

**BEFORE AND AFTER TERRORISM: ECONOMIC AND POLITICAL  
DEVELOPMENT IN THE BASQUE COUNTRY**

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## ABSTRACT

Before and After Terrorism: Economic and Political Development in the Basque Country

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The Basque Country, a region along the Spanish-Franco border, has a long history of independence and autonomy. In the modern era, from 1959 until 2011, the domestic terrorist group *Euskadi Ta Askatasuna* (ETA) waged a campaign of political violence primarily concentrated in the Basque Autonomous Community in pursuit of the region's independence from Spain. The group was ultimately unsuccessful and declared a permanent ceasefire in 2011. I analyze the important political and economic factors that contributed to ETA's prolonged existence. In the economy, high youth unemployment in the 1980s and 1990s created a large pool of recruits that helped sustain ETA's campaign. At the same time, ETA's activities reinforced negative economic performance by damaging the region's economy.

Basque nationalist political parties also pushed for independence from Spain but sought to do so through established political processes. Despite being officially distinct entities, the "nationalist left" tacitly accepted ETA's violence for many years and viewed the group as the military wing of the nationalist movement. This support eroded over time as ETA hampered

nationalist parties' ability to further their goals and the electorate's opposition to the group grew. Ultimately, a loss of support among nationalist left parties led to ETA's demise and declaration of a ceasefire. Since the ceasefire in 2011, there has been increased support for the nationalist left and improvements in the region's economy.

## **DEDICATION**

*To Mom and Dad, for getting me to Spain and for everything else.*

*And to Ben, for planning our trip to San Sebastián.*

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### Contributors

My thanks go to the *Instituto Nacional de Estadística* in Spain for responding to my multiple requests for help navigating their data. I also received great help from the *Instituto Vasco de Estadística* and am grateful for their willingness to provide me with data directly.

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## NOMENCLATURE

ETA	<i>Euskadi Ta Askatasuna</i> (Basque Homeland and Freedom)
PNV	Basque Nationalist Party
PSOE	Spanish Socialist Workers Party
PP	People's Party
PSE	Basque Socialist Party
INE	National Statistics Institute
BAC	Basque Autonomous Community

**Note on the term “nationalist”** – In the context of the Spanish Civil War, General Franco’s forces are often referred to as “Nationalists.” I refer to advocates for Basque independence as “Basque nationalists” in this thesis. To avoid any confusion in this paper, “nationalist” will only be used to refer to those that favor Basque independence.

**Note on place names** – For the names of provinces, cities, and towns in the Basque Country, I use the Spanish name with the Basque name included in parentheses after first use. I use Spanish names because they are more likely to be familiar to a US audience.

## INTRODUCTION

The Basque Country is a region along the modern-day, Spanish-Franco border with a proud history of independence and autonomy. Most Basque territory lies in the Southern Basque Country in modern-day Spain. That said, Basque identity is distinct from the rest of the country. During Roman, Muslim, and Christian times, the region maintained some degree of autonomy including its own legal and tax system. This history has formed the basis of a unique Basque identity.

Following the Spanish Civil War (1936-1939), Spain came under the rule of Francisco Franco's military dictatorship. The Basque Country had been part of the Spanish kingdom and republic prior to the war and became part of this dictatorship as well. Franco's rule lasted until 1975, and the memory of defeat and suffering in the war lingered among Basque nationalists that had favored independence even prior to the war and dictatorship. In 1959, young nationalists came together to form *Euskadi Ta Askatasuna* (Basque Homeland and Freedom, or ETA), a group that began a campaign of political violence against the Franco regime. Despite Spain's transition to democracy from 1975-1980, ETA continued its terrorist attacks in pursuit of Basque independence from Spain. After decades of fighting, the group declared a permanent ceasefire in 2011. They formally disbanded in 2018.

The Southern Basque Country thus remains a part of Spain, leaving ETA's mission unfulfilled. But aside from the extreme goal of independence, what did ETA do to the Basque region? Domestic terrorism is a severe disruption to a stable society and impacts all facets of life. Throughout this thesis, I aim to analyze how ETA affected the economy of Spain's Basque Autonomous Community (BAC) as well as the region's politics. I also examine the effects that

the economy and politics in the BAC had on the group over its lifetime. This analysis is done in part by looking at changes in these areas since the group's ceasefire in 2011. Significant changes in one or both areas post-ceasefire would indicate that ETA's absence was an important part in those developments. In this way, I seek to identify certain effects that ETA had on the Basque Autonomous Community.

## **Literature Review**

Several important sources form the foundation of my research. In my discussion of the Basque economy, Mikel Gómez Uranga's work, *Basque Economy: From Industrialization to Globalization*, provides much of the information I use in discussing Basque economic development. Uranga was a professor of applied economics at the University of the Basque Country, and though written in 2003, this comprehensive book charts the important developments in the Basque economy throughout the 20<sup>th</sup> century. Some data come from Uranga's book, but most of the data on unemployment and GDP come from governmental sources, namely Spain's National Statistics Institute (*Instituto Nacional de Estadística*, INE) and the Basque Statistics Institute (*Instituto Vasco de Estadística*, Eustat). Public opinion data comes from the University of the Basque Country's *Euskobarómetro* poll.

I also reference several sources that relate to economic determinants and effects of terrorism. Several sources that form the basis for this analysis are Raul Caruso and Friedrich Schneider (2011), Thomas Gries, Tim Krieger, and Daniel Meierrieks (2011), Erik Cruz, Steward J. D'Alessio, and Lisa Stolzenberg (2018), Aniruddha Bagchi and Jomon A. Paul (2018), and Adesoji Adelaja and Justin George (2020). Another important source is "The Economic Costs of Conflict: A Case Study of the Basque Country" by Alberto Abadie and Javier Gardeazabal—researchers from Harvard University and the University of the Basque Country,

respectively. This article is one of the earliest attempts to quantify ETA's economic impact on the Basque Autonomous Community and forms an important basis for my thesis. Similar work has been spearheaded by Mikel Buesa of the Universidad Complutense de Madrid, and I reference his findings in this thesis as well. For data on ETA's activities, I use the Global Terrorism Database run by the National Consortium for the Study of Terrorism and Responses to Terrorism at the University of Maryland.

For historical background, I reference *A Concise History of Spain: Second Edition* by two professors of history at the University of Minnesota. This 2016 book provides basic historical information for both the Basque Country and Spain. I also draw from several more detailed accounts of Basque history and ETA. Among them are the works of Javier Martín-Peña and Susan Opatow (2011), James K. Esser and Christine M. Bridges (2011), Fernando Molina (2014), Benjamín Tejerina (2015), Teresa Whitfield (2014, 2015), and Imanol Murua (2017). Tejerina, Murua, and Molina are all professors at the University of the Basque Country—Tejerina in sociology, Murua in journalism, and Molina in contemporary history. Martín-Peña is a professor of social psychology at the University of Barcelona, and Opatow is a professor of sociology at the John Jay College of Criminal Justice, City University of New York. Esser and Bridges are professors of psychology and English and modern languages, respectively, at Lamar University. Whitfield has worked at the UN and other international bodies on humanitarian issues.

Whitfield, Murua, and Tejerina all seek to analyze the process of ETA's end. Whitfield's account provides a comprehensive history of ETA and the process that brought about its ceasefire. She identifies multiple factors on the road to peace such as "counterterrorism and the activism of civil society, changes set in motion within ETA's political base after the collapse of

[the] peace process in 2007, and limited but essential assistance by international actors” (“Difficulties of Ending” 1). Murua seeks to build on Whitfield’s work by focusing on her understanding of ETA’s ceasefire as the result of a political process. He argues that the view that ETA simply suffered a military defeat is too simplistic. He further argues that a loss of support for the group among its nationalist left base of support was a key factor in bringing about the 2011 ceasefire. Tejerina also argues that a lack of internal cohesion on the nationalist left played an important role in ETA’s end, as those on the nationalist left increasingly questioned the political-military strategy for independence.

The existing scholarship on the Basque Country and ETA focuses on the factors that motivated the group and those that led to its decline, and these authors are especially interested in the role of support for ETA on the nationalist left. I incorporate the role of economic factors in my analysis of ETA to expand upon this scholarship and create a more comprehensive understanding of the group. The Basque economy is rarely referenced in works relating to ETA. I bring these two areas together because, though often seen as separate topics, they are closely related to and complement each other. I also look at the period since ETA’s ceasefire. Much has been written about the rise and fall of ETA, but there is less discussion of developments in Basque nationalism since 2011. I identify changes that have occurred in the politics and economy of the Basque Autonomous Community since the ceasefire. These changes occurred in a world without ETA, and they thus provide some insight into what effects ETA had on society during its campaign.

## **Findings**

I find that the economic conditions in the Basque Country were an important factor in maintaining ETA’s campaign. Strong ideological and political motivations, rather than poor

economic performance, led to the creation of the group. But a struggling economy in the last quarter of the 20<sup>th</sup> century contributed to ETA's longevity. High levels of youth unemployment created a large pool of potential ETA recruits. As unemployment fell in the late 1990s and early 2000s, we see a decrease in ETA's activity in part due to this decrease of available recruits. I also find that ETA had a negative impact on the Basque economy, in both direct financial effects and indirect effects of depressing economic growth.

Nationalist political parties were heavily involved in the end of ETA. After failed peace talks in 2006, ETA found itself lacking the tacit support it previously had among the nationalist left. Ultimately, the nationalist left's loss of enthusiasm for ETA pushed the group to disarm. ETA's impact on political parties is evident as well. The nationalist left achieved more electoral success after ETA's ceasefire than before. And minority parties of the nationalist left tended to do worse when ETA escalated violence or broke a ceasefire.

I detail these points after first explaining my research methodology and providing a more detailed historical background of the Basque Country and ETA. In sum, the Basque economy and body politic both had an impact on ETA, and the group had effects on them as well. I identify what these impacts were by analyzing developments in the economic and political realms both during and after ETA's campaign.

## 1. METHODOLOGY

This thesis aims to understand how the terrorist group, ETA, affected and was affected by economic development and political changes in the Basque Country. I take a historical and data-driven approach, looking at how certain indicators have changed over time, to explain the relationship between the economy, political change, and ETA.

I look at data to compare the Basque Country with Spain to assess how the economy of the region has changed before and after ETA's campaign. I examine the unemployment rate and measures of GDP to do so. I also look at what sectoral shifts have occurred in the Basque economy. The aim of this analysis is to see how the economic development of the region changed because of ETA's ceasefire and how much of a role the same development played in bringing about the ceasefire.

Political indicators provide valuable insight into Basque politics and the Basque nationalist movement. I examine the electoral results for Basque political parties in both BAC and national elections since Spain's transition to democracy. I seek to relate these data to the history of changes in BAC political parties' responses to ETA: ceasefires, the Pact of Ajuria-Enea, the Pact of Lizarra, and the Ibarretxe Plan. Finally, I examine the specific changes after ETA's ceasefire that led to political normalization in the Basque Autonomous Community.

## 2. HISTORY

### 2.1 The Basque Country

Spain, for most of history, did not exist as the single geopolitical entity we are familiar with today. Like most of Europe, the Iberian Peninsula on which Spain now sits was home to various kingdoms that often warred with each other. For a nearly 800-year period, a large portion of modern-day Spain was conquered by Muslims. In the late fifteenth century, the Christian kingdoms of Castile and Aragon were united by the marriage of Queen Isabel and King Fernando, creating the earliest recognizable “Spain” (Phillips and Phillips 108). In 1492, they brought the centuries-long rule of the Muslims to an end when they conquered the last Muslim city of Granada (Phillips and Phillips 61). Despite the creation of this early Spanish state, distinct regional differences remained across the peninsula due to the nature of the diverse groups that lived there.

This regional variance in Iberia is reflected in Spain’s constitutional monarchy today, which divides Spain into 17 administrative divisions called “autonomous communities.” The Basque Country is now represented as one of these autonomous communities, and it stands out among all of Spain’s regions for many reasons. Situated along the Spanish-Franco border, the Basque Country historically extended beyond the current borders of the Basque Autonomous Community (BAC). Basque nationalists, therefore, claim the BAC, another Spanish autonomous community called Navarre, and the Northern Basque Country (part of modern-day France) as the true Basque Country. The focus of my thesis, however, is the Basque Autonomous Community because it is the hotbed of Basque nationalism and the area where most of ETA’s terrorist activity was concentrated.

The Basque people are unique in Europe for their long presence in their territory. No one knows when people first settled in the Basque Country, but the Basques are said to have been there for at least two thousand years. Their language has survived just as long, and it forms an important part of Basque identity. The Basque language (*Euskera* in Basque) is among the oldest spoken languages on Earth, predating all other Indo-European languages. It is unrelated to the language families that modern European languages belong to, and no one knows exactly where it originated. Basque intellectuals revived the language's use in the 19th century, and it has been an important element of Basque nationalist identity ever since (Phillips and Phillips 4).

The Basque Country also has a history of resisting the authority of outside powers. There is some debate on the matter, but it is commonly said that the Basque Country was the only part of the Iberian Peninsula that was not conquered by the Muslims. The Basques also made an agreement with the Roman empire to keep their own traditional system of laws and taxes when the Romans first settled Iberia (Esser and Bridges 61). It was not until the end of the Carlist wars in 1876 that the Basque Country was fully subjected to the authority of the Spanish kingdom and its traditional laws—or *fueros*—were revoked (Uranga 16). This long history of independence ultimately ending in the loss of the *fueros* is another building block of the identity drawn upon by the contemporary Basque nationalist movement.

The Basque Country has remained a part of Spain ever since the end of the Carlist wars. An attempt at a republican government that included the Basque Country was made slightly earlier in 1873, but the government was factious and inefficient. A year later, as the third Carlist war was ongoing, the military intervened and dismissed the republic's parliament. Ultimately, the Bourbon monarchy was restored in 1876 (Phillips and Phillips 298). The new constitutional monarchy solidified the Basque Country's place in Spain. This restoration hardly meant stability,

however. Spain continued to undergo tumultuous changes in government. The constitutional monarchy lasted until 1923 when General Miguel Primo de Rivera led a successful coup. He established a military dictatorship that lasted until 1930 (Phillips and Phillips 327). In 1931, Spanish intellectuals formed the country's Second Republic. This republic lasted longer than the first, but it was also factious and would prove to be short lived. In 1936, a group of Spanish generals launched a coup against the Second Republic. The conflict between them and the republican government was the three-years-long Spanish Civil War. The republicans ultimately lost the war, and General Francisco Franco became Spain's new military dictator. His regime ruled the country until his death in 1975. His dictatorship pushed for the "Spaniardization" of Spain, and actions were taken by the regime to suppress Basque culture and language. These would become a sore spot for Basque nationalists and an important driver in the creation of ETA. After Franco's death, the exiled heir to the Spanish throne returned to the country, and Spain transitioned once more to a constitutional monarchy. That constitution is still in place today, and it governs the relationship of the Basque Autonomous Community with the Spanish state.

This is a simplified summary of the long and detailed history of the Basque Country and Spain. Indeed, some scholars have recently challenged the prevailing narrative of Basque suffering at the hands of Franco's forces during the Spanish Civil War. Fernando Molina has written extensively about Basque history, and in his article entitled "Lies of Our Fathers," he challenges the mainstream narrative of Basque history. He makes it clear that Basque identity is far more complex than it is often depicted today (Molina 2). Before the Spanish Civil War, he argues, Basque nationalism was not a unifying cause within the Basque Country. Indeed, much of the Civil War's conflict that occurred in the Basque region was between Basque Catholic traditionalists and Basque liberal republicans (Molina 4). Molina further disputes the common-

held notion that the regime was particularly cruel towards Basques during the war and after its victory. He finds that the brutality of the dictatorship was directed toward former republicans because of their political views, not Basque nationalists (Molina 9). He further finds that levels of violence against civilians during the war were quite similar on both sides of the conflict (Molina 8).

These discrepancies in the mainstream view of Basque history are important to acknowledge. They do not, however, make a large difference in the eventual rise of ETA. Molina acknowledges that, although there was possible exaggeration and falsehoods spread by Basque nationalists about the extent of Basque suffering during the Civil War, they were still able to mold the popular memory of the conflict to their liking (Molina 19, 21). The war was remembered as an ethnic conflict; Basques suffered at the hands of Spanish oppressors who targeted them. Molina argues that this shift in memory was made possible due to several factors. Chief among them, however, was the shared Catholicism and values of the traditionalists and the nationalists (Molina 12). Republicans were removed from the equation by Franco after the war, and the remaining two groups, that had previously been at odds, could now interact and move forward (Molina 12). The new memory they forged became the prevailing view of the conflict in Basque society. This nationalism emphasized Basque culture, language, and shared suffering in the war and post-war. This view, and the resentment it fostered among the Basque populace, characterized the environment in which ETA was born.

## **2.2 ETA**

Second-generation Basque nationalists were frustrated by the lack of active response to the Civil War and dictatorship from their parents (“Difficulties of Ending” 2). Motivated by the desire for revenge over past injustices, some of these young radicals decided to create a new

nationalist organization called *Euskadi Ta Askatasuna* (Basque Homeland and Freedom) in 1959<sup>1</sup> (Molina 19). Commonly referred to by its acronym, ETA, the group's objective was independence from Spain. Initially there were multiple factions within ETA, but by the group's fifth assembly in 1966, the military wing had become the dominant force (*Endgame for ETA* 42). A splinter group, ETA-pm (politico-military), acted separately from ETA-m (military) for a few years, but they declared a ceasefire in 1981 (*Endgame for ETA* 55). With the military wing in control, the group focused on achieving independence from Spain through political violence. From 1968 to 2011, ETA committed over 2,000 attacks, killing over 800 people (Global Terrorism Database). The memory of defeat and oppression following the Spanish Civil War were the key motivators for the group. Franco's policies in the period of his rule from 1939-1975 were motivators as well. Franco embarked on a campaign to solidify the unity of Spain, and he saw it as a necessity to eliminate minority languages and cultures to do so. The regime "prohibited the use of Euskera [the Basque language] in public [...] and in all religious activities, closed the only university, raided libraries and burned books" (*Endgame for ETA* 40). The dictatorship also "confiscated property, imposed fines, fired teachers, closed businesses, and expropriated industries" in addition to persecuting members of the clergy in the Basque Country (*Endgame for ETA* 40). These acts created feelings of resentment and anger towards the regime. Franco spearheaded a severe incursion on Basque autonomy and represented a threat to the ideological, cultural, and economic fabric of Basque society.

Following Franco's death in 1975, Spain's transition to democracy did not spell the end for ETA. The group continued its violent campaign for independence. In fact, they escalated their attacks under the new democracy because they "held Spanish democracy to be illegitimate,

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<sup>1</sup> See Contreras (2019) for a detailed discussion of the historical evidence surrounding the exact date of ETA's founding.

Basque autonomy to be insufficient and concessions made to the Spanish right [...] to be altogether unacceptable” (*Endgame for ETA* 25). Any hopes that ETA was fighting the dictatorship rather than for independence were dashed. The new Spanish government did, in a break from Franco’s regime, attempt to negotiate with ETA to establish peace in the region. Peace talks were held in 1988, 1995, 1998, and 2006, but none of them proved fruitful. Following the failed talks of 2006, however, there was a fundamental change in ETA’s ability to carry on its mission. They faced great difficulty in maintaining a high number of members.

Following the failed talks, Spain “increased its pressure on ETA and the nationalist Left” (“Difficulties of Ending” 8). Twenty-three leaders of Batasuna (the political party with closest ties to ETA) were arrested in late 2007, and by the end of 2009, over 270 arrests of alleged ETA members had been made (“Difficulties of Ending” 8). The support for ETA on the nationalist left had also weakened. After so many years of conflict, nationalist political parties had hoped these talks would settle ETA’s violence once and for all. Questioning of ETA leadership had been brewing within Batasuna, and as Murua writes, “[t]he bombing of the Madrid airport in December 2006 while the ceasefire was still in force was the last straw regarding the loss of confidence in the leadership of ETA” (100). In 2008, Batasuna leaders held a meeting regarding the political-military strategy of the nationalist left (Murua 101). Questioning ETA’s role as the military wing of the nationalist movement was unprecedented, but nationalist parties had reached a turning point (Murua 101). They ultimately decided that ETA’s “leadership” of the nationalist left would no longer suffice. The political parties had to take charge if the movement were to survive. ETA was expected to follow their decision (Murua 102).

In February of 2010, ETA decided to stop its armed activity (Murua 103). This was not publicly announced until that September (Murua 103). That same month, important Basque

figures gathered in Guernica to sign the Guernica declaration—demanding an ETA ceasefire (Murua 103). The nationalist left’s decision had been made by the summer of 2010, and ETA was now in a de facto ceasefire (*Endgame for ETA* 225). In January of 2011, after 52 years of fighting, ETA declared a permanent ceasefire which was finalized in October (Murua 104). Spain made no concessions toward Basque independence in exchange, but the group upheld its ceasefire, nonetheless. The fight was over. In 2018, after seven years of ceasefire, ETA announced it would permanently disband. In their final statement, ETA apologized for the harm it had done, saying in part “[w]e want to show respect to the dead, the injured, and the victims that the ETA’s actions have caused. We are truly sorry” (ETA al pueblo vasco).

The rest of this thesis explores the economic and political factors that played into both ETA’s longevity and ultimate failure. In analyzing the Basque economy, I observe trends in overall development as well as statistics for unemployment and GDP. I link high youth unemployment to ETA’s ability to recruit new members and endure for many years. I also examine the detrimental effects ETA’s terrorism had on the Basque economy. Politically, I look at both the Basque Nationalist Party (PNV) and the nationalist left. I examine electoral outcomes as well as different strategies the parties adopted towards ETA over the years. In both areas, but especially politics, I examine changes since the 2011 ceasefire to infer what effects ETA may have had.

### **3. ECONOMIC DEVELOPMENT AND ETA**

#### **3.1 Introduction**

Spain's transition to democracy began with Franco's death in 1975. The new constitution and statute of autonomy for the Basque Country afforded the region far greater autonomy than it had under Franco, and it ended the dictator's oppression of Basque culture. Basque became a co-official language along with Spanish, and Basque culture could flourish once again. The Basque Autonomous Community was even afforded some privileges in its statute of autonomy that no other Spanish region has. The BAC has a police force under the autonomous community's control and its own tax system (Uranga 63, 69). Despite these changes, ETA continued its campaign for several more decades. Far from bringing an end to their campaign, their violence intensified in the first decades of democracy.

As I have discussed, a history of independence, memory of suffering during the Spanish Civil War, and cultural oppression under the Franco regime were motivations for ETA's founding. I argue, however, that economic factors contributed to ETA's continued existence over many years. Given the long duration of ETA's campaign, the group also had lasting effects on the BAC's economy. I discuss these effects on the BAC economy, primarily focusing on the impact of ETA's terrorism on BAC GDP and growth. The development of the BAC's GDP may also play a role in the eventual decline of ETA. I also argue that high levels of youth unemployment created a larger pool of potential recruits for ETA, contributing to the group's longevity and the uptick in violence after the transition to democracy.

### 3.2 Development

The Basque Country's economic development follows the general pattern of development that mainstream economic theory describes: a transition from agriculture, to manufacturing, and then to services becoming the largest sector of the economy. Mikel Gómez Uranga's book, *Basque Economy: from Industrialization to Globalization*, charts the course of the Basque economy throughout history. His work compiles data from the BAC government and banking institutions and combines it with historic evidence from the region. He writes that, from before recorded history, the Basques were largely a farming people, and agriculture served as the main resource in the economy (Uranga 10). In the 18<sup>th</sup> century, the process of industrialization began in earnest in the Basque Country. Iron and metalworking became important industries, and Basque companies became exporters of these metal goods (Uranga 11).

With the end of the Third Carlist War in 1876, the Southern Basque Country was fully integrated into the Spanish kingdom and thus the Spanish market (Uranga 14). Despite this integration, some aspects of economic autonomy remained. An agreement between the provinces of the Southern Basque Country and Spain established a special tax allocation system for the Southern Basque Country that no other region enjoyed (Uranga 16).

At the beginning of the twentieth century, agriculture remained the dominant sector of the economy in only one Basque province (Uranga 22). Manufacturing was now dominant across the region. Basque industry suffered somewhat under the Second Republic (1931-1936) due to the government's shift away from public works projects (Uranga 23). Even with this downturn, industry continued to be the most important element of the Basque economy. The Second Republic's end and the Spanish Civil War created a massive shock to the Basque economy. The

economy had to rebuild after the conflict, and it had to do so in a Spain ruled by the dictator Francisco Franco.

The economy under Franco experienced radical changes. Franco's regime imposed wage and price controls on the citizenry and became increasingly controlling over the economy in the 1940s (Uranga 30). Such widespread government control can wreak havoc on an economy, and this is precisely what happened in both Spain as a whole and in the Basque region. Inflation became a severe problem. According to Uranga, average wages in the 1940s were 130% of the average wage in 1936 (30). Although wages rose, they did not rise fast enough to keep up with the inflation brought about by Franco's economic policies. Official prices reached 593% of prices in 1936 (Uranga 30). Black markets emerged to fill the demand for goods, and prices on these black markets could be over 1,000% of 1936 levels (Uranga 30). Workers could not afford many basic goods, and the standard of living declined greatly during this period (Uranga 30).

Despite these poor conditions, the Basque economy was eventually able to resume growth in part due to orienting toward a new Spanish consumer culture in the 1960s (Uranga 34). This trend continued into the 1970s. In the early 1980s, the services sector overtook industry to become the largest sector in the Basque Country (Uranga 57). Despite this change, manufacturing remained a vital part of the Basque economy. Around the mid-1970s, there was “[...] a clear bet on industry [in the Basque Country], a bet on those traditional sectors, such as iron, steel, energy and small and medium-sized companies [...]” says Jose Luis Curbelo, director general of the Basque Institute of Competitiveness (Cooper). Though services were now the largest sector, manufacturing did not decline as dramatically as it has in other developing economies. Today, the tertiary (services) sector in the Basque Country accounts for 68.3% of value added to the economy, while the secondary (manufacturing) and primary (agriculture)

account for 31% and 0.7%, respectively (“Basque Country”). Thus, nearly a third of the economy is still dedicated to manufacturing.

Amid these economic changes, ETA was founded in 1959. A decade and a half later, Franco died, and Spain began a process of establishing a constitutional monarchy. The transition, however, did not lead to an immediately improved economy. In the mid- to late 1970s, the economy suffered greatly. Uranga posits that this poor economic performance in the mid-1970s to the mid-1980s was caused by “[t]he international crisis created by the December 1973 Yom Kippur war” reaching Spain in 1975 (56). GDP per capita in the Basque Country decreased significantly during this period. In 1964 and 1975, Basque GDP per capita was approximately 109% of the European Economic Community (EEC) average (Uranga 58). By 1985, it had sunk to 81.1% of the EEC average (Uranga 58). The Basque economy also suffered relative to the national average, going from 142% of the national GDP per capita in 1967 to only 107% in 1987 (Uranga 61). I discuss GDP and GDP per capita further in the fourth subsection of this section. Another dimension of the early, post-transition economy was a massive spike in the unemployment rate in both the Basque Country and Spain. I examine the unemployment rate and its effects on ETA’s terrorism in the next subsection.

### **3.3 Youth Unemployment and Terrorist Recruitment**

The unemployment rate in the Basque Country was nearly 0% before 1975, but this was largely artificial. The rate of unemployment during Franco’s dictatorship was kept unrealistically low in part because women were very limited in joining the labor force and not counted in official unemployment statistics (Uranga 60). It is difficult to say, therefore, how much unemployment changed from its true value in 1975 or earlier. Despite these difficulties, unemployment at the end of 1976 was 3.45% in the Basque Country according to Spain’s

National Statistics Institute (INE). It began to increase rapidly, however, reaching a peak of 24.06% in 1985. This is a massive level of unemployment. In the United States, for example, economists generally call an unemployment rate of about 5% “full employment.” During the financial crisis of 2008, unemployment in the U.S. peaked around 10%. During the Great Depression, unemployment is generally estimated to have peaked around 25%. Spain’s economy has more structural unemployment than the U.S., and the two periods and crises differ in many ways. But this still provides a rough barometer for how severe the labor market conditions were in the BAC during this time.

Further still, unemployment remained high for many years. Although the unemployment rate declined until about 1991—before peaking near 25% again—it remained above 15% from 1981 until 1999. This is a nearly twenty-year period with very high unemployment. Figure 3.1 shows the unemployment rate in both the Basque Country and Spain from 1976 until the beginning of 2020.

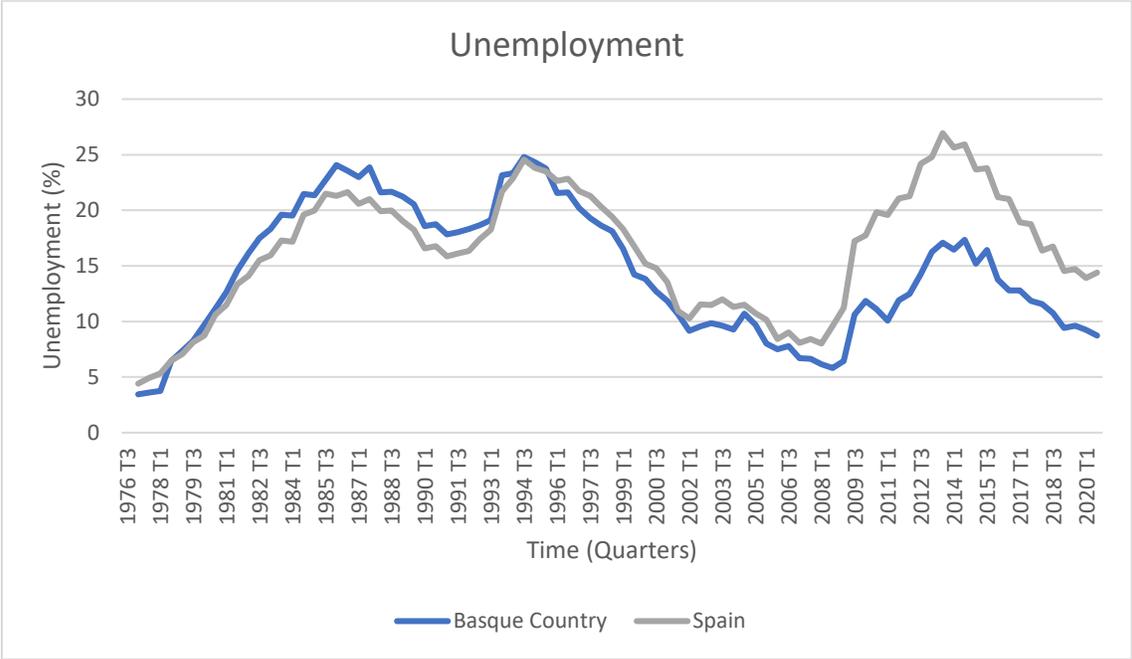


Figure 3.1: Unemployment in the Basque Autonomous Community and in Spain (Source: INE)

As Figure 3.1 shows, unemployment in the BAC reached much lower levels in the early 2000s before spiking again after 2008 until around 2015. This spike can be attributed to the global recession caused by the global financial and European sovereign debt crises at the time. These shocks caused recessions in economies across the world, and such a spike in unemployment was not unique to Spain or the BAC. The growth in unemployment during this period was also less severe, and the unemployment rate did not linger at as high a level as it had in the 1980s and 1990s. We also see another new trend in the 2000s. Basque unemployment grew significantly less than the Spanish level. Indeed, the BAC has had lower unemployment than Spain since 1996, but the gap from 2008 onward has been much larger. The BAC's focus on maintaining a strong manufacturing base is credited by some as a reason for the Basque economy's relative strength when compared with Spain (Cooper).

This is the picture of overall unemployment in the BAC since Spain's transition to democracy. The rate of youth unemployment is more relevant, however, to my discussion of ETA's terrorism. Youth unemployment was much higher than the overall unemployment rate throughout this period. Figures 3.2 and 3.3 show the unemployment rates for youth aged 16-19 and 20-24 for both Spain and the BAC. Both graphs follow the same trend line as overall unemployment but with much higher values. Unemployment peaks in the early 1980s at over 70% for 16-19-year-olds in the BAC and at nearly 60% for youth aged 20-24.

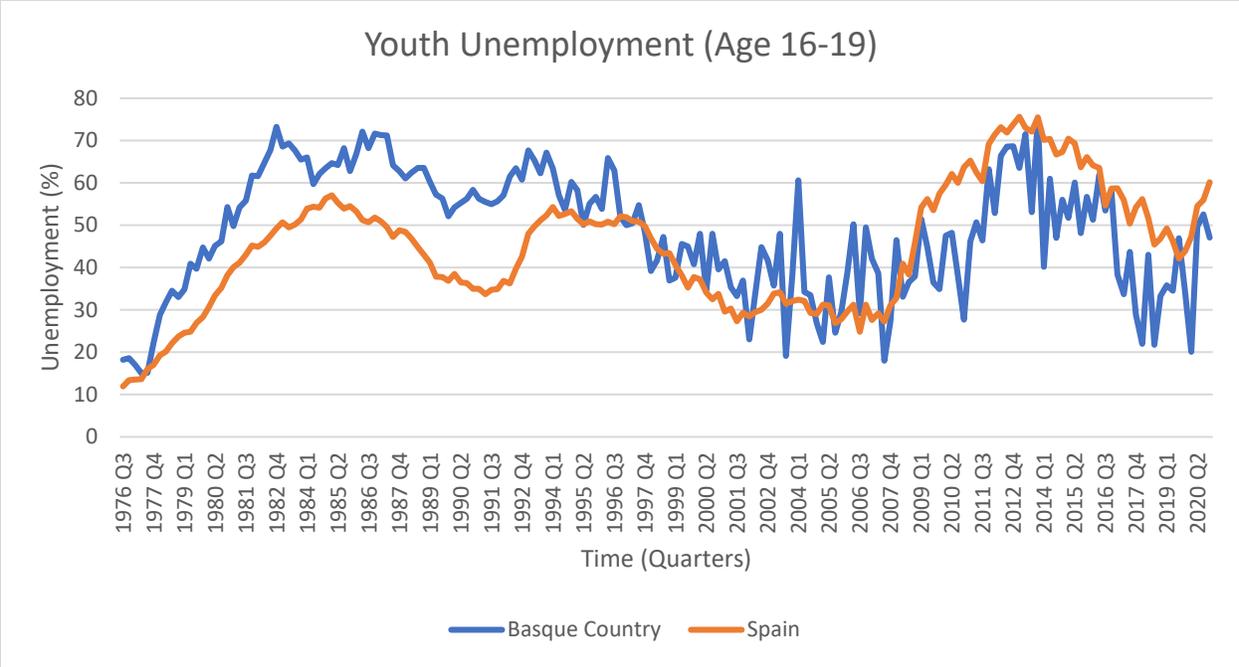


Figure 3.2: Youth Unemployment (Age 16-19) in the Basque Autonomous Community and in Spain (Source: INE)

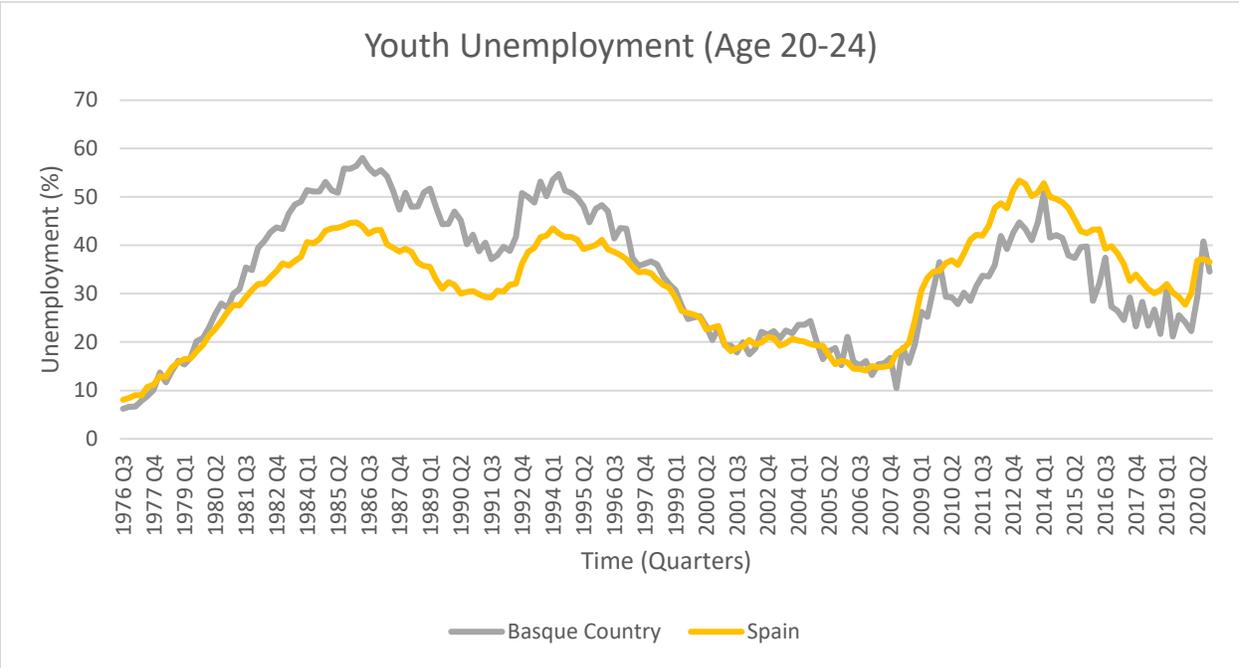


Figure 3.3: Youth Unemployment (Age 20-24) in the Basque Autonomous Community and in Spain (Source: INE)

Both the high levels of youth unemployment and the direction the youth unemployment rate moves are important factors in ETA's terrorism. A classical economic argument—applicable to both crime and terrorism—is that, when faced with poor employment prospects, individuals have less to lose by committing crime or joining a terrorist group. When unemployment is high, there is a larger pool of such individuals, and in this case, there is a larger pool of potential ETA recruits. Youth unemployment is more relevant in this argument because youth tend to have fewer skills that are applicable in the job market and tend to be more prone to crime than other age groups. But does this theory hold up to scrutiny, and is it truly applicable in the discussion of ETA and the Basque Country?

I argue that the theory holds true in the Basque Country, even though there is still debate surrounding the unemployment argument in the literature on terrorism. A 2020 study by researchers at Florida International University sought to study the relationship between the labor market and terrorism. They found through statistical modeling of terrorist incidents in 127 countries that neither the unemployment rate nor the youth unemployment rate had a substantive effect on the number of terrorist incidents. Rather, they argue, the labor force participation rate “has a strong influence on terrorism in the negative direction” (Cruz, et. al. 232). This finding drives at the difference between the unemployment rate, which only counts individuals actively seeking work, and the labor force participation rate, which is the percentage of those employed and unemployed while seeking work out of the total population.

While this finding still lends merit to the general economic opportunity argument, the researchers do not distinguish between domestic terrorism and transnational terrorism in their analysis. This is an important distinction. If a country suffers from attacks perpetrated by terrorists from abroad, it stands to reason that the labor market conditions in that country had

little to do with those attacks. Other researchers have made this distinction and focus their analyses on domestic terrorism.

In their analysis of the Middle East and North Africa region, Bagchi and Paul find exactly what the theory predicts. Youth unemployment, rather than overall unemployment, has a statistically significant relationship with terrorism (Bagchi and Paul 15). They find that, for a one unit increase in the youth employment rate, the number of domestic terrorist attacks is reduced by 10.7% (Bagchi and Paul 15). Adelaja and George also find in their 2020 study of 126 countries that the youth unemployment rate has a statistically significant relationship with domestic terrorism, and this relationship is positive (48). They also find that “the impact of youth unemployment on terrorism increases with the level of grievances” such as “corruption, perceptions of government ineffectiveness, and absence of a strong rule of law” (Adelaja and George 50). Such grievances, especially perceptions of the Spanish government and its legitimacy, were definitely present in the Basque Country in the immediate aftermath of Spain’s transition to democracy.

Finally, Caruso and Schneider also find confirmation of the opportunity cost argument in their 2011 study. They focus specifically on Western European countries and state that “the classical economic argument of opportunity cost can be confirmed” (Caruso and Schneider 548). Their analysis reveals that a 1% increase in youth unemployment led to a 0.5% increase in terrorist activity. While a smaller effect than in Bagchi and Pual’s analysis of the Middle East, this is still a statistically significant relationship, and the relevance of youth unemployment in influencing terrorism is obvious.

The rapid rise in youth unemployment in the Basque Autonomous Community begins immediately after the transition in 1975. It peaks in 1982 for age 16-19 at 72% and in 1986 for

age 20-24 at 58%. These peaks are reached in about ten years from a starting point of below 10% unemployment. The labor market worsened rapidly, and many youths may have been motivated to join ETA during this time. The literature discussed previously certainly indicates that this would be the case. Whitfield's book also offers accounts of Basque youth that were likely to join ETA. Youth took part in rioting and street violence, called *kale borroka*, in the BAC. Initially a response to police violence against protests, *kale borroka* grew in its violence over time and came to involve "attack[s] on Basque police and sabotage of public property [...] with Molotov cocktails and other improvised weapons" (*Endgame for ETA* 29). Whitfield also writes that the "hundreds of youths [that *kale borroka*] attracted were perceived as likely recruits of ETA" (*Endgame for ETA* 29). Indeed, she goes on to describe how ETA "generally attracted men in their twenties" as recruits in the 1970s, but the average age of recruits dropped in the mid-1980s (*Endgame for ETA* 62, 63).

Youth unemployment was not the only factor in ETA's development. It is important, however, because it provides some insight into the group's strength. We can assume—at least in the early years of democracy—that higher youth unemployment meant ETA had more recruits and a larger operational capacity. We can see that from the start of the transition in 1975 until 1985, when ETA carried out 998 attacks (Global Terrorism Database). This is nearly half of the 2,024 attacks they committed from 1968 until 2011, and they came at the time that youth unemployment was spiking massively (Global Terrorism Database). Figure 3.4 shows the number of ETA attacks per year plotted next to the youth (age 16-19) unemployment rate. The correlation is strongest in the first years after the transition, and even then, these variables are far from perfectly correlated. Over time, the correlation is even less strong. This can be attributed to several other factors, including ceasefires that meant attacks decreased dramatically and the

increased effectiveness of Spain’s counterterrorism measures as time went on. GDP is another economic factor that could play a role in the number of attacks over time, and I examine its relationship with ETA’s terrorism in the next subsection.

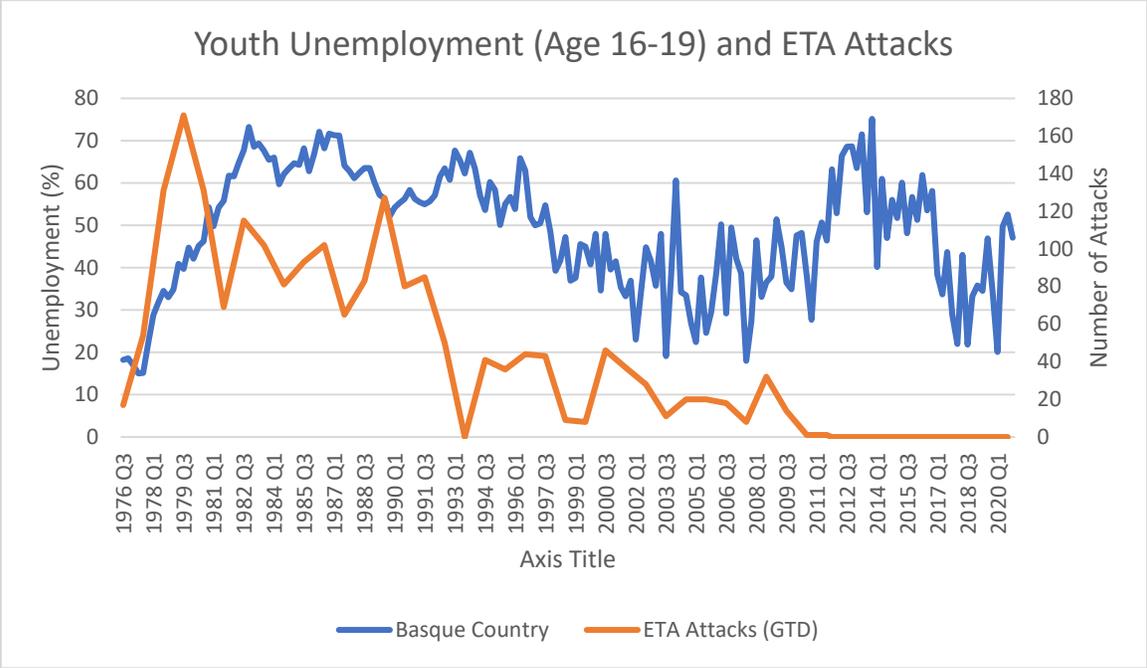


Figure 3.4: Youth Unemployment and Terrorist Attacks (Sources: INE, GTD)

### 3.4 Gross Domestic Product’s Relationship with Terrorism

Gross Domestic Product (GDP) is a measure of total economic activity for a certain region during a certain time period. The Basque Country’s GDP during the 1970s, as discussed previously, was decreasing. The region’s GDP per capita sank relative to Europe and to Spain. Uranga estimates that, for the whole decade from 1975 until 1985, GDP shrunk in the BAC by 0.3% (56). This is in contrast to growth of 8.1% from 1960-1975 (Uranga 56). Figure 3.5 shows the level of Basque GDP per capita in constant 2015 Euros beginning in 1980. From the mid-1980s onward, Basque GDP per capita is generally growing. There are only brief periods of stagnation and decline in the early 1990s and in the late 2000s.

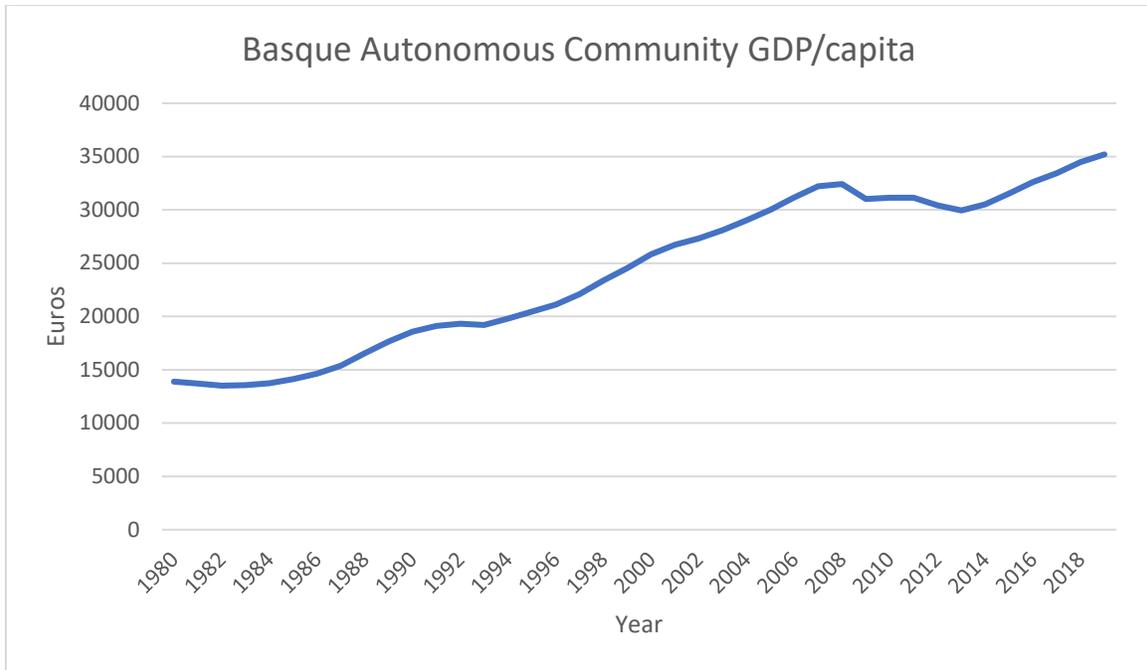


Figure 3.5: Gross Domestic Product in the Basque Autonomous Community, 1980-2019 (Source: Eustat)

Relative to the rest of Spain, the Basque economy has recovered from the hardships of the 1970s and once again leads the country. Data available from 2000-2019 show the BAC's GDP per capita has been higher than Spain's for at least the past two decades. The gap between them is also growing steadily, with Basque GDP per capita at 122% of the national level in 2000 and just under 130% in 2019 (INE). This is a remarkable recovery. The BAC was 3<sup>rd</sup> among Spain's Autonomous Communities in GDP per capita in the early 1970s, but with the downturn, had fallen to 6<sup>th</sup> in the late 1990s (Abadie and Gardeazabal 113). With its current standing at 130% of national GDP per capita, the BAC is the second wealthiest community in Spain—only trailing Madrid (INE).

Though economic factors are the larger causes of economic downturn in the BAC, ETA's terrorism certainly played a role in economic conditions as well. It is difficult to determine the exact extent of ETA's impact, but there have been several attempts made to estimate these effects. Mikel Buesa has likely gone farthest in attempting to quantify the costs ETA imposed on

society. He estimates that, between 1993 and 2002, ETA's extortion of businesses stole 3.8 million Euros per year—in 2002 Euros (Buesa 4). For the same period, he estimates that—given lives lost, destruction of property, and resources spent fighting ETA's terrorism—ETA's total cost to the economy was 697.4 million Euros per year (Buesa 7). It is worth noting that this is an estimate for 9 years of ETA's campaign, not the group's entire 40-year campaign. Buesa also notes that this figure was about 1% of the BAC's GDP (Buesa 7).

Other researchers have tried to estimate the effects on the Basque economy even more broadly. Aside from the direct costs of ETA's terrorism, it stands to reason that the group's existence could depress willingness to invest in the Basque Country and overall economic output. Indeed, researchers in one study of the period 1968 to 1991 found that terrorism reduced foreign investment coming into Spain by 13.5% (*Endgame for ETA* 30). Another important study by Abadie and Gardeazabal attempts to find the effect of ETA on the BAC's GDP. Here, the researchers use statistical methods to model a “synthetic” Basque Country without terrorism against the real Basque Country. They find that “after the outbreak of terrorism, per capita GDP in the Basque Country declined about 10 percentage points relative to the synthetic control region” (“Economic Costs of Conflict” 114). This gap, they argue is explained almost perfectly by terrorism. Whereas Abadie and Gardeazabal find these effects in GDP per capita, researchers working with Buesa found the same to be true for just GDP (Myro, et. al.).

There is some debate surrounding whether these seemingly dramatic changes in GDP can be attributed as causal results of terrorist activity. Gries, et. al. for instance, conducted a statistical analysis of terrorism and real GDP per capita growth in seven western European countries (Spain among them). They found that a negative causal effect of terrorism on GDP could only be proven in Portugal (Gries, et. al. 502). At first glance, this does seem odd that their

findings do not corroborate those of the researchers mentioned previously. However, this study focused on national GDP per capita, whereas the two aforementioned studies were looking at the Basque Autonomous Community alone. Therefore, while seemingly contradictory, both findings are compatible. GDP in the BAC can be impacted by terrorism even if Spain’s GDP is not, especially given that ETA’s terrorism was concentrated so largely in the BAC.

Gries, et. al. do make another important finding. They find that—for Germany, Portugal, and Spain—growth in real GDP per capita has a causal effect on terrorism (Gries, et. al. 503). This is another version of the opportunity cost argument. As GDP per capita rises, there is more wealth to go around and more for individuals to lose by participating in crime or terrorism. Less terrorism occurs as a result. Looking at Figure 3.6, we see the growth rate of GDP per capita in the Basque Country.

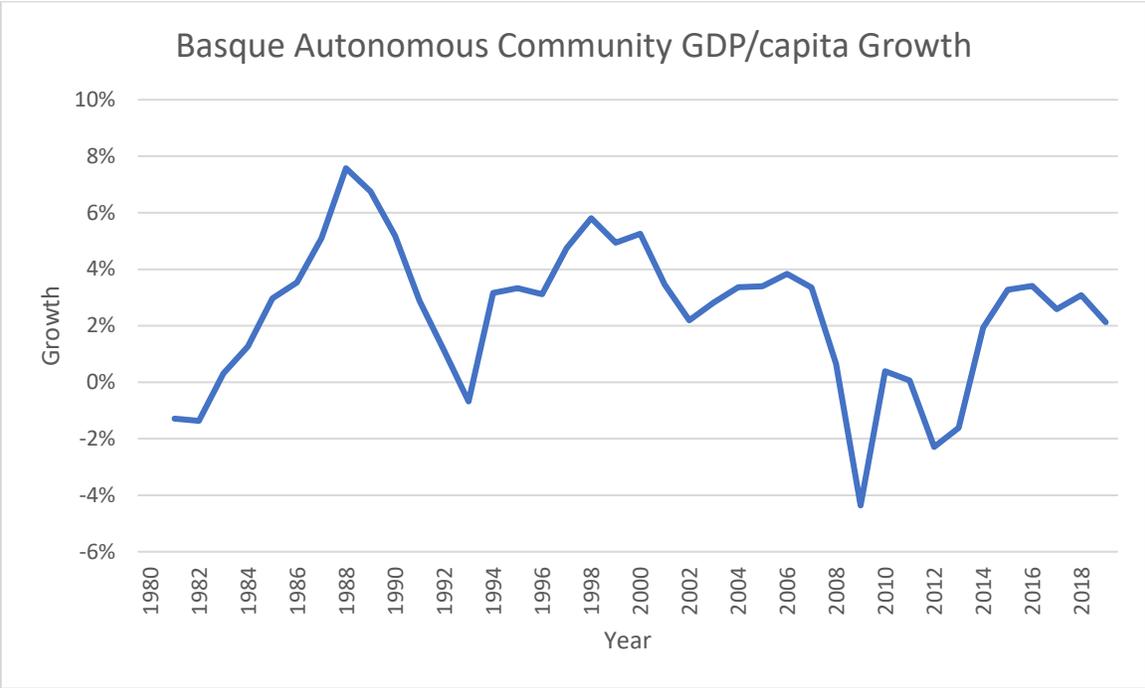


Figure 3.6: Growth Rate of Gross Domestic Product per capita in the Basque Autonomous Community, 1980-2019 (Source: Eustat)

The growth rate may seem at odds with Gries, et. al.'s findings. Growth spikes in the mid- to late 1980s, at the very time that ETA's terrorism is ramping up. It is again important to remember that no single indicator will perfectly align with the pattern of ETA's violence. The 1980s also saw high unemployment that—as discussed previously—contributed to ETA's violence. An important point in the first few years of democracy is made by Abadie in another paper. He finds that “[c]ountries with intermediate levels of political freedom are [...] more prone to terrorism than countries with high levels of political freedom or countries with highly authoritarian regimes” (Abadie 51). This finding would seem to indicate that countries transitioning from authoritarian to democratic societies (i.e., having intermediate levels of political freedom) will see an increase in terrorism (Abadie 51). This effect likely counteracts the positive effect of GDP per capita growth in Spain in the 1980s. It is also worth noting the fall in GDP per capita growth from the late 1980s into the 1990s. After its lowest point in 1993, there is more consistent and positive growth. There are still periods of decline, but the generally positive trends in growth—as confirmed by Gries, et. al.—are a contributing factor in the process toward ETA's end along with political pressure, counterterrorism measures, and improved youth labor market conditions.

## 4. POLITICAL CHANGES AND THE END OF ETA

### 4.1 Introduction

This section addresses the relationship between ETA and Basque politics. Due to the multi-party nature of the Basque parliament, many political parties have come and gone over the years in the BAC. I make passing reference to some minor parties throughout this section. There are, however, four main political parties that I focus on. The first is the Basque Nationalist Party (PNV). The PNV is the main nationalist party in the BAC. The PNV, is not however, part of the group of political parties collectively referred to as the nationalist left. Compared to the PNV, the nationalist left has taken more radical nationalist positions and served as a key source of support for ETA. Batasuna is the most important party of the nationalist left. In addition to these two nationalist parties, the two parties on the political left and right at the national level in Spain also have a presence in the BAC. These two parties are the Spanish Socialist Workers' Party (PSOE) and the People's Party (PP). In the Basque Country, PSOE is branded PSE for Basque Socialist Party.

Founded in 1895, the PNV has long fought for Basque independence (Leonisio 45). With one exception, the PNV has been the largest party in the governing coalition in the Basque Parliament since Spain's transition to democracy. In general, the PNV has sought a more moderate approach toward nationalist goals, often described as accommodationist rather than secessionist. Batasuna, on the other hand, was often viewed by many as ETA's political wing and has represented a more extreme view of Basque nationalism (Elias and Mees 141). In 2002, the Spanish parliament went so far as to pass a law outlawing Batasuna because of alleged ties to ETA ("Difficulties of Ending" 6). This ban was upheld by the Spanish Supreme Court in 2003

(Leonisio 46). Despite not being able to stand for election, the party's leadership continued to play a role in negotiations with ETA. In 2010, Batasuna leaders formed a strategic alliance with the minor nationalist party, Eusko Alkartasuna (EA), that had splintered off from the PNV in 1986 (Murua 103). Another minor nationalist party joined them to form an electoral coalition called EH Bildu, which Spanish courts allowed to enter elections in May 2011 (Murua 103). The transition from Batasuna to EH Bildu is indicative of changes on the nationalist left as ETA began to decline.

I explore this transformation and the nationalist left's electoral outcomes in the next subsection. I examine election results in both the Basque and national parliaments in the pre- and post-2011 periods. My focus is on the PNV as the center-nationalist party and Batasuna/EH Bildu as the main force of the nationalist left. I also look at which minor parties have come and gone over time. All these dimensions provide some insight into how BAC politics responded to ETA, especially in examining changes since 2011. Later in this section, I look at the role that the nationalist left played in ETA's ultimate end. I also examine aspects of political normalization following ETA's ceasefire to determine what the immediate effects of the group on BAC politics were. I then discuss what developments can be observed in the new, post-2011 political climate.

## **4.2 Electoral Outcomes**

At the national level, the BAC is currently afforded eighteen seats<sup>2</sup> in the lower house of the Spanish legislature, the Congress of Deputies. In the most recent election in 2019, the PNV won six of these seats. EH Bildu won four, and the left-wing parties PSE and Podemos (another Spain-wide party) won four and three seats, respectively. The Partido Popular won the remaining seat ("Elecciones generales"). With only 18 seats to examine, and the BAC's political pluralism

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<sup>2</sup> From 1977-1989, the Basque delegation in the national parliament had 21 seats. From 1993-2004, it had 19 seats. The delegation has had 18 seats from the 2008 election until the present.

reflected in the results, it is difficult to draw decisive conclusions from the national level elections. EH Bildu won four seats in the two elections prior to 2019; Batasuna won 4 seats at its peak in the 1980s as well (“Elecciones generales”). The most notable difference for the nationalist left was in 2011. A predecessor to EH Bildu, a coalition with the name Amaiur, won 6 seats in the national Congress that year, amid high turnout for the nationalist left (“Elecciones generales”). This was more national seats than the PNV won that year. I discuss the 2011 and 2012 elections in greater depth later in this section, but it may be the case that voter enthusiasm was high with ETA’s ceasefire, leading to Amaiur’s strong performance. Since then, however, EH Bildu has won fewer seats than the PNV at a national level.

The BAC Parliament, in contrast with the more balanced distribution of seats in the Congress of Deputies, has been historically dominated by the PNV. In the 75-seat body, the PNV has held the most seats of any one party in all but one session in parliament—1986 (“Elecciones regionales”). The PNV has also been kept from the governing coalition of the BAC parliament only once, in 2009 (Leonisio 46). That year, the PSE and PP held enough seats to govern together in an odd coalition between conservatives and socialists (Leonisio 51). The PNV reclaimed its place in government in the following election, leading a minority government rather than forming a coalition (Fortes and Pérez 495).

The lack of significant variation of represented parties in the regional parliament provides good opportunities for analyzing changes when they do occur. The two biggest changes we see in the principal nationalist parties—the PNV and Batasuna—are the PNV’s loss of government in the Basque Parliament in 2009 and Batasuna’s illegalization and return in the form of EH Bildu. Both of these developments in regional politics have links to ETA’s activity.

In the 2009 elections for the BAC Parliament, the PNV actually gained a seat more than it had in its coalition with EA in the prior election of 2005 (Leonisio 48). This put the party's total at 30 of the parliament's 75 seats (Leonisio 48). Despite this being the largest total for a single party, there were not enough seats with minority nationalist parties for the PNV to form a majority coalition. Nationalist left candidates, formerly with Batasuna, had been banned from running for office in 2009 (Leonisio 48). Because of the ban, these candidates told their supporters to cast a null vote in the election. These null votes amounted to 8.8% of all votes cast and would have counted for seven seats had they been for a party that could stand for election (Leonisio 48). Without these nationalist left candidates, the PSE was able to gain seven seats, going from 18 in the prior election to 25 in 2009 (Leonisio 48). The PNV failed to reach an agreement to govern by coalition with the PSE, and ultimately, the socialists formed a majority coalition with the 13 seats of the PP (Leonisio 53). This right-left coalition was only possible with the blank ballots not counting for a nationalist party. While not a reflection of the public's response to any PNV policy toward ETA, the action of banning the candidates was taken because of links to Batasuna and ETA. Were the group not a factor, the PNV would almost certainly have been able to remain in government.

In the 2012 election, the PNV returned to power in a minority government, despite losing three seats (Fortes and Pérez 496). The PSE lost a large share of the vote it had earned in the previous election, as economic factors were more decisive in this election than nationalist objectives (Fortes and Pérez 495). The debt-to-GDP ratio in the Basque Country had grown, and unemployment had doubled since the start of the PSE-PP government's term (Fortes and Pérez 497). While the loss of support for the socialists is credited with returning governance to the PNV, the 2012 regional election was also the first time that the new party of the nationalist left—

EH Bildu—was in the running. EH Bildu received 25% of the vote in the Basque Country, and it became the second largest party in parliament with 21 seats (“Elecciones regionales”). This is the largest share of the vote that a single party of the nationalist left had ever received. In 2020, EH Bildu broke its own record, earning 27.86% of the vote—although still only earning 21 seats in the regional parliament (“Elecciones regionales”). EH Bildu has thus cemented its place as the second-largest party in the Basque Country. Importantly, it performs better than Batasuna ever did while ETA remained active. Such performance for a single party of the nationalist left was unfathomable during ETA’s campaign, and the rise of EH Bildu would seem to indicate the negative political effects ETA had on the nationalist left.

Trends in the smaller nationalist parties can also inform about the public’s perception of ETA and how the nationalist left movement has shifted over the years. As time went on, some smaller parties that backed ETA faded, while new ones that rejected terrorism gained ground in the Basque parliament (Leonisio 47). Tejerina echoes this idea with the observation that “every time a ceasefire was declared and elections were held, support for the nationalist left coalitions increased [...] and when the ceasefires were suspended and elections were held, the support fell” (15). We see this with Batasuna in 2001. Prior to the 1998-99 peace talks, they had 14 seats in the Basque Parliament, but their presence shrunk to only seven seats in 2001 (“Elecciones regionales”). Aralar is another important example. The party—ostensibly on the nationalist left—rejected ETA and grew in electoral stature as the nationalist left that still did not condemn ETA declined (Leonisio 47).

### **4.3 The Road to ETA’s End**

Many factors played into ETA’s decline, and authors such as Benjamín Tejerina, Teresa Whitfield, and Imanol Murua argue that one key element in this decline was a loss of support for

ETA on the nationalist left. They argue that a loss of public support for these parties ultimately led to an internal struggle within the nationalist left over whether ETA was in their best interest. This subsection summarizes this argument and the events that occurred along the road to ETA's end. I demonstrate that this loss of support was the main effect of Basque politics on ETA and that it led to the group's downfall.

Dealing with terrorism, or trying to govern despite it, consumed most of the BAC government's time since Spain's transition to democracy. In 1988, the PNV spearheaded the Pact of Ajuria Enea—the first major anti-ETA movement within Basque nationalist politics. This agreement was signed by every Basque nationalist political party except for Batasuna, and it condemned terrorism and ETA's activities (“Difficulties of Ending” 5). It marked the first time that the near entirety of the Basque nationalist movement called for ETA to end its campaign of terror. ETA's violence generally declined over the course of the 1990s, but it did not disappear. The Spanish government continued to take counterterrorism measures against ETA. While the pact condemned terrorism, the continued persistence of ETA created pressure on the PNV and other nationalist parties to take concrete actions that would help towards the group's end (Elias and Mees 144).

In 1998, the nationalist parties took a new approach to ETA that critics denounced as backtracking on their agreement from the previous decade. This new strategy was outlined in the Pact of Lizarra, which called for a peace process like the one established in Northern Ireland (Esser and Bridges 64). This led to a nearly year-long ceasefire as ETA and Batasuna pursued such a process with the Spanish government. ETA was also motivated to offer this ceasefire so the parties of the nationalist left could take the time to define a “more aggressive nation-building strategy” (Murua 95). The effort towards a peace agreement was ultimately unsuccessful. In late

1999, ETA called off the truce and resumed its attacks in 2000 (Murua 95, 96). For many, this was an instance where the PNV and the nationalist left establishment were too willing to tolerate and take advantage of ETA's violence in pursuing a political move toward independence. There was aggressive criticism directed toward the PNV by the media and non-nationalist parties for their perceived role in negotiating with terrorists (Elias and Mees 145).

The PNV, for its part, did try to offer another solution—although attempting to further the goal of Basque independence in doing so. This attempt came in 2004. The Ibarretxe Plan, named for the BAC president at the time, proposed a method of gradually dissociating the BAC from Spain. Proponents framed the plan as the only way to de-escalate conflict with ETA. The Basque president's essential argument was that the plan “would leave the terrorist group [...] with no justification for its existence” because the Basque Country would be nearly independent from Spain (Muro 457). The plan proposed that powers reserved for the central government under the current statute of autonomy be extended to the Basque regional government over the course of several years. The region would ultimately become a “freely associated state,” in a confederation-style relationship with Spain. This would have been very close to outright independence, with the Basque Country even having the ability to sign its own bilateral trade agreements with other countries (Muro 457). Defense, customs, and foreign policymaking would become the only powers kept for the central government under the plan (Muro 457).

Unsurprisingly, this plan was not enacted. The Spanish constitution requires that any change to an Autonomous Community's statute of autonomy be proposed by the autonomous government and then agreed to by both houses of the Spanish Congress. It was here that the plan met great resistance, with both the Spanish Prime Minister and opposition leader condemning it (Muro 458). That same year, six other autonomous communities were able to reach agreements

on new statutes of autonomy with the Spanish government (Muro 462). Among those six was Catalonia, another region well known for seeking independence from Spain. The success of these communities indicates that reforming a statute of autonomy is not impossible; the Basque proposal simply went too far in the eyes of the Spanish government. In the end, the BAC's statute of autonomy remained unchanged from its ratification in 1979 and has remained so ever since.

Shortly after the failed Ibarretxe Plan, another attempted negotiation between the central government and ETA took place in 2006 (Esser and Bridges 65). It was the failure of these talks to produce a result that was the final blow in the nationalist left's support for ETA. Prior to this point, ETA held a dominant position over the political and civil institutions in the Basque nationalist left. ETA was viewed as the "vanguard" of the nationalist movement by these other actors (Murua 97). Although formal ties did not exist between ETA and nationalist left political parties, there was a tacitly shared strategy on the nationalist left "defined as political-military" where ETA had "exclusive authority to decide on its military strategy and actions" (Murua 97). This is not to say there was no tension between the nationalist left political establishment and ETA throughout the group's history. As described previously, the Pact of Ajuria-Enea and the Pact of Lizarra were points of contention between the nationalist left and ETA. Even still, ETA always demanded exclusive authority to negotiate over "military" matters during peace talks.

Because of this relationship, an ultimate loss of support for ETA among nationalist left political parties was a key factor in the group's decline and final ceasefire. Nationalist left political parties decided after the 2006 talks that the configuration with ETA in charge may not be most beneficial. As Tejerina writes, the nationalist left began a "progressive questioning of the strategic line [that had been] adopted four decades prior in a completely different social and

political context” (15, my translation). As a result of this questioning, the political-military strategy was ultimately abandoned. The nationalist left, as mentioned in the Introduction, agreed that ETA should no longer lead the movement. Important figures of the movement, along with many others, signed the Guernica declaration in February of 2010 to call on ETA to declare a ceasefire (Murua 103). ETA gave up its armed activity that year, declaring its ceasefire publicly in 2011. Nationalist political parties thus became the main force of the nationalist movement. This change provides us with a clear break in time where nationalist parties prior to 2011 had to contend with ETA and after 2011 did not. By examining the differences in Basque politics between these time periods, we can infer what effects ETA had on political processes in the BAC.

#### **4.4 Normalization and Going Forward**

It almost goes without saying that the principal effect of ETA on BAC politics was disruption of the normal political processes by political violence. It is intuitive, therefore, that one of the most significant changes after 2011 is political normalization. In this subsection, I address what we can observe as evidence that political normalcy has finally arrived in the BAC. Given these changes and the fact that ETA is no longer an obstacle, I examine how the Basque nationalist left and the PNV have sought to further their goals since ETA’s ceasefire.

One of the clearest signs of political normalization can be seen in the Basque public opinion poll, the *Euskobarómetro* (BasqueBarometer). This poll has been conducted by the University of the Basque Country (UPV) for decades, providing clear historical trends in response to their questions. Their data about public attitude towards ETA show that there has been dissatisfaction with the group for a very long time. Most of the BAC’s population has totally rejected ETA since 2001 (UPV). A plurality of the population has done so since 1987

(UPV). In 2011, the year ETA declared a permanent ceasefire, the number that totally rejected ETA stood between 60 and 64% (UPV). This is a far cry from the 23% that totally rejected ETA in 1981, and this shift in opinion points to a generational shift in the BAC and a general feeling that ETA's violence was no longer productive.

The change in opinion about ETA is, interestingly, not a reflection of a dramatic shift in feelings about Basque independence. About 35% had no desire for independence in the most recent poll from 2018 (UPV). Those that had a very large or somewhat large desire for independence were just under 30% (UPV). This group only recently dipped below the "no desire" group, and as Figure 4.1 shows, there is not a dramatic change over time in any of these responses. Those with a very small or somewhat small desire for independence made up about a quarter of respondents in 2018. Taking the two "strong" groups together, more Basques favor independence than do not. This is important because it shows that ETA's demise was not caused by a lack of support for independence. It indicates that a rejection of ETA's methods rather than its goals caused the dissipation of support for the group. This supplements earlier discussion about the nationalist left. There is clearly strong pro-independence support in the Basque population, and this public opinion is consistent with the electoral results EH Bildu has experienced. The poll showing high levels of rejection of ETA also goes toward explaining how the nationalist left suffered at the ballot box as a result of ETA and was ultimately compelled to push the group toward its end.

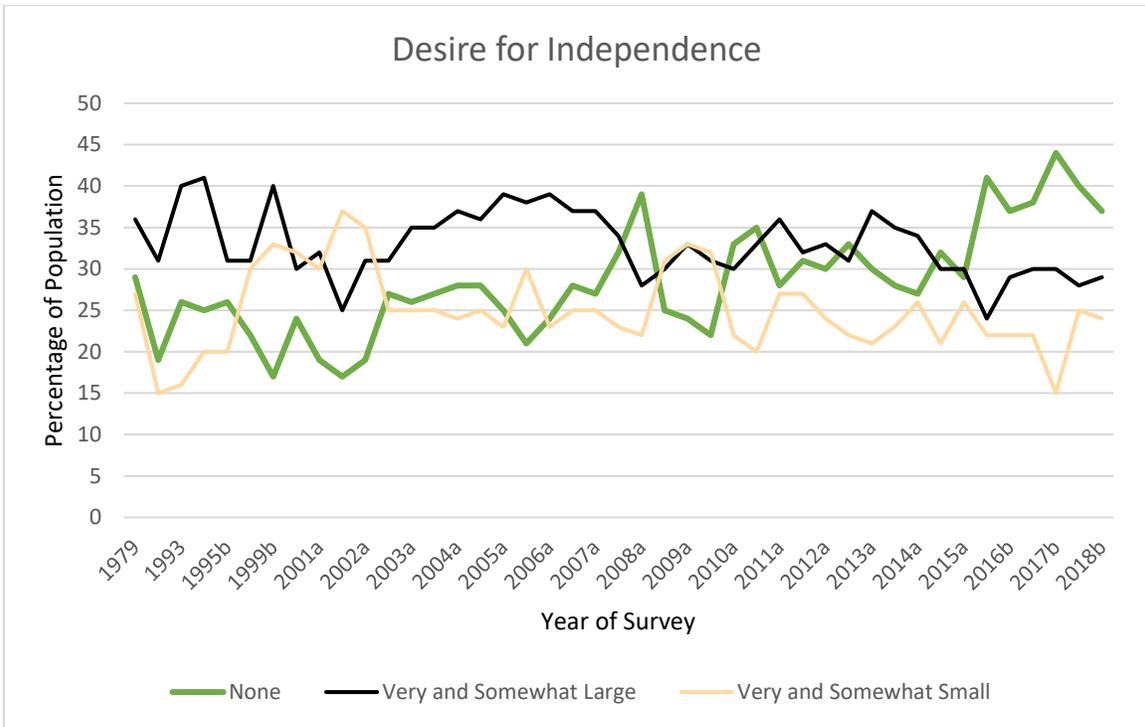


Figure 4.1: Desire for Independence in the Basque Autonomous Community (Source: Euskobarómetro)

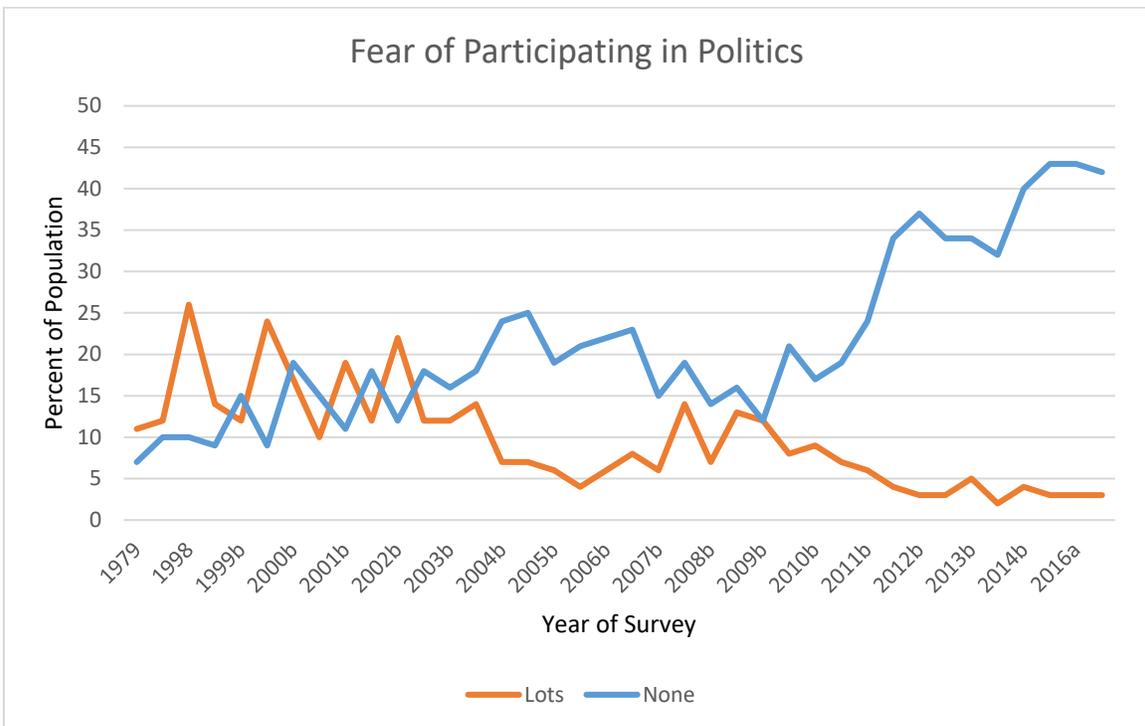


Figure 4.2: Fear of Participating in Politics in the Basque Autonomous Community (Source: Euskobarómetro)

Finally, the most obvious change we can observe in the *Euskobarómetro* data is fear of participating in politics. This poll shows that, although the data fluctuates from year to year, most people had some level of fear of participating in the political process. A sudden and sharp increase in those reporting no fear begins around 2009, and the number that expressed a high level of fear decreased. This can be seen in Figure 4.2. By 2009, ETA's activity was limited, and this trend took off after 2011 when the official ceasefire was announced. This points to the changing nature of politics in the BAC no longer affected by the fear of ETA's violence.

Whitfield provides a succinct account of the changed politics of the BAC in her book. She says that:

candidates had campaigned [in 2012] with unprecedented freedom. [They] held rallies in the heart of San Sebastián's *casco viejo*, something unthinkable with ETA still active. The Basque PP opened street-level party offices for the first time in its history, and the candidates [...] participated in a televised debate as if such 'normal politics' were a regular occurrence. (*Endgame for ETA* 287)

With "normal politics" in full swing, were Basque nationalist parties able to further their goals? Evidence is mixed. The attempted reforms to the Basque Statute of Autonomy discussed in the last subsection failed during ETA's campaign, and it would stand to reason that progress could be made in this area in the group's absence. While there are some interesting observations, there has not been any attempt on a similar scale. This steady development in further increasing the BAC's autonomy has come while the pro-independence movement in Catalonia has been much more active. In 2017, the Catalan government attempted to hold a referendum for citizens to vote on independence from Spain ("Catalonia's bid for independence"). The referendum was declared illegal by the Spanish government, and prominent Catalan politicians were arrested. Basque nationalists will surely have been watching these events with great interest.

As for the expansion of Basque Autonomy, there has been some development through the implementation of the statute of autonomy. The powers guaranteed to the BAC government were not bestowed immediately upon the statute's ratification in 1979. Rather, they have been transferred over time. Most of these transfers occurred within the first 10 years of the statute of autonomy taking effect. There was another round of implementations in the 1990s and then another in from 2009-2012. In this period, 2011 was the year with the most transfers—12 (“Competencias y transferencias”). In 2018, another round of transfers began. The 2009-2012 period marked the first transfers in a decade, and they occurred as ETA was ceasing to be a threat to the political process. This is likely an indication that, without ETA in the picture, the Spanish government was more willing to meet the desires of Basque nationalists who pushed for more autonomy.

According to Basañez, the BAC legislature has held discussions as recently as 2019 on how to approach another attempted reform of the Statute of Autonomy (310). As of yet, such discussions have not produced a resolution toward this end that would begin the same process as the Ibarretxe Plan did in 2004. A more significant milestone is a still to be transferred power under the Statute of Autonomy—the management of prisons. Because of ETA's activity, the Spanish government never transferred this power to the Basque Autonomous Community. Indeed, the central government distributed prisoners suspected of being ETA operatives to prisons across the country (*Endgame for ETA* 73). The issue of prisons, family visitation, and prisoner health was a contentious one throughout ETA's campaign. Although not yet complete, it has been announced at the time of this writing that—in April 2021—the Spanish government will be including operation of the penitentiary system in a batch of powers to be transferred to the Basque government (“Transferencia de prisioneros”). This both illustrates the progress that has

been made since ETA's ceasefire, as well as the lengths still to go. It took nearly a decade for prison management to be transferred to the Basque government, and as of 2019 it was estimated that 37 powers remained to be transferred (Basañez 325).

## CONCLUSION

This thesis investigated the Basque Autonomous Community's economy and political environment during Spanish democracy in both the absence and presence of the terrorist group, ETA. In the broadest of terms, my goal was to analyze the effects of both the economy and politics on ETA and vice versa. By looking at the time periods during and after ETA's campaign, I was able to identify what changes in the post-ETA period could be attributed to the group. I summarize the relationships between these elements and ETA below.

The Basque economy had profound effects on ETA. As many scholars have previously argued, I find that ETA was a politically motivated group whose downfall was driven by a loss of political support. The addition I make to the literature about ETA's campaign, however, is recognizing that economic performance in the BAC is another critical component in explaining the group's longevity and ultimate demise. Poor economic conditions created high unemployment in the BAC that coincided with a contentious political climate during Spain's transition to democracy. High levels of unemployment—especially youth unemployment—created a larger pool of potential recruits for ETA. Over time, unemployment decreased, and ETA grew weaker as it had both fewer recruits and had to deal with more pressure from Spain's counterterrorism measures.

ETA also affected the economy, and this is very intuitive. A terrorist group suppresses economic output and growth in many ways. The best studies conducted on the matter find an approximate reduction of 10% in Basque GDP per capita and GDP because of ETA's terrorism. In terms of the immediate cost of ETA, research has estimated that ETA cost Spain approximately 700 million Euros per year in 2002 Euros (Buesa 8). Today, this would be over

900 million Euros per year. More research could be conducted in this area to determine what other elements of ETA may have caused further economic disruption.

The post-2011 economy suffered from the global recession that took place in 2008 and the European sovereign debt crisis that had long-term effects in both the BAC and Spain as a whole. Despite the recession and increase in unemployment, the crisis was not as severe in the Basque Country as past economic downturns in the late 20<sup>th</sup> century. In terms of both unemployment and GDP per capita, the BAC outperformed the national average. It is likely that ETA's absence was not the sole cause of this improved relative economic performance. It is true, however, that the negative effects attributed to ETA were no longer present. The group's absence was, therefore, likely a factor in the BAC achieving such remarkable performance.

Domestic terrorism also has a profound impact on the politics of the area in which it is concentrated. ETA was one of the most important political issues in the BAC for decades. Failure to resolve the crisis for many years hampered the ability of Basque nationalist political parties to pursue political solutions to the question of Basque autonomy. We see evidence of this in the elections that immediately followed ETA's permanent ceasefire. The nationalist left—the pro-independence collection of parties closest to ETA—had its best performance in both national and regional elections after the ceasefire. Many minor parties of the nationalist left evolved over time and shifted toward opposing ETA because they would lose support at the ballot box when ETA's activity increased.

The nationalist left's transition to opposing ETA took some time. As far back as 1988, all the nationalist parties except Batasuna condemned ETA and called for an end to their violence. This was an important moment in an increased expression of opposition to the group. Many were dissatisfied that the nationalist left did not go further than this, and these critics were further

disappointed when nationalist parties made an agreement to facilitate negotiations between ETA and the Spanish government in 1998. Despite the seemingly softer stance toward ETA, this was still a stop on the road to full rejection of ETA and demonstrated that the nationalist left political establishment held some power over ETA.

The nationalist left was the core group that supported the political-military strategy for Basque independence. The beginning of the end for ETA was marked by these political entities taking a more critical view of terrorism and pushing ETA toward ceasefire after the failed negotiations with the Spanish government in 2006. Nationalist parties had high hopes for these talks and blamed the lack of success on ETA after the group's bombing of Madrid's airport in spite of the active ceasefire. The electorate was increasingly opposed to ETA, and the nationalist left could not attach themselves to the group for much longer. This shift within the parties on the nationalist left was a key force in ETA's permanent ceasefire in 2011.

Basque nationalist politics is in a new stage since ETA laid down their arms. The terrorist campaign is no longer a distraction to the movement's political goals, and the PNV and others can focus on governing the region. Unlike the independence movement in Catalonia, however, the BAC has not taken any dramatic step to push for independence since 2011. Some progress has been made in the extension of autonomy to the BAC, but there are still many powers that remain to be transferred to the regional government. At the time of this writing, this is the most apparent way in which Basque Autonomy is being expanded, and important powers such as the management of prisons are scheduled to soon be given to the BAC by the central government. What other directions nationalist politics take as time goes on remains to be seen.

Further research is needed to determine the deeper effects of ETA on Basque society. In some respects, a decade since the ceasefire is still too soon to determine what new phenomena

are a result of the ceasefire. With more time and more analysis of the social, political, and economic factors affected by ETA, we can learn more about the group's impact on the BAC. This thesis is thus an attempt to lay the foundation for this work and to orient research towards the post-ETA period instead of only focusing on the lifespan of ETA. For now, I have determined the key effects of ETA on the Basque economy and political institutions and vice versa. These findings provide insight into how the Basque Autonomous Community and the Basque nationalist movement are moving forward now that decades of political violence are behind them.

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