can safely assume that the perceived likelihood between political and military

military intervention before the game should be  $p(Rp) > 0,5 > p(Rm)$ . Thus, Mas' dominant strategy is to be strong and, with a probability higher than 0.5, it will result in the right-hand subgame where Rajoy is also strong and attempts unsuccessfully to intervene politically as Mas goes ahead with the electoral call.

Figure 4: The Final Game for the referendum, Mas versus Rajoy



The distribution of preferences described above yields the following expected payoffs for Mas:

- Weak strategy:  $2p + 2(1 - p) = 2$
- Strong strategy:  $p + 3(1 - p) = 3 - 2p$

As a result of this, Mas strategy will be the following:

$$\text{If } \begin{cases} p(Rm) > 0,5 > p(Rp); \\ p(Rm) = p(Rp) = 0,5; \\ p(Rp) > 0,5 > p(Rm); \end{cases} \quad \begin{cases} \text{then Mas dominant strategy is to be weak.} \\ \text{then Mas is indifferent between being weak or strong.} \\ \text{then Mas dominant strategy is to be strong.} \end{cases}$$

Even though recent polls indicate a potential close race between the two options, the result of the popular consultation is far from predictable. If the result is negative, the status quo prevails, but if it is positive – in favor of the independence – a new process of negotiations



must start. Thus, the decision hinges on whether or not Mas chooses to secede, and if Rajoy chooses to make the separation friendly or conflictive. Each position has its advantages and drawbacks that are summarized in *Table 1*.

**Table 1: Pros and Cons of the Independence Negotiations**

		Mas	
		Secession	No Secession
Rajoy	Friendly	<ul style="list-style-type: none"> <li>▪ International recognition</li> <li>▪ Direct entry into the EU, the European Single Market</li> <li>▪ Catalonia assumes approximately a 20 percent of the Spain's national debt (proportional to the weight of Catalonia within the national GDP).</li> <li>▪ Catalonia stops the net transfer sent to Spain every year (<math>\approx 8.5</math> percent GDP/year)</li> <li>▪ Catalonia receives <math>\approx 20</math> percent of Spain's assets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Status quo.</li> </ul>
	Conflictive	<ul style="list-style-type: none"> <li>▪ International recognition not guaranteed</li> <li>▪ Potential denial of entry into the EU, European Single Market</li> <li>▪ Spanish boycott of Catalan products at private level (decrease Spain's demand) and public level (tariffs)</li> <li>▪ Catalan tariffs leave Spain effectively locked-in in the peninsula with no connection to Europe</li> <li>▪ Catalonia stops the net transfer sent to Spain every year (<math>\approx 8.5</math> percent GDP/year)</li> <li>▪ Spain assumes the totality of its national debt (Catalonia would decide not to share it), and Spain has to confront the same amount of debt even though it has lost about 20 percent of the national GDP.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Status quo with more internal conflict.</li> </ul>

Based on the information provided in *Table 1*, *Table 2* depicts the payoff matrix, taking into account a pure rational choice perspective. Mas would prefer a friendly process to a conflictive one, but a no-secession to a conflictive secession. Rajoy, by contrast, would prefer a friendly independence to a conflictive one, but always a no-secession to any sort of secession, as the fragile Spanish economy favors stability over disorder. The Nash-equilibrium is located in the friendly secession.

**Table 2: Matrix of the Negotiations for the Independence**

		Mas	
		Secession	No Secession
Rajoy	Friendly	2*, 4*	4*, 1
	Conflictive	1, 2	3, 3*

### **III. Conclusions and Final Prediction**

The battle for Catalan secession in Spain is a topic that is likely to attract much attention in the coming years. Beyond simple reconstruction or interpretation of particular events, this analysis empowers game theory for empirical purposes to generate new testable and falsifiable predictions about the world. If the strategies, strategic rationality, and payoffs assumed throughout this essay are correct, then my findings should accurately predict the outcome.

Firstly, Mas sends the proposal for the fiscal agreement, which Rajoy subsequently rejects. In response, Mas prompts the celebration of elections in late November. Next, Mas would push the process forward from the referendum to the consultation, moving toward what has been called the final game, wherein Rajoy would not concede. In the final game, assuming lower than fifty percent likelihood of Rajoy using military intervention, Rajoy would use political intervention to stop the process, even though Mas would go ahead anyway. The analysis in this paper indicates that the unique option for Rajoy to convince Mas to abandon the project is by projecting a credible threat of military force throughout the process, with a perceived likelihood of over fifty percent.

Finally, in front of a positive result of the consultation call, the most plausible scenario would be a friendly secession, as it is in the self-interests of both players, given the consequences of each strategy. This would eventually lead to the creation of a new state in the international community: Catalonia.

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