

Fiscal Sovereignty and Nationalist Politics

How do regional financing systems influence the territorial agendas of nationalist parties in Spain?

Abstract

This study investigates the impact of the regional financing models in Spain on the evolution of the territorial demands of the Basque and Catalan nationalist parties. Spain offers the opportunity to compare two different models of fiscal decentralisation in relation to two different nationalist movements. While Catalonia forms part of the common financing system which gives the regions limited tax-raising competences and involves financial transfers from central government, the Basque region raises almost all of its own taxes under a separate system of substantial fiscal autonomy (the *Concierto Económico* or Economic Agreement).

Introduction

Across Europe, the 21st century has witnessed a rise in demands for political sovereignty from nationalist parties that had previously seemed reconciled to decentralisation or devolution rather than seeking full independence. The Scottish National Party (SNP)'s achievement of a referendum on independence for Scotland in September 2014 was a key example. In Spain, the Basque and Catalan nationalist parties (PNV and CiU), traditionally preeminent in their regions since Spain's transition to democracy in the late 1970s, have each sought, at different times, a fundamental reconfiguration of their fit within or with Spain. A number of different drivers behind these parties' pro-sovereignty demands have been identified: for example, the state of bilateral relations between the region and central Spanish government; pressures from the support bases of nationalist parties and civil society groups, and competition from other parties in the home region. This research looks specifically at the impact of regional financing. It aims to contribute to a fuller understanding of the subject in Spain itself but also to provide lessons for the UK as it begins to devolve greater fiscal powers to Scotland. What can the UK learn from the experience of Spain in fiscal decentralisation and its impact on nationalist movements?

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Methodology

The methodology used is primarily inductive and qualitative, involving an extensive programme of personal interviews in the Basque and Catalan regions with current and former politicians and their advisers with experience of negotiations over regional financing, as well as relevant legal and technical experts (e.g. in the Basque provincial treasury departments) and members of civil society. Most existing research on the regional financing models in Spain is by economists and focuses on economic outcomes. This research focuses instead on the political drivers behind regional financing reforms and the consequences for the evolution of nationalist party agendas. In-depth interviews with a wide range of relevant actors are needed to fully elucidate the factors driving party behaviour.

Key Research Questions

- What shifts have occurred in the territorial agendas of the Basque and Catalan nationalist parties (PNV and CiU) along the spectrum from territorial accommodation within Spain to pro-sovereignty politics since the late 1990s?
- What economic, political and social drivers help to explain these shifts?
- What impact have regional financing issues had on the shifts in comparison with (or in interaction with) other drivers?
- What factors have driven the PNV and CiU's evolving aspirations with regard to the respective financing models in their regions since their first design in 1980 following the Spanish Constitution of 1978?

Preliminary Findings

- Regional financing has contributed more directly to the rise of pro-sovereignty sentiment in Catalonia given the dissatisfaction with the inter-regional nature of the common financing regime and the extent of Catalonia's contribution to inter-regional solidarity, which creates a substantial fiscal deficit.
- Nevertheless, disagreements over the development of the Basque fiscal autonomy model have still fed into the wider dissatisfaction with Basque-Spanish relations fuelling the Basque Nationalist Party's search for new pro-sovereignty formulas. Should the model be developed towards one of near fiscal sovereignty in Europe or remain a form of fiscal decentralisation subordinate to Spanish legislation?
- Regional financing preferences and the extent to which these have influenced the territorial agendas of the Basque and Catalan nationalist parties have depended not only on bilateral Catalan-Spanish and Basque-Spanish tensions over the issue, but also on intra-regional factors such as party competition.

Fieldwork: Interviews



ABOVE: Caroline with former Basque president José Antonio Ardanza (centre) and Professor Richard Gillespie



ABOVE: With Pedro Luis Uriarte, lead Basque negotiator of the Economic Agreement of 1980, and the official agreement itself



LEFT: With former Basque president Juan José Ibarretxe (centre)

In conjunction with a research project on 'The Dynamics of Nationalist Evolution in Contemporary Spain' led by Professor Richard Gillespie, Chair of Politics. Follow the project at nationalismsinspain.com and [@nationalisms](https://twitter.com/nationalisms)



Contesting Spain?

The Dynamics of Nationalist Movements in Catalonia and the Basque Country

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