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**National Identity and the Preference for State
Opting-Out in the Basque Country**

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Abstract

We argue that preferences for secession are the expression of common unobserved factors determining national identity, and accordingly that “identity matters”. This paper examines the hypothesis of support for secession (independent Euskadi) and Basque national identity as being dependent in the light of a reformulation of Akerloff and Kranton (2000). We examine observed economic determinants of individuals’ national identity (and their perceived “imagined community” or nation) formation as well as those that influence the propensity of individuals to support the secession.. We undertake econometric survey analysis for the Basque Country using a bivariate probit model and publicly available data from the Spanish Centre for Sociological Research. Our results suggest evidence of a common determination of national identity and political preferences for the secession of the Basque Country consistently with Akerloff and Kranton model.

Keywords: secession, national identity, imagined community, Basque Country.
JEL: D78, D72, H19.

Resum

En aquest article argumentem que les preferències per un estat independent són l’expressió de factors comuns d’invoservables associats a la identitat nacional. Examinem el paper de la identitat per explicar un fenomen de caure polític-econòmic: el suport a la secessió. En particular, analitzem empíricament la hipòtesi d’independència de la identitat nacional basca i la preferència respecte d’un Euskadi independent seguint Akerlof i Kranton (2000). Fem una anàlisi que inclou alguns determinants econòmics de la formulació de la identitat nacional (de la seva respectiva “comunitat imaginària” o nació) i del suport per la independència. Hem fet servir una modelització econòmica que segueix un probit bivariant així com una base de dades fetes públiques pel Centre d’Investigacions Sociològiques. Els nostres resultats indiquen una evidència robusta de la formació simultània entre les preferències per la independència del País Basc i la identitat nacional basca.

Paraules clau: secessió, identitat nacional, comunitat imaginària, País Basc.

JEL: D78, D72, H19

1. Introduction

We human beings normally have both an individual and collective sense of self; arguably both are regarded as key determinants of both preferences and action. However, in mainstream rational choice theory, the role of identity has been neglected with few exceptions (Sen, 1985, Landa, 1994). Nonetheless, some recent contributions have boosted the role of identity as explaining some features that influence significantly peoples actions such as ‘feminism’ and ‘ethnicity’. Certainly, the breakthrough of the economics of identity is the seminal contribution of Akerloff and Kranton (2000), where they systematise the influence of identity as underlying individuals’ preferences. Yet, to the best of our knowledge, empirical evidence on the role of identity in determining collective and political action (Olson, 1971) has received limited examination. Collective action might be rooted in individual identity in several ways. Identity creates non-monetary payoffs for certain behaviours that traditional models do not normally take into account. Indeed, from undertaking identity-based decisions, individuals might obtain identity-based payoffs *both from their own actions as well as from those of others*. Thus, we argue that identity is envisaged as a preliminary – though simultaneously determined – step for individuals to embark into collective action or to support such collective action. Furthermore, we claim that identity operates in such a way that it fosters individuals’ preferences to favour certain behaviours that, if violated, would cause psychological costs or frustration with their perceived self¹.

Besides individual identity, collective identity takes a variety of forms that influence individuals’ action and might determine the structure and the social cohesion of a political community. Among dimensions of collective identity stands ‘national identity’, which has been argued to influence economic behaviour - e.g. the acceptance of a common currency in the European Union as in Meier-Pesti and Kirchler, (2003)- . National identity departs from the ‘uniqueness’ of each national identity in the realm of the set of national identities at an international arena, which

¹ Although identity is subject to societal change, a certain identity may have meaning for certain individuals and evoke responses in others, especially if the expression of certain identities might question the existence of a competing alternative

still plays a role in both individually and collectively driven decisions². That is, in a world made up of nation-states, every single person falls into a category of different ‘national identities’, though not necessarily national identity coincides with that of the state identity, and not necessarily all nationals from a nation-state might adhere to their identity. Indeed, since the creation of nation states in the nineteenth century, persistent heterogeneity in national identity has remained in some states such as Spain, where an increasing majority of citizens see the Basque Country or Catalonia as their nation. Interestingly enough, peripheral national identity appears as comparable and sometimes in conflict with nation state identity. Although lacking institutionalisation in the form of a state, peripheral national identity has remained latent within some nation-states without leading to an additional state structure, giving rise to ‘state-less nations’ (SLN) legally embraced in nation-states (Guibernau, 1999, 2000; Keating, 2001)³. These are political entities recognizable by a relatively homogeneous population, sharing a common identity and cultural symbols but not necessarily identified with ethnic or minority groups on the one hand, nor states on the other.

The flourishing of such national identities it is likely to give rise to apparent collective action demanding institutional changes within those nation-states, including secession. Indeed, the univocal end of the revival of peripheral national identities is the increasing support for the set up of a new state made out of a process of “democratic secession” - as it is the case of Quebec attempts, Slovakia and more next May Montenegro -. However, SLN objectives often conflicts with nation-state’s integrity and the uniformity which might lead to competitive inter-governmental relationships amongst them (Breton and Franschini, 2003), especially when SLN have some devolved governmental powers. Even if in most SLN some devolution movements have taken place, they does not necessarily imply recognition of the state multinational character - e.g. Spain, Italy, UK, among other are not defined as multinational but unitary states-, and hence the competitive nature of national identities with nation-state identity remains. Some studies using two decade data on

² People still exhibit a seen of solidarity with other individuals that share the same national identity in some areas of life such as in supporting a football team, a tennis player. Newspapers frequently quote the nationality of celebrities to enhance public support.

³ There is a comprehensible number of SLN in Europe, including Catalonia, the Basque Country, Flanders, Quebec, Scotland and Galicia, among others

national identity even suggest using public data that political decentralisation has fostered the creation of recent ‘imagined communities’ within the Spanish State that did not exist before (Martinez-Herrera, 2002). However, whilst it is true that devolution provides regional governments with public policy instruments to promote their national identity, the formation of national identity does not take place in two decades but it must have been anchored in previous experience, possibly has been inherited from pre-modern times.

In the case of Spanish Catalan, Galician and Basque nationalism their movements date back more than a century now. Thus, one might hypothesize that institutional developments conferring further political power to SLN and the progress of their national identity might be simultaneously determined, whereby political demand for autonomy or power has its limit in secession. Accordingly, growth of national identity might be expected to encompass a latent preference for opting out of the state. On the other hand, one might argue that secession is potentially mitigated by the limitations of collective action as well the prospect of some confrontation with those supporting the status quo for any other reason. However, regardless of the well-known limits to the expression of collective actions, whether national identity is simultaneously determined with preferences for secession is a question that can be empirically scrutinized. As we claim, supportive evidence for this feature provides additional empirical confirmation of Akerloff and Kranton (2000), whereby identity determines preferences and thus action.

Recent literature on the political economy of secession stresses the rational nature of secession, and in particular the costs and benefits of membership of wider countries (Alesina *et al*, 2000, Alesina, 2003) as determining rational support for secession. These studies conclude that, as a result of the process of economic integration, some borders in Europe and elsewhere might become endogenous. However, little evidence has yet been reported on individuals’ preferences for secession and its determinants. On the other hand, costs and benefits are not necessarily perceived by individuals, and accordingly individual data should be examined. Indeed, some well known cognitive biases (e.g., status quo effects) might inhibit the individuals capacity to provide credibility to the scenario of a future independent state. This paper examines the role of national

identity in determining collective preferences for state opting-out or secession. We argue that the development of national identity is simultaneously determined by preferences for secession as well as those of other individuals in the same community. This feature, if empirically confirmed as we claim, indicates that the development of national identities following the Akerloff and Kranton (2000) model determines certain preferences towards collective organisation of the policy in the form of a separate state⁴.

We believe the Basque Country is an interesting case to study the decision to opt out. The size is relatively small, less than 2 million. Following Olson (1971), group size is inversely related to successful collective action. Indeed, if nationality is a public good provided by the "largest" individual, who is more likely to benefit the most, the larger the group, the smaller the capacity of one actor to cover the costs, and therefore the larger the suboptimality. If the size of the group exceeds a given threshold, no member, no matter how large, will be able to provide any quantity of the collective good. Furthermore, collective action is likely to take place the more homogeneous the group is and the higher the cooperation within its members (Finkel and Muller, 1998).

The paper is organised as follows. The next section deals with the political economy of separation and nationalisms. Section three deals with the political economy of nationalism and self-determination. Section four describes the model and section five the results. A final section forms the conclusion.

⁴ A widespread restriction to the use of the right of self-determination was the assertion that it was only designed for colonial countries and not for others. However, the disintegration of the USSR and Yugoslavia has led to a new interpretation of the right to self-determination based on the "maintenance of a peaceful and just world order" (Freeman, 1998). Therefore, secession is justified by injustice towards those that do not belong to the ruling ethos and might not be able to express themselves in a wider political entity. The right to self-determinations results from the right to political association and reflects the willingness of people to live together in separate units

2. The political economy of nationalism and secession

2.1 Nationalisms and selfishness

Nationalism stands as a general phenomenon determining individual's attachment to specific cultures, common economic and political interests and geographical specificity⁵. Yet, explanations of the emergence of nationalism are multiple and are often grounded in economic reasons (Gellner, 1983). Indeed, following Pagano (2003) economic development in western societies has resulted from the marriage of national state and culture that delivered a homogenous culture (cultural standardization), which decreased the costs of high mobility mainly in urban areas. Given the relevance of nationalism, it is important to examine, from an economic standpoint, the influence on individual as well as collective behaviour. Interestingly, mainstream neoclassical economics has long postulated a model of rational choice, which underlies a view of the individual that is incompatible with the existence of collective identity. The methodology of neo-classical economics entails the testing of prediction based on postulates of individuals exclusively as the seekers of self-interest. Some scholars (Johnson, 1965; Kindlberger, 1973) consider 'national sentiment' to be an example of 'irrational instincts' not grounded on economic principles. The exception is when collective identity is understood exclusively as an opportunity to seek rents. That is, pursuing a larger share of the national wealth by defining nations and nationality to one's advantage (Breton 1964). Breton argues that nationalism characteristically redistributes wealth between 'nationals' and 'foreigners,' and in particular favours 'the middle classes' (see Breton, 1964 and Breton and Breton, 1995). Breton (1964, 1978) explicitly states that the middle class and members of the same ethnic group are the ones that benefit from those rewards rather than the working class. Thus, investing in national identity leads to specific rewards, either monetary (e.g. higher income, jobs etc) or non-monetary (e.g. higher national pride), which in turn are not profitable for everyone. Similarly, other scholars follow Breton's approach arguing that moves towards secession are explained by the

⁵ An important distinction should be made between patriotism and nationalism (Bar-Tal, 1993, Kosterman et al, 1989). Patriotism refers to the emotional attachment to one's own nation while nationalism refers to a discrimination process whereby one's own nation is evaluated positively and another nation is devalued.

so-called “frustration of the rich”. That is, the inhabitants of the most prosperous parts of the country hinder the economic exploitation by the poor parts of the country (Salomon, 2000).

Yet empirical evidence seems to have questioned Breton’s prediction, especially because nationalist movements might be heterogeneous around the world. For instance, whilst in developing countries these theories might well apply to certain countries where social class is polarised, it is hard to believe that in countries where the middle class is the vast majority of the population this would apply. In such cases, the middle classes would be expected to lead political majorities in the parliament and thus secession would be a very apparent and non-divisive issue. Furthermore, Watkins (1978) explicitly discusses the weaknesses of Breton’s (1964) approach as regards the Canadian framework. However, even if this is the case, as Breton (1978) recognises, it is virtually impossible to demonstrate that nationalism leads to redistribution of wealth to the autochthonous and the middle classes within an area. Finally, nationalism can be seen as a consumer good demanded by a group to overcome the homogeneity of contemporary culture, combined with the feelings of historical oppression along with economic forces where the regions might be contributing more to the national budget, and this might explain sentiments supporting secession. The feeling for secession is thus latent in some individuals when they feel that the state does not meet the demands of the population.

Individuals, when confronting institution building, are affected by psychological mechanisms mediating between structural, cultural and ideological consideration and action. Support for secession can be seen as providing psychological benefits. On the other hand, some individuals might be risk-averse to the possible ‘nationalistic consequences’ that might be enhanced by the nation-states through counter anti-secessionist policies to counteract a possible move towards self-determination. Finally, even when people identify the ‘net benefits’ of secession, they might discount benefits more than costs, which might mean that the benefits do not outweigh the immediate transition costs.

Recent literature on the political economy of secession argues that economic integration has removed trade and monetary policy from nation-states’ discretion.

Therefore, far from increasing, economic reasons for nation-state adhesion seems to be decreasing (Alesina et al, 2000). Indeed, it is argued that richer regions are more likely to seek sovereignty or self-determination to avoid continuing to pay transfers to other poorer regions (Buchanan and Faith, 1987 and Young, 2002). Another explanation relies on identity and ethnic motivations. When a single ethnic group dominates politics in multiethnic countries, then there are incentives for minority groups to opt out. Other authors argue that small countries may benefit from opting out from conglomerate NS, such as Yugoslavia and the USSR (Milanovic, 1996).

2.2 National identity and non-monetary pay-offs of secession

The proliferation of separatist political parties in many nation-states arguably constitutes a platform for the expression of identity-based decisions. An individual's participation in politics as well as the evolution of the right to freedom and self-determination have led to the perception that states are not immutable organisations but determined by the individual's will and national attachment as expressed by democratic means. Therefore, if some countries were to be designed from scratch, and citizenship were to rely on people's willingness to enter specific groups, one might well speculate that some states would not exist while others would emerge. Conversely, the structure of most unitary states has developed through the adoption of nationalist forces throughout history. However, due to regional integration, as well as the need for a strong Leviathan protecting one nation from another, one might argue that specific group identities that previously refrained from expressing their sense of identity will emerge. In this setting, some countries exhibit some manifest disconformities between a specific group identity and that of the nation-state. Thus, some cast doubt on the desirability of maintaining state designs in those areas where state identity precludes another stronger identity in conflict with the state identity.

One of the areas where nation states still enjoy discretion is national identity and maintaining national cohesion, though nationalist policies. One might argue that because nation-states are established as formal political institutions, the costs of secession might result from any negative consequences of secession to an individual's well being (e.g. tax increases, regulatory shifts, etc.), while individual benefits might

result from a higher proximity and loyalty to their state. An individual's attachment to national identities is often regarded as determining acceptance of supra-national organisations as well as existing states as they are. National identity might not be equally intense across individuals, and identity-based decisions might enhance some costs, (e.g. social acceptance). Therefore, an alternative explanation of nationalism and secession is that both result from similar factors associated with the expression of a national identity following Akerloff and Kranton (2002). Kelman (1969) argues that national attachment is based on both instrumental and sentimental attachments. An instrumental attachment refers to a rational evaluation of the costs and benefits of belonging to a nation, whereby attachment results from benefits being greater than the costs. Thus, a nation is an instrument to reach benefits that one would not be able to reach individually. On the other hand, a sentimental attachment is rather an emotional evaluation based on symbols, tradition and culture resulting from the coincidence of individual and national values. Both can compensate each other. If it seems that, instrumentally, one part of the state is not perceived as portraying the expected results, under limited adhesion to nation-state, then we should expect to perceive high benefits from secession.

Nationality formed as the result of sharing the same national identity, and can be conceptualised as a public good based on distinctiveness in relation to other nations. Therefore, each individual should contribute very little to the production of nationality. However, although there is a typical free-rider problem in the production of nationality, nationality is a good provided by the state⁶. Indeed, national identity has been defined as a collective good with respect to those who are members, and a positional good which distinguishes them from the rest (Pagano, 1999). A positional good (e.g. prestige) is characterised by the feature that the total level of welfare or benefit to be derived from such goods in a market is fixed. An increase in the benefits from 'consumption' for one individual must therefore be at the expense of benefits to others. Therefore, national identity, although subject to manipulation, leads to psychological benefits when they are expressed in their collective action, e.g. in the

⁶ However, in multinational countries the state does not always defend the promotion of several identities equally.

electoral or political arena⁷ for those who share the same identity, while it could lead to important psychological costs for those who do not, and who share another one.

National identity can be seen as a specific form of collective identity. Indeed, individuals might attain symbolic utility to act in accordance with their identity (Akerloff and Kranton, 2000). This results from the fact that an identity is ultimately chosen by an individual and implies sharing the contingency of their action with other nationals⁸. As in Nozick (1989), individuals obtain utility of what “they are” as symbolic utility. Many human actions lead to welfare increases by defining what people are in a way they find desirable. Because individuals form nations, some people might, in order to overcome the limitations of their own life, fight for their nation, as this is a way to fight for something that presumably would never die. To this extent some argue that nationalism results in the establishment of imagined communities (Andersen, 1991). National identity incorporates a psychological dimension that need to be considered when deciding between different institutional structures of a state. According to Emerson (1960) and Anderson (1987), a nation can be defined as a “body of people who feel that they are a nation”, therefore being a self-defining group or an ‘imagined community’. A nation presupposes a past and a present guided by a desire to “continue a common life”. It therefore results from an act of imagination in which people see themselves as having something in common with their compatriots, either the adherence to institutions or the sense of descent (Renan 1990). This act of imagination happens in a ‘homogeneous empty time’, that is - different constituents are acting together through time - , communication between constituents is undertaken through an accessible print language and the boundaries of social opportunity need to be coterminous with national frontiers (Reicher and Hopkins, 2001).

Psychologically speaking, the costs and benefits of being part of a wider community might suffer from some well know cognitive biases such as status quo

⁷ Indeed, at the collective level, a strong national identity (e.g. being Basque) might lead to strong psychological benefits from expressing identity-based attitudes, given that the same public good is shared by a large number of individuals.

⁸ One might argue that in order to satisfy the need to relax the constraints of individual life, an identity must be such that individuals feel that they are not choosing their identity but rather that the identity has chosen them.

effects (Clarke *et al*, 2004) – whereby people exhibit a preference for the status quo-, certainty effects - distinct evaluation of certain costs and uncertain benefits from secession- as well as a distinct evaluation of costs and benefits (Kahneman Tversky, 1979). Perceptions of injustice are important in determining preferences for secession as they influence the re-evaluation of the costs and benefits of belonging to national union (Brookman, 1993). Some individuals might see positive aspects such as economic growth and social cohesion resulting from secession which might explain why economic and social policy preferences might differ between different communities embraced in the same state (Keating, 1996). Furthermore, as is the case of the Basque Country, historical exploitation and deprivation by previous undemocratic Spanish governments might still stand in the memory of their population, and act as an addition costs that might offset the effect of some status quo effect. Other important issue to point out refer to the fact that nationalism might make people fear the disintegration of nation-states, and therefore might cause political externalities. Accordingly, anti-secessionist politicians might stand against the expression of some people’s desires for independence by upholding the people’s voice.

3. The institutional setting

Spain stands as a nation-state formed along the lines of the unitary state structure since the 19th century after a process of unification which included a set of three civil wars which abolished the pre-modern rights (e. g. Basque *foral* rights) as they were perceived as a barrier to the Spanish single market. However, the Spanish nation state did not succeed in removing significant heterogeneity in collective or national identity (especially in Catalonia and the Basque Country), which has persisted up until the late 19th century in the form of nationalist and regionalist movements, and has lead to the search for self-determination and occasionally secession was declared twice in the early thirties in Catalonia. In this respect, Spain is often catalogued as a frustrated nation-state (Castells, 2001).

Yet, the set up of the II Republic in Spain (1931-36) led to the recognition of the Basque Country as a region-state status so-called ‘autonomous community’. Yet, the recognition of Catalan and Basque autonomy was perceived as an attempt of state disintegration by some elites, and arguably was an important reason behind Franco’s

coup-d'état in 1936 which led to the abolishment of regional autonomy along with legal and language rights. However, both in exile and in the Basque Country, political activity was strong as well as the lobbying with the United States government to re-establish the Basque government. However, after the agreement between the United States and the undemocratic Spanish state in 1953, an important young cohort of Basque nationalists set up an openly violent movement called ETA as a self-determination organisation, which ended up becoming a terrorist group against the Spanish state though it has now ceased its actions.

After Franco military regime, the Spanish Constitution (SC) was passed in 1978 without any Basque representative in the constitutional process. Although the Spanish constitution only received a scarce 30% support in the Basque Country, it was finally ratified at the central level. As a result of the SC, 17 autonomous regions were set up, and among them a set of so called 'nationalities' which included the Basque Country. The difference between regions and nationalities refers to the need to differentiate regions according to the speed at which the decentralisation process took place rather than in having sovereignty, which resides *exclusively* in the (whole) Spanish peoples. Furthermore, together with Navarre, the Basque Country was granted a distinctive fiscal status whereby they collect their taxes and pay their contribution (the so-called 'cupo') to the Spanish state according to their traditional (so-called '*foral*') laws. With the recognition of political parties, pro-independence parties were re-founded and nationalist movements were institutionalised. However, because the country had not been *de facto* democratised, a *coup-d'état* took place in 1981 by some members of the army nostalgic about the times of Franco. Although it failed to accomplish its objectives, it slowed down the decentralisation process and prevented any movement towards federalism when the socialist party came to power in 1982.

After the Basque Country recovered its old institutions, an intense government activity took place fostering national identity and the so-called national revitalisation. This took the form of the promotion of the Basque language (Euskera), the promotion of its culture through its governmental regulatory powers and its own parliament. Nationalist parties in government either on their own or in coalition have always ruled the government of the Basque Country. Furthermore, self-determination goals have

always been present even as a long-term objective. However, four major issues changed the environment in 2003. First, the need to stop terrorism in the Basque Country by democratic means. This led to a call for a so-called ‘legitimacy referendum’ aiming at asking the population about the legitimacy of the right for self-determination rather than for independence itself. Second, the process of political and economic unification taking place in Europe, where a large set of small and recently recognised states are becoming members of the EU as sovereign states. Finally, a key stakeholder is the Spanish government’s attitude, blocking the establishment of any referendum, and even condemning anyone promoting it to five years in prison. Accordingly, the current status quo calls for an analysis of individuals’ perceptions of self-determination to examine how these perceptions are formed. .

4. The model and the data

4.1 The model

Following Akerloff and Kranton (2000), let us assume there is a set of national categories N (e.g. “Spanish” or “Basque”). n_j is the j ’s own. P refers to the different prescriptive characteristics of the “ideal member of a community” (e.g. language, tradition) and specifies the individual’s behaviour in specific scenarios. Let us define a_j as j actions with respect to the political status quo (e.g. preferences towards the entrenchment of the Basque Country with respect to Spain) and a_{-j} as other’s attitudes, both being arguments of j ’s utility function $U_j(\cdot)$ combined with national identity (I_j) as follows:

$$U_j = U_j(a_j, a_{-j}, I_j) \quad (1)$$

Yet, identity (I_j) is a function of j ’s assigned national categories n_j . Furthermore, j ’s identity depends on j ’s own given characteristics η_j and P which indicates the extent to which j ’s individuals’ characteristic fit in with these

prescriptions of an “ideal member of a community”. Finally, j 's identity depends on the extent to which individual preferences correspond with P . Thus, given the following function:

$$I_j = I_j(a_j, a_{-j}; n_j, \eta_j, P) \quad (2)$$

I_j is assumed to determine j 's psychological distance from certain national categories. Therefore an individual would express those attitudes a_j that maximise (1) given n_j, η_j, P as well as a_{-j} . Furthermore, individuals may be able to choose their national categories n_j . That is, individuals have the choice to ascribe to a specific national category. Finally, one might argue that both N and P might change over time and therefore the meaning and implications of identity shift with them.

According to this model one might argue that preferences towards the status quo of a NS might change through changes of identity or prescriptions. This implies that national identity is endogenously and/or simultaneously determined within the decision to opt out. Yet, the individuals are supposed to maximize a utility function simultaneously determined by individuals' attitudes to self-determination and individuals' national identity. The individual propensity to support opt-out (A_j^*) is not observable like the perception of other members of the group (A_{-j}^*) and both decisions are thus latent variables modelled as follows:

$$A_j^* = x_j' \beta_1 + \mu_1 \quad (3)$$

$$A_{-j}^* = x_{-j}' \beta_2 + \mu_2 \quad (4)$$

where x_j' is a vector of expected utility benefits from opting out such as language promotion, business opportunities, psychological benefits, socio-economic determinants. In our records, we do observe A_j and A_{-j} which takes the value of 1 if the respondents are in favour of opting out and 0 otherwise. Therefore,

$$A_j, A_{-j} = \begin{cases} 1 & \text{if } x_i' \beta > \mu_i \\ 0 & \text{otherwise} \end{cases} \quad (5)$$

where $i=1,2$. Yet, identity (I^*) is not observable either. However, our data contain the expressed individual identity. In particular, whether for those individuals Euskadi is ‘their nation’. As before, we can model this as follows:

$$I^* = z_i' \delta + \varepsilon_i \quad (6)$$

Our sample allows us to identify those that declare their nation being the Basque Country regarded as I_i - that takes the value of 1 if the individual’s nation is the Basque Country and 0 otherwise - as follows:

$$I_i = \begin{cases} 1 & \text{if } I^* > 0 \\ 0 & \text{otherwise} \end{cases} \quad (7)$$

Yet, from (2) (3) and (6) we can write the bivariate normal distribution as $BivN \sim (z_i' \delta, x_i' \beta, \rho)$, where ρ denotes the correlation matrix of the error terms of the two processes underlined in (2) and (4). If the correlation ρ coefficient of the error terms turns out to be positive this would provide us with evidence in favour of the role of identity in shifting individuals’ political preference toward opting out.

4.2 The data and variables

The data employed in this study are an official survey undertaken by the *Centre for Sociological Research (CIS)* in Spain in 2001 (study number 2407). The survey is representative of the Basque Country and consisted of 2500 interviews with a random sample of the population of the Basque Country. The same survey has been applied to other Spanish regions with the aim of gathering information on individuals’ perceptions on the institutions and autonomous communities in Spain. The variables included in the model are classified as follows (Table 2). The variables chosen to determine individuals’ identity are the responses to the follow question:

Question: *Which term do you prefer using when you refer to the Basque Country?*
Responses: A nation, A region, Neither of them, DK/NA. (Q11, CIS 2407)

Individuals' view of other preferences for secession are observed from the following question:

Question: *Do you think that the majority of citizens from your community are in favour or against self-determination proposals?* (Q24, CIS 2407)
Responses: (more) In favour, (more) Against, DK/NA

Finally, individuals' preferences for secession result from the following question:

Question: *Personally, would you be in favour of the Basque country becoming an independent country?* (Q25, CIS 2407)
Responses: (more) In favour, (more) Against, DK/NA

In determining which variables to include in the model we followed the requirements of previous literature. Unfortunately, the survey does not contain income information, thus social class was approximated using other variables. On the one hand, we have individuals' education level as well as variables on individuals' profession, in particular, whether the individuals own a factory and whether the individual is self-employed. This variable was included to examine whether there is some self-interest in secession and national identity as some authors claim (Breton, 1969; 1978). One might argue that current elites are those who might lose the most with secession, especially from the short-term adjustments and uncertainty-associated costs that result from setting up a new institution. On the other hand, as is well known in the economic psychology literature, economic agents might experience loss aversion (Kanheman and Tversky, 1979). These variables also interact with national identity determinants, as far as education is a key information channel.

Other variables refer to individuals' language in line with other studies⁹. This allows us to estimate a reduced form of the individual's identity containing individuals' language as being Euskera and socio-economic determinants such as the individuals' birth in the Basque Country; while arguably Breton (1978) explicitly deals with the role of language and nationalist policies. Language is envisaged as a form of 'distinctiveness', although it can be argued that it stands as a way of inclusion

⁹ In models of referendum decision-making, (Nadeau et al, 1999 and Clark, 2003) include cultural and linguistic benefits-costs resulting from proximity of the primary language with the one spoken by the respondent. Nadeau et al (1999) include a variable for risk reluctance and national identity.

and social cohesion, especially when the *lingua franca* is in any case a foreign language for citizens of the NS, such as English for Spanish. Basque origin might be seen as a proxy of individuals' benefits from secession as secession might arguably lead to a transfer of central power to the Basque Country, which we hypothesise, is more likely to be seen as a benefit for those of Basque origin. On the other hand, those whose origin is in Spain might, on average, be more likely to support the status quo. Furthermore, age and gender stand as important determinants of ones identity and attitudes. The younger the individual, the more exposed he might be regarded to be to policies from the regional Basque government which promote national identity. On the other hand, gender might affect an individual's interest in politics as well as risk aversion (Levin, Snyder, and Chapman, 1988). Other control variables included in the model are the size of the locality individuals live in as well as the province.

5. Results

Table 1 provides the responses observed from the survey in relation to the question of secession. Interestingly, about 29% supported secession while 33% stand against it, while as many as 33% did not express an answer to the question. Non-answers might result from lack of information on the costs of benefits or simply from lack of interested in the issue, among other reasons. This indicates that, on the basis of the survey, there would still be significant uncertainty in predicting secession, as there is no reason to allocate them to one side or the other. However, a first result indicates that individuals perceive their option to be strongly supported by others. This is consistent with the view that national identity is a shared perception of an imagined community rather than an individualistic attitude towards some state structure.

[Insert Table 1 about here]

Yet in order to examine individuals' responses to the question on secession and national identity we deleted DK after estimating a sample selection model, which indicated that DK answers exerted no influence on the empirical model and accordingly the preference for secession and don't know responses can be estimated

separately¹⁰. Table 2 reports the descriptive statistics of the three variables we are interested in examining. In particular, we find that 40% of the sample sees the Basque Country as their nation while 38% would support secession and 32% perceive that others would support secession. This inversion results from the fact that DK was larger in individuals' support rather than in the perception of other's support, a significant share of the DK. Other relevant variables indicate that 75% were born in the Basque Country, and 50% understand the Basque language (Euskera).

[Insert Table 2 about here]

The first two columns of Table 3 examine the determinants of individuals' support for secession and national identity assuming two independent processes, and the next columns deal with the coefficients of a bivariate probit model, which examines whether the error terms are correlated. Interestingly, as expected from the theoretical model, both decisions are highly correlated and not independent. The coefficient indicating (in) dependence of the error terms ρ is positive and significant, suggesting that there are common unobserved factors that indicate that the expansion of the Basque national identity leads to an increase the probability of support to secession. The determinants of secession indicate no evidence of self-interest or the contrary. Being a company owner or self-employed does not influence the preference for secession of a stronger national identity. However, we find that those that are highly educated seem to oppose secession. Contrary to Breton's (1964) predictions, these results indicate that lower socio-economic groups are more likely to support secession. An explanation might be due to the fact that elites in the Basque Country have traditionally been pro-Spanish, and thus lower socio-economic groups might intend to substitute pre-existing elites.

[Insert Table 3 about here]

On the other hand, variables associated with identity, which according to our model refer to the respondent speaking Euskera and/or being born in the Basque Country, are positively associated with support for secession. Younger ages were

¹⁰ The coefficient of a sample selection was rejected using the conventional log-likelihood test

more likely to exhibit higher support as well as national identity, which in turn indicate that new generations are more likely to be influenced by pro-nationalistic policies. Furthermore, as explained, males are more likely to support secession than females, which might indicate some risk aversion, which has been to be linked to gender. Finally, those from smaller localities and from Bizkaia are more likely to support secession and to envisage the Basque Country as their nation.

Yet, next is to examine the perceptions of others' support for secession jointly with national identity, which is displayed in Table 4. Again, the ρ coefficient indicates that both processes are not independent. Interestingly, education, unlike individuals' support, is not significant, which indicates that regardless of social position or information gathering, it does not influence perceptions of others' behaviour. In fact, perceptions of others' behaviour are associated with individuals' language and origin. Again, this confirms the role of national identity in creating a conception of others' action following the conception of a nation as an imagined community. An alternative and compatible explanation is that individuals' perceived attitudes towards their community might refer to those of the social environment they are immersed in, rather than to the whole community. As before, gender is positively associated with individuals' perceptions of others' support for secession. Age was significantly associated with a higher perception of others' support, as well as national attachment, which in turn indicates that the new generation is more likely to be influenced by pro-nationalist policies.

[Insert Table 4 about here]

Furthermore, one might wish to examine the overall effect of national identity on individuals' actions, by examining the conditional probabilities of individuals' and perceptions of other individuals' support for secession (Table 5). Interestingly, 57% of those individuals that envisage the Basque Country as their nation support secession, whereas this figure is only 9% for those that do not. Conversely, only 17% of those whose nation is the Basque Country would not support secession. This provides strong evidence for Akerlof and Kranton's (2000) theory of identity. Indeed, preferences for the institutional organisation of the Basque Country might

significantly shift depending on people's attachment to national identity. Similar patterns apply to individuals' perceptions of others' support of secession. 51% of those whose nation is the Basque Country would support secession, while 16% would not and only 18% would not support it while being Basques. Yet, if we separate the sample predictions by certain determinants such as age, those speaking Euskera and those from Bizkaia, we find that support for secession given national attachment to the Basque country is between 70-80% and perception of support is between 50 and 60%.

[Insert Table 5 about here]

Finally, Table 6 provides additional econometric tests of the reliability of our estimates by reporting the restrictive specifications of the two variables of interest. That is, the propensity of supporting state opting-out (and the perceptions of other's opting-out support) but among those who's with Basque national identity and similarly, the individual's propensity of adopting a Basque national identity among only those that support state opting-out. We find that interestingly gender is positively associated with support (and perceptions of other support) for state opting-out but not for national identity. Once we restrict the sample, we find that self-employed are less likely to support opting-out, but not to perceive other's peoples as supporting opting out and national identity, whilst company owners are both more likely to be support both opting out, to perceive other peoples supporting the opting out option and, to adhere to Basque identity. Finally, by restricting the sample to those who reveal their Basque national identity and those who support secession we find relevant regional determinants as significant. In particular, Bizkaia exhibits a higher support for non-secessionist national identity, Guipuzcoa exhibits a higher perception of other peoples support for state opting –out and both provinces are associated with Basque national identity restricted to those supporting state opting-out.

[Insert Table 6 about here]

6. Conclusion

This paper is a first attempt to address the role of national identity as determining collective preferences for latent secession drawing from an example of a

SLN as the Basque Country. In conducting an empirical application to the Basque Country we find evidence that national attachment to the Basque national identity is the result of an individual decision, which is not independent of individuals' support for secession. Interestingly, this evidence provides some predictive power to the Akerloff and Kranton (2002) model applied to separatists' politics, which could be extended to other areas. . Furthermore, this paper can be seen as a contribution to the limited literature on the determinants of individuals' support for secession. In particular, we find evidence that both individuals' support for perceptions of others' support for secession are closely associated with national identity, which in turn might be regarded as a collective good. Therefore, according to our empirical evidence, one might argue that the political maintenance or change of the status quo is closely dependent on individuals' identity. According to Norton (1988), politics is a matter of identity and, therefore, by shifting peoples identities and causing different emotions politicians might affect people's preferences for the status quo.

Unlike classical literature on the economics of nationalism (Breton, 1965), there is limited evidence of self-interest as explaining individual's preferences for secession and national identity. We cannot totally rule out the hypothesis that national elites might succeed in their aims of convincing the population on the benefits of secession and it should be acknowledged that the survey lacked information on individuals' income. However, our results suggest that some instrumental national attachments are not found to be significant. Indeed, being company owner and self-employed does not increase the likelihood of either supporting or rejecting secession. On the other hand, the "expected" role of language and national origin as boosting preferences for secession and national identity is confirmed, and has been found to enhance significant predictive power in determining preferences for secession (Breton, 1978). Therefore, secession might be envisaged as a tool to guarantee the permanence and promotion of a language and a specific culture when is perceived as threaten by the presence of a dominant culture and language. Finally, risk aversion arguably exerts some influence through gender, although further research should provide more hints on these patterns.

Another issue is whether individuals' expressed preferences would translate into political and collective action. According to Maxwell and Oliver (1993), *rational*,

self-interested individuals will not voluntarily act to achieve their common or group interests. This results from the fact that because nationality is a public good, rational actors which might not receive immediate psychological mechanisms from opting out might prefer to free ride. That is, letting others pay the tangible and psychological cost of promoting secession while if happens to succeed everyone will benefit. However, this feature is likely to depend on the social interactions and the influence of formal and informal mechanisms within specific societies to promote collective action

Implications for institutional design are important. First, expansion of national identity in previous region-states might open the door to certain stateless nations to become independent states. Second, secession might be an instrument to foster collective identity further to what decentralised nation-states already allow. Third, although there is sizeable share of the population in favour of secession in the Basque Country, the experience from Quebec indicates that there might be a *status quo bias* which arguably favouring a “yes” vote (Clarke et al, 2004). Furthermore, one might expect that from the unitary government there would be an interest in keeping the country as part of Spain, as still having a larger population implies power. Therefore, nationalist policies in the Basque Country might in turn be counteracted by anti-secessionist policies from the central government, though. Nation-States might need to adopt a more ‘flexible’ institutional shape where heterogeneity of national identity casts with heterogeneity in political power within region-states. Of course results here refer only to one year and no causality can be claimed, instead we have reported evidence of an association between identity and secession support that might point out that identity matters for institutional decision and collective action to take place.

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Table 1. Individual perception of secession in the Basque Country

	a_j *	a_{-j} **
Support	29.09	32.84
Against	33.76	39.97
DK	33.28	20.63
N/A	3.87	6.57

Questions: *Would you personally support an independent Basque Country?

**Do you think that the majority of the citizens of the Basque Country would back self-determination?

Table 2. Variable definition and descriptive statistics

Variables	Type	Definition	Mean	s.e
<i>Dependent variables</i>				
I_j	D	My Nation is the 'Basque Country'	0.406	0.011
A_j	D	Support an 'Independent Basque Country'	0.38	0.011
A_{-j}	D	Other perceived support for an 'independent Basque Country'	0.32	0.011
<i>Independent variables</i>				
Age	C	Respondent age in years	45.144	0.385
Origin	D	Born in the Basque Country	0.732	0.010
Euskera	D	Understands Euskera	0.494	0.011
Local	C	Locality size	3.830	0.029
Educsup	D	University degree attainment	0.231	0.010
Company_O	D	Owens a company	0.036	0.004
Self_E	D	Self-employed	0.108	0.007
Gender	D	Male	0.505	0.011
Alaba	D	Province of Araba	0.294	0.010
Guipuzkoa	D	Province of Guipuzkoa	0.327	0.011
Bizkaia	D	Province of Bizkaia	0.379	0.011

Table 3. Determinants of individuals opting out and national identity

	A_j		I_j		A_j		I_j	
	coeff	s.e	coeff	s.e	coeff	s.e	coeff	s.e
Age	0.002	0.002	0.001	0.002	0.002	0.001	0.002	0.002
Gender	0.158 ^b	0.062	0.194 ^a	0.061	0.151 ^a	0.062	0.191 ^a	0.061
Company_O	-0.114	0.169	-0.031	0.163	-0.114	0.167	-0.026	0.163
Self_E	-0.147	0.103	0.022	0.099	-0.139	0.103	0.015	0.099
Educsup	-0.249 ^a	0.075	-0.093	0.073	-0.243 ^a	0.075	-0.090	0.073
Euskera	0.882 ^a	0.071	0.694 ^a	0.069	0.870 ^a	0.070	0.693 ^a	0.068
Origin	0.631 ^a	0.084	0.597 ^a	0.080	0.631 ^a	0.083	0.595 ^a	0.080
Guipuzkoa	0.121	0.083	0.234 ^a	0.081	0.145	0.083	0.246 ^a	0.081
Bizkaia	0.215 ^a	0.079	0.243 ^a	0.076	0.225 ^a	0.079	0.250 ^a	0.077
Local	-0.100 ^a	0.025	-0.008	0.025	-0.099 ^a	0.025	-0.007	0.025
Intercept	-1.135	0.186	-1.291 ^a	0.182	-1.132 ^a	0.185	-1.297 ^a	0.181
ρ					0.759	0.022		
LR ($\rho = 0$)					116.0			
McFadden R^2	0.1565		0.12					
Log-Likelihood	-1088.62		-1161.41		-1999.6			
LR Test	403.87		305.65					
Wald χ^2_{20}					440.15			

Note: ^a Significant at 1%, ^b Significant at 5%

Table 4. Determinants of individuals' perceptions of other constituents opting out and national identity

	A_{-j}		A_{-j}		I_j	
	coeff	s.e	coeff	s.e	coeff	s.e
Age	0.002	0.002	0.002	0.002	0.002	0.002
Gender	0.175 ^a	0.062	0.173 ^a	0.062	0.198 ^a	0.061
Company_O	0.249	0.161	0.252	0.158	-0.024	0.160
Self_E	0.000	0.100	-0.002	0.100	0.020	0.099
Educsup	-0.087	0.074	-0.087	0.074	-0.089	0.072
Euskera	0.658 ^a	0.071	0.657 ^a	0.071	0.692 ^a	0.069
Origin	0.446 ^a	0.083	0.439 ^a	0.082	0.592 ^a	0.080
Guipuzkoa	0.105	0.083	0.122	0.082	0.241 ^a	0.081
Bizkaia	0.174 ^b	0.078	0.183 ^b	0.078	0.245 ^a	0.077
Local	-0.011	0.025	-0.011	0.025	-0.011	0.025
Intercept	-1.356 ^a	0.186	-1.346	0.185	-1.274 ^a	0.182
ρ			0.543	0.031		
LR ($\rho = 0$)				215.6		
McFadden R^2	0.0871					
Log-Likelihood	-1114.56		-2168.17			
LR Test	212.58					
Wald χ^2_{20}				366.86		

Note: ^a Significant at 1%, ^b Significant at 5%

Table 5. Conditional estimated probabilities of opting out and perceptions of other opting out

	Probability	s.e
Total		
$\Pr(A_j = 1 I_j = 1)$	0.57	0.044
$\Pr(A_j = 1 I_j = 0)$	0.09	0.003
$\Pr(A_j = 0 I_j = 1)$	0.17	0.010
$\Pr(A_{-j} = 1 I_j = 1)$	0.51	0.027
$\Pr(A_{-j} = 1 I_j = 0)$	0.16	0.010
$\Pr(A_{-j} = 0 I_j = 1)$	0.18	0.012
Sample <30 year old		
$\Pr(A_j = 1 I_j = 1)$	0.73	0.021
$\Pr(A_{-j} = 1 I_j = 1)$	0.60	0.025
Sample Euskera =1		
$\Pr(A_j = 1 I_j = 1)$	0.78	0.02
$\Pr(A_{-j} = 1 I_j = 1)$	0.59	0.01
Sample Bizkaia =1		
$\Pr(A_j = 1 I_j = 1)$	0.68	0.04
$\Pr(A_{-j} = 1 I_j = 1)$	0.53	0.03

Table 6. Conditional individuals support for opting out (and of other constituents support) and conditional national identity

	P($A_j / I_j = 1$)		P($A_{-j} / I_j = 1$)		P($I_j / A_j = 1$)	
	coeff	s.e	coeff	s.e	coeff	s.e
Age	0.004	0.003	0.003	0.760	0.001	0.004
Gender	0.396 ^b	0.149	0.330 ^b	0.145	0.307	0.166
Company_O	0.713 ^a	0.114	0.388 ^a	0.107	0.405 ^a	0.126
Self_E	-0.157 ^a	0.043	-0.019	0.037	0.038	0.043
Educsup	-0.161	0.246	0.077	0.225	-0.265	0.227
Euskera	-0.142	0.159	0.055	0.145	0.185	0.181
Origin	0.058	0.829	0.390	0.791	-0.248	0.804
Guipuzkoa	0.175	0.101	0.192 ^b	0.092	0.261 ^b	0.107
Bizkaia	-0.518 ^a	0.143	-0.214	0.125	0.357 ^b	0.151
Local	-0.244	0.138	-0.031	0.123	0.209	0.125
Intercept	0.463	0.313	-0.461	0.287	-0.191	0.311
McFadden R^2	0.10		0.03		0.05	
Log-Likelihood	-416.96		-556.11		-366.95	
LR Test	87.02		31.74		34.2	

Note: ^a Significant at 1%, ^b Significant at 5%