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**JUAN JOSÉ
IBARRETXE**

**The Basque Case:
A Comprehensive
Model for Sustainable
Human Development**



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COLLECTION OF
INTERNATIONAL STUDIES

JUAN JOSÉ IBARRETXE

**The Basque Case:
A Comprehensive Model
for Sustainable Human
Development**



This paper contains some of the results of a research project directed by Dr. Juan-Jose Ibarretxe and carried out along with Columbia University from New York, George Mason University from Washington y the EUCLID from London.

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CHRISTOPHER MITCHELL**Foreword**

It seems obvious that what we somewhat loosely refer to as ‘the Western World’ has reached one of those points in time when circumstances force it to take a long, hard look at the basic political, social and economic ideas that have underpinned policies during the previous thirty years. Clearly, history has not ended, and the triumph of free market capitalism plus liberal democracy [often, in reality, a disguised plutocracy] now looks somewhat less triumphant than it did 5 years ago. A rising tide may have lifted all boats, but what has happened to the many of us who do not own a boat appears unfortunate and —to many of the many— blatantly unfair. The ‘Washington Consensus’ may still be the consensus on Wall Street or in Washington but it looks increasingly moth-eaten on Main Street or in Peoria. In short, what C. B. Macpherson many years ago described as ‘the political theory of possessive individualism’ has taken some hard knocks recently, culminating in the ‘Great Recession’ of 2008-2011 and a rethink seems to be in order. Where do we go from here?

Fortunately, we do not have to start from scratch as there are a number of potential models for alternative ways of organizing societies in more humane and less competitive ways than are called for by unfettered and unregulated competition. Among them is the approach adopted in Euskadi —the Basque Country in north eastern Spain— which, post Franco, achieved a considerable degree of autonomy from the Government in Madrid and used its regional freedom to craft a uniquely ‘Basque strategy’ to undertake the regeneration of the region. Euskadi had been an industrial center for the Spanish state but, at the start of the 21st Century, it was suffering from many of the problems facing other regions throughout Europe and North America that had

economies based on heavy industries that had moved into the newly industrialised countries of the global south.

The story of how the Basque Government and people crafted a strategy to regenerate their economy over the next decade—and to do so with the support of the vast majority of the Basque people, in spite of the on-going guerrilla campaign of ETA against the Spanish state—is contained in the following Report, which has the great advantage of being written by one of the chief architects of the Basque strategy, the former Lehedaraki, Dr. Juan Ibarretxe Markuartu. With its focus on ‘the real economy,’ a commitment to genuine public-private partnerships, an acceptance of the need to involve the work force in planning economic policies, and a belief that government action in support of investments in technology, innovation and education would pay off better in the long term than involvement in speculative financial markets, the Basque strategy provides some clear alternative lessons about reform and regeneration that do not necessarily incorporate a ‘race to the bottom.’

Clearly, not everything worked as well as was hoped, and the ability of this approach to protect the economy and the people working in it from the effects of a major recession has yet to be reviewed. However, the ideas put into practice in Euskadi are well worth being taken very seriously in other countries and regions. Just as the Mondragon experience has focused international attention on alternative ways of running industrial enterprises, so the overall ‘Basque strategy’ may become the basis for other positive and creative reactions to some of the problems of post-industrial societies in the 21st Century.

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JUAN JOSÉ IBARRETXE

The Basque Case: A Comprehensive Model for Sustainable Human Development

1. The Basque Case

1.1. Introduction

In the 20th Century neo-liberal models of development proclaimed that unfettered growth would advance humanity; a rising tide would lift all boats¹. This line of thought gained near unquestioned supremacy after the fall of the Berlin wall and the failure of socialism. Fukuyama even went as far as to proclaim that we had reached the ‘end of history’². However, at the dawn of the 21st century it is clear that the results of neo-liberal policies have been far from equal. In agreement with Galeano, we argue that to date ‘development is a journey with more ship wrecks than sailing boats.’³

This belief that the invisible hand of the market will advance our collective humanity is wavering. The time has come to pause for a moment to reflect, to show some humility, to listen to the different voices from all over the world that are asking us for prudence. In short it is necessary to answer questions as simple as these:

¹ An idiom often employed to explain the logic of free-market economics. Attributed to: KENNEDY, J.F., *Dedication of the Greers Ferry Dam*, October 3, 1963.

² FUKUYAMA, F., *The End of History and the Last Man*, Harper Perennial, 1993.

³ GALEANO, E., *The open veins of Latin America*, Madrid, ed. Siglo XXI, 2005, p. 224.

- Is continuous economic and population growth possible in a finite world?
- Have we crossed the boundaries of the Earth's regenerative capacity?
- Do economic growth and compulsive consumerism make us happy?
- Why and how did we reach this point?
- How can we guarantee a better future for the whole of humanity?
- How can nations and local communities preserve the biological diversity of the planet?

What a wonderful reflection on the current state of affairs by Saramago, quoted in his article 'Centro' in *La Caverna*: 'We would sell everything you needed if we didn't prefer you to need what we have to sell.'⁴ The relentless pursuit of growth, whilst abandoning a significant part of society by the wayside, is no longer enough. Nor is it possible to turn a blind eye when the environmental balance of the planet is at risk. As the global economy sits at the brink, now is the time for generative change and innovative solutions.

Across the globe there is a yearning for more active participation in society, and an ethical counter-weight to purely market driven capitalism. Citizens of every nation are demanding a new model of development that incorporates social and environmental balance. Development based on investment in social capital and social innovation, which seeks to increase our sense of happiness and security. We propose that such an approach is not only possible, but it has existed for the past thirty years. The Basque Case offers the world something unique: competitiveness in solidarity.

⁴ SARAMAGO, J., *La Caverna*, Madrid, ed. Santillana, Suma de letras, 2002, p. 353.

At the core of the Basque Case is a tri-vector conceptualization of development that reflects the historic evolution of 'progress'. Catalyzed by the enlightenment, the industrial revolution at the beginning of the 19th Century marked economic growth as the synonym for progress and welfare. Later in the century, an increasing social awareness introduced human needs and communal cohesion to the progressive lexicon. This change in consciousness would significantly influence the public policies and institutional frameworks that have made the social state a defining feature of European society. Whilst in the 1970s environmental issues became a principal concern of public and international development organizations. In addition to economic growth and human development, environmental sustainability became a key aspect of progress. The Basque Case holistically integrates these previously separate spheres into a triple-helix of sustainable human development.

The following Basque Case will present the story of a resilient society's success in transforming an obsolete industrial structure into one of the world's leading economies, despite the legacy of authoritarian government and on-going political violence. The Basque Case is the result of the implementation of a socio-political-legal-economic model built on three principles: the ethical principle; the democratic principle; and the sustainable human development principle. These three principles have guided all the initiatives that have been carried out since the recovery of Basque self-government in 1980, and specifically over the period 1998-2008.

1.2. A Shared Vision

The initiatives undertaken to achieve Sustainable Human Development detailed in this document only make sense if they are accompanied by a comprehensive vision. A shared vision of development within the Basque

Country has been guided by three principles. The democratic principles have required the conduct of development to be a project conducted with maximum participation by all members of society; development by the people. The ethical principle has required these efforts to be focused on the goals of universal rights, social justice and peaceful coexistence; development for the people. Through a tri-vector principle of sustainable human development the Basque Country has sought to maximize the endogenous capacity of its population to innovate; development of the people.

In the Basque Case, a 'Vision for the Basque Country' was defined at the 'Foro Euskadi 2015':

A country...
at peace,
proud of its roots and its traditions,
tolerant and respectful to diversity,
highly productive,
which competes using its people,
who use their creativity and take
responsibility for their work
within the framework of shared projects,
in an open and international setting,
socially cohesive,
supportive to the world.

This most recent iteration of the shared vision for the Basque Country represents the synthesis of several participatory processes. In 2004 a series of forums and workshops contributed to the Business Competitiveness and Social Innovation Plan 2006-2009. During this same period another participation process took place concerning the strategy for science and technology.

Once aligned with the competitiveness strategy, this became the Science, Technology and Innovation Plan 2010. These two plans represent the societal foundations the ‘Vision for the Basque Country 2015’ was built upon.

1.3. Three Strategic Axes

Guided by a shared vision, Sustainable Human Development in the Basque Country is enacted through three distinct policy axes:

I — Axis of Economic Growth

The development of the Basque Country has been driven by an industrial and productive economy. The axis of economic growth has been sustained by continuous innovation and a commitment to competitiveness. Over the past three decades the Basque Government has enacted strategic economic plans that have sought to integrate the Basque economy into the global economy, and to promote technological development and innovation.

II — Axis of Social Cohesion

The development of the Basque Country has been a distinctly 'human' project, respectful of the rights of the individual and appreciative of the value of a cohesive society. The success of the Basque society has been defined as equitable growth, constructed by the people for the people. Equitable growth indicated by increased equality, social equilibrium and personal cultural development. In order to make social progress, the Basque Government developed specific actions corresponding to these objectives.

III — Axis of Environmental Sustainability

The development in the Basque Country seeks to ensure that social and economic activities are sustainable, and do not jeopardize the capacity of future generations to meet their own needs. The third axis of Sustainable

Human Development policies in the Basque Country is focused on the defense of environmental sustainability and the struggle to mitigate climate change.

In the following sections this document will consider in greater detail the agents, structures and policies of these axes. Whilst starting from the historic recovery of Basque self-government in 1980, the document will principally focus on the period 1998-2008.

2. Economic Strategy

2.1. Introduction

In 1980 the recovery of autonomy through the Statute of Guernica enabled the Basque Country to make the critical choices that laid the foundations of the Basque Model. A strategic decision was taken, not without difficulties but inspired by the productive tradition of the Basque people, to commit to the 'real economy'. An economic model defined by industry and production, as opposed to financial speculation and services. This was motivated by the proverb 'zapatero a tus zapatos', literally, cobbler to your shoes, or transliterated, stick to what you know, which became the guiding principle for economic development.

In the 1990s dynamic socio-industrial policies were put in place to 'control the worst excesses of the economic cycle,'⁵ but within the framework of public-private partnership. The industrial sector is the economic and

⁵ SAMUELSON, P. and NORDHAUS, W., *Economics*, (16 ed.), Madrid, ed. McGraw-Hill, 1999, p. 37, said: 'Nowadays, thanks to the intellectual contribution of John Maynard Keynes and his followers, we know how to control the worst excesses of the economic cycle. Governments can influence the levels of production, employment and inflation by carefully using fiscal and monetary policy'.

social engine of the Basque People, which can only be sustained through a commitment to their human capital. An economy cannot maintain its competitive edge without social solidarity, nor can social solidarity be achieved without the support of a competitive economy.

With advances in communication technologies the world has become a 'global village' in which the instant transfer of knowledge and information form the basis of society. Without losing sight of the previous decades experiences, in the 2000s the Basque Country committed itself to scientific, technical and social innovation. In the 'knowledge society' of the 21st Century an economy can only maintain its competitive edge by the endogenous innovative capacity of its people.

Solely because the Basque Country learned to compete from the basis of a resilient economic structure in the 1980s, was it able to learn, as a whole society, to compete and cooperate in the 1990s. These two elements were fundamental prerequisites to the Basque paradigm of the 21st century, innovation in cooperation. The evolution of the Basque Country over the past thirty years provides an example of the social and economic transformations necessary to achieve the objective of Sustainable Human Development.

2.2. Learning to Compete

At the beginning of the 1980s the Basque economy found itself immersed in a profound crisis, seriously harmed by the slowing down of the world economy and distortions of the previous decades. In addition to capital the mainstay industrial sectors of iron, steel, shipbuilding, and machine-tools were in decline. The growth of gross domestic product was negative, unemployment rates were extremely high, and both the public and private

sectors had neglected the key industries of the country for many years. The new Basque Government established three major objectives: to regain people's trust; to prepare the country for its integration into the European Union (EU); and above all to conduct industrial restructuring.

The fledgling Basque institutions took the decision to make a commitment to the 'real economy', backed by social initiative and clear public involvement. A distinct industrial policy of microeconomic orientation was formulated to rejuvenate existing capacities through the introduction of new knowledge and new technologies. A range of private-public partnerships and policy tools were established, including:

Basquexport, to promote the exports and the internationalization of Basque companies.

The Technology Park of Zamudio, to promote the diversification of industry, and the transfer and dissemination of technology and innovation.

Society for Industrial Promotion and Reconversion, an institution specializing in the promotion and assessment of takeovers, mergers, and the acquisition of new technology.

The Plan for Exceptional Relaunching, to promote the development of small and medium-sized businesses.

Euskadi Europa, to prepare the country for integration into the European Union.

The Basque paradigm of the 1980s was one of reconversion and restructuring, a period of active industrial and social policies that enabled the

Basque Country to learn to compete as an economy and as a people. This phase laid the foundations for developing a competitive and highly educated society, without which it would have been impossible to tackle the subsequent stages.

2.3. Competition in Cooperation

In the 1990s reform of the Economic Agreement⁶ between the Basque Country and the Spanish state enabled an even greater level of self-government. This was manifested in a countrywide strategy focused on investment in healthcare, social services, infrastructures, and public works. The hallmark of this strategy was re-industrialization policies linked to social policies, which revitalized areas where industrial dismantling had resulted in socio-economic stagnation. Notably, the Plan for Extraordinary Investment to attract, develop and retain investments - such as the Guggenheim Museum - that would place the Basque Country on the world stage. These policy instruments established a comprehensive 'welfare network' that was to become essential in order to achieve a supportive and prosperous society; the bedrock of the Basque Country's competitive advantages.

Development in the Basque Country has been led by a strategic public-private alliance, understood as investment by the private sector in public services, and a firm commitment to a clusterization⁷ of the economy.

⁶ The Agreement establishes the right of the Institutions of the Basque Historical Territories to maintain, establish, regulate, levy and inspect a taxation system within their territory. In addition to a mechanism of governance the Agreement is also an instrument for economic progress, and to improve the quality of life and well-being.

⁷ PORTER, M., *The Competitive Advantages of Nations*, New York, ed. Free Press, 1990. In contrast to the traditional forms of business association (trusts, cartels, etc.), a 'cluster' in the industrial world is a concentration of mutually related companies within a relatively defined geographic area, in such a way that they form a specialised productive pole with competitive advantages.

In the 1990s, the Basque economy⁸ arranged itself into a profitable network of clusters⁹, facilitated by networks of vested stakeholders. This transition was highly contentious. Over the past decade a high level of government intervention in industry had led to private sector dependence on the government with regard to strategic decision-making. The rebalancing of the private-public relationship was essential to foster a competitive economy.

In order to sustain the Basque Country's commitment to competition investments were made in science and technology¹⁰, the internationalization of the Basque economy, and the promotion of universal standards of quality. In 1992, the Basque Government set up the Basque Quality Foundation, EUSKALIT, to promote quality, innovation and excellence throughout society. In 1994, overseas cooperation and development offices were established to boost the Basque Country's international image¹¹.

2.4. Innovation in Cooperation

The Basque People have long been associated with an entrepreneurial spirit, which has been the basis of their history of growth and development. During the late 20th century the Basque Country established its repu-

⁸ PORTER, M., in AZUA, J., *Clusterizar y globalizar la economía: La magia del proceso*, Bogotá, ed. Oveja Negra, 2008, prologue, points out: 'the Basque Country launched its strategy for competitiveness based on clusters in 1990. The "cluster" philosophy has favoured the design of successive Basque economic policies. The Basque Country has enjoyed considerable success, being one of the most prosperous regions in Spain, with a higher GDP than the EU average (...) The Basque Country is today at the vanguard of the way of thinking about how regions and nations should shape and implement clusterization policies'.

⁹ Basque Clusters: Aeronautic (1997); Audiovisual (2004); Automotion (1993); Knowledge (1996); Electrodomeestic (1992); Energy (1996); Machine tool (1992); Environment (1995); Paper (1998); Maritime Forum (1997); Port of Bilbao (1994); Telecommunications (1996); Transport and Logistics (2005).

¹⁰ In 1979 expenditure in research and development was just 0.069 % of the Basque Country's GDP, by 1998 this had risen to 1.11%, above the national average (0.87%) but below the European average (1.8%).

¹¹ Offices were located in Argentina, Chile, Venezuela, and Mexico.

tation as a provider of high quality products. Rooted in this tradition, the Basque Country now seeks to make of ‘innovation’ a defining part of its identity. The main focus of the following analysis will be aimed at the institutions and organizations that take part directly in the research and exploration processes¹². A broader vision will detail the relevance of other elements of society to the innovation process¹³.

In 2001, the Basque Government recognised the need to once again transform, to move away from a model dependent on adopting foreign technology and cost advantage¹⁴. The challenge of endogenous social, scientific and technical innovation was defined as a critical factor of continued economic development, essential to maintain and improve the social welfare system¹⁵. Over the first decade of the 21st Century the Basque Country has organised its socio-economic functions around the framework of an innovation system, which is powered by the human capital of its people.

The innovation system is based upon the conceptualization of knowledge with a life of its own, which is constructed in an accumulative and synergetic process: a self-sustaining cycle of education, research, and innovation. The innovation system has been built upon three principles of evolutionary change:

¹² EDQUIST, C., ‘Systems of Innovation. Perspectives and challenges’ in FAGERBERG, J., MOWERY, D.C., and NELSON, R.R., *The Oxford Handbook of Innovation*, Oxford, Oxford University Press, 2005, pp. 181-208; LUNDEVALL, B-A, ‘National Innovation Systems-Analytical Concept and Development tool’, *Industry and Innovation*, n. 14 (1), 2007, pp. 95-119; NELSON, R.R. (ed), *National Innovation Systems: A Comparative Analysis*, Oxford, Oxford University Press, 1993.

¹³ For example, COOKE, P; HEIDENREICH, M and BRACZYK, H., *Regional Innovation Systems*, London, Routledge, 2004.

¹⁴ IBARRETXE, J.J. ‘Inauguration Speech as Basque Country President’. Basque Parliament, 11th July 2001. *Diario de Sesiones*, VII Legislatura. n° 4, p. 21.

¹⁵ IBARRETXE, J. J., ‘Presentation of the Basque President at the Science, Technology and Innovation Plan 2001-2004’, San Sebastian, March 14th 2001.

- Change is a systemic phenomenon and requires us to not only bare in mind the behavior of each institution in the system, but also the content of the relationships between institutions.
- Change may be catalyzed by multiple cognitive sources, requiring us to multiply the opportunity for inter-institution interactions.
- Progress is highly specific and a product of its unique economic environment, defined by a range of socio-economic indicators.

The University of the Basque Country (UPV/EHU) plays a key role in promoting the basic research that stimulates innovation. Through the support of the Basque Government the University's research in the area of Experimental Science grew 62% from 2002 to 2008¹⁶. Furthermore, the Basque Government created six 'Basic and Excellence Research Centers'¹⁷ focused on the fields of Biology, Material Physics, Applied Mathematics, and Neuroscience. The government also established several 'Cooperative Research Centers'¹⁸ to facilitate the practical application of emerging scientific frontiers.

Three institutions have taken leadership roles in the new strategy to cultivate, care for and attract the necessary human capital.

Basque Science, Technology and Innovation Board; the highest body of participation, assessment and leadership on the policies that revolve around science, technology, research and innovation.

¹⁶ UPV/EHU, *La Universidad en cifras*. Leioa, Servicio Editorial de la Universidad del País Vasco, 2009, p. 147.

¹⁷ Foundation Biofísica Bizkaia; Donostia International Physics Center; Materials Physics Center; Basque Centre for Climate Change; Basque Center for Applied Mathematics; Basque Center on Cognition, Brain and Language.

¹⁸ CIC biomaGUNE; CIC bioGUNE; CIC microGUNE; CIC nanoGUNE; CIC tourGUNE. CIC marGUNE; CIC energiGUNE.

Ikerbasque; Foundation for Scientific Research in the Basque Country; to attract international experts to carry out their research in the research centers.

Innobasque; Basque Innovation Agency; to coordinate and impel innovation in the Basque Country in all areas, with the aim of fostering entrepreneurial spirit and creativity.

Innovation is not seen as limited to the world of business, and encouraged throughout society, reaching culture, artistic and creative industries, education, health, governance and public administration. A range of initiatives has sought to instill innovation into the Basque sense of self-identity. The Basque Government announced 2008 as the ‘The Year of Innovation in Euskadi’ and a ‘Manifesto for Innovation in Euskadi’ was ratified by economic, social and political organizations throughout the country.

In the Basque Country innovation has become the motivation for a comprehensive social approach to sustainable human development. From this point of view, a country that incorporates innovation and humanism of its organizations into its very identity has a powerful lever for transformation.

3. Social Cohesion Strategy

3.1. Introduction

In the 21st century the challenge of social, scientific and technical innovation is a critical factor of economic development, and a basic cornerstone to maintain and improve the system of social welfare. The fundamental key to the economic and social transformation of the Basque Country has been the intentional and progressive development of its

human capital. Therefore, to achieve sustainable human development, alongside an economic strategy, it is essential to commit to a social cohesion strategy.

The aim of a social cohesion strategy is to ensure the individual right of all people to carry out an independent life. As opposed to passive policies that invite chronic situations of social marginalisation, the Basque Country has developed an active strategy that has been guided by the principles of cohesion, equality and integration. As will be examined in the following section, this strategy has been focused on quality of employment and education, effective provision of health services, social inclusion, gender equality, and a Basque cultural identity open to the world.

However, such provisions cannot be committed without restraint. Serious, efficient and rational management of public resources is an essential instrument in attaining Sustainable Human Development. The failure to apply such principles to social policy is obvious when we look at the socio-economic predicament of countries that ignored Confucius' advice, 'when prosperity arrives, do not use all of it.'

Finally, the commitment to a dynamic and generative conception of culture has without a doubt been behind the level of socio-economic development that the Basque Country has reached in the last three decades. Culture contributes to individual enrichment, and encourages innovative economic development.

Defined by sustainable human development, the Basque Country now seeks to project its own personality and identity, not at confrontation with others, but coexisting, friendly, welcoming, enriched by other identities and cultures.

3.2. Excellence Training: Adapting people to a globalised world

Commitment to a model of development based on innovation and differentiation requires the intensive use and updating of material and human resources. The Basque Country has made the quality of compulsory education, occupational and university training a priority, so as to produce creative, entrepreneurial people able to operate in a globalised world. In the 21st century, people and their education are the basic capital of a nation.

During the early 2000s the following principles were established to promote quality and innovation in the compulsory education system:

A school for everyone; the concept of an inclusive education process attentive to the needs of students that embraces their cultural and social diversity, and promotes gender equality.

A better school; investment in the leadership and management of education to promote quality of learning, human rights and peaceful coexistence.

A school for the 21st century; the integration of multilingualism, information and communication technologies, social and European frameworks, scientific education, and sustainable development into the learning environment.

In 1997¹⁹ and 2004²⁰ the Basque Country launched plans to reak the concept of terminal education followed by a separate process of employment.

¹⁹ BASQUE GOVERNMENT, *First Basque Plan Occupational Training*, Government Council, April 22nd 1997.

²⁰ BASQUE GOVERNMENT, *Second Basque Plan of Occupational Training*, Government Council, November 9th 2004.

Instead, occupational training is coordinated with the needs of the employer, and has been integrated into the working environment as an on-going, life-long process.

In 1998²¹ and 2004²², the Basque Government passed legislation to promote quality in higher education, and established a strategic process of adaptation to bring the universities of the Basque Country in line with the requirements of the Bologna system.

To enable a dynamic, educated population systems of training and learning should adapt themselves in order to multiply the points of access to education, and broaden the scope of participation.

3.3. Improvement of Health and the Coordination of the Socio-health Area

In the 2000's the Basque Health System, 'Osakidetza', geared all its activities towards the objective of increasing the years of living free from incapacity. To do so, it has pursued two specific objectives: the permanent improvement of quality in healthcare, and the guarantee of a financially sustainable system.

In order to achieve these objectives, six goals were identified in the Basque Health Plan 2002-2010²³ and the Strategic Plan for Socio-health Care 2005-2008:

²¹ LAW 19/1998, June 29th, 'Ordenación Universitaria de la Comunidad Autónoma del País Vasco', BOPV, July 16th 1998.

²² BASQUE GOVERNMENT, *University Plan 2000-2003*, Government Council, November 14th 2000.

²³ BASQUE GOVERNMENT, *Basque Health Plan 2002-2010*, Government Council, July 9th 2002, BOPV n° 149 July 15th.

- Develop targets and strategies of the Health Plan 2002-2010 at an individual, community and inter-sectorial level.
- Guarantee accessibility to healthcare of quality through the provision of officially approved health services.
- Contribute to the development of the Socio-Health Area in co-ordination with the Social Services, the Provincial Councils and the Town Councils.
- Modernize and adapt Osakidetza by improving the necessary social and health care infrastructure to meet the new demands placed on these services.
- Actively participate in the Euskadi Plan for the Information Society by developing targets and taking action in the field of technology and training systems.
- Contribute to the generation and application of research, development, and innovation in the Basque Public Health System.

These goals seek to meet the demographic challenges of an ageing population, and the fluxes of immigration. A limited capacity of resources and relevant professionals must meet the growing demand for social and health services. In order to guarantee the financial feasibility of the system it will be necessary to balance the maximum possible effectiveness and efficiency in the allocation of these assets. However, it must not be forgotten that the provision of universal healthcare is an essential component of an inclusive society, which enables all of its citizens to take an active role in the commitment to sustainable human development.

3.4. Social Inclusion and the Fight against Poverty

The eradication of poverty and socio-economic exclusion has been a primary goal of the Basque Country since the recovery of Autonomy. Initially these issues were confronted through the Integrated Plan for the Fight Against Poverty in 1989, and policies promoting social inclusion in the 1990s. Detailed below, the policies of the 2000s were focused on the need to minimize non-participation in the social, economic, and cultural productive processes that support sustainable human development.

Quality of Employment: The Basque Country has passed three Institutional Employment Plans²⁴ that have sought to offer financially worthwhile positions for all job seekers, including marginalized segments of the population and the chronically unemployed.

Integration of immigrant population: Two Basque Immigration Plans²⁵ were designed to introduce the reality of immigration into the day-to-day tasks of public administration. These policies have been guided by principles of equality, participation, public responsibility and co-responsibility.

Support for families: Legislative tools²⁶ have been devised to foster respect for the diversity of the family, and to protect the rights of all family

²⁴ BASQUE GOVERNMENT, *3rd Interinstitutional Employment Plan 2007-2010*, Government Council, July 17th 2007.

²⁵ BASQUE GOVERNMENT, *1st Basque Immigration Plan 2003-2005*, Government Council, December 9th 2003; BASQUE GOVERNMENT, *2nd Basque Immigration Plan 2007-2009*, Government Council, June 12th 2007.

²⁶ BASQUE PARLIAMENT, Law 2/2003, May 7th, *Regulatory Law for Common-Law Spouses*; BASQUE PARLIAMENT, Law 3/2005, February 18th, *Care and Protection of Infancy and Adolescence*; BASQUE GOVERNMENT, *1st Interinstitutional Families with Children Support Plan*, session July 3rd 2001; BASQUE GOVERNMENT, *2nd Interinstitutional Families Support Plan*, Government Council, session September 26th 2006.

members. Notably, taking into account the special characteristics and level of need of both large and single parent families. Prevention policies have been implemented to counter intra-family conflict, ranging from conflict resolution training to enhanced protection for the victims of domestic violence.

Reconciling work and family life: These family plans also seek to remove the barriers to employment arising from parenthood, and simultaneously correct the limitations that working life imposes on family life. Measures include a network of education centers for pre-school infants, and benefits for workers who take leave or reduction in their hours to care for adult or infant dependents.

Social focus of housing policy: The Land and Urban Planning Act²⁷ has been guided by an overriding philosophy of accommodation as a basic need, provided by using public services with maximum efficiency, and defined by quality, sustainability, safety and innovation.

3.5. Equality between Men & Women: The political project for the 21st century

Achieving real equality between men and women has been identified as a strategic necessity for the political, social and economic construction of the Basque Country. In 1988 the Basque Women's Institute, Emakunde²⁸, was established to design, plan, implement and assess activities aimed at gender equality. Since then four equality plans have been devised and implemented by the Basque Government. In 1999 the 3rd Equality Plan was cons-

²⁷ Law 2/2006, June 30th, 'Land and Urban Planning', BOPV, July 20th 2006.

²⁸ The Basque Women's Institute 'Emakunde' was created by Law 2/ 1988 of 5 February by the Basque Parliament.

tructed to promote gender mainstreaming and the participation of women in all walks of life.

In 2005 a fourth bill²⁹ on equality between men and women was approved by the Basque Parliament to take positive action to eradicate the multiple forms of discrimination against women: socio-political participation; portrayal in culture and media; access to education, employment, and basic social rights; conciliation of personal, family and professional life; and violence against women. Another important aspect covered by the Law was the creation of the Equality Ombudsman. This is an independent body that ensures the fulfillment of equality and defend citizens from discrimination in the private sector.

Over the period of 1998—2008 the following fundamental keys enabled the advancement of gender equality: preparation of legislation to accelerate change; creation of structures to enable operational capacity in policies; increased awareness in society of the need for equality; training of individuals to promote personal changes that enable equality; coordination of mechanisms to optimize equality mainstreaming in administration; planning with citizen participation; and the active involvement of society to generate the public will to advance.

Through policies of mainstreaming and positive action the Basque Country has set a benchmark for the formulation and integration of equality policies. People like birds have two 'wings': a 'female wing' and a 'male wing'. Although it is possible to survive with just one wing, we need both working in unison to fly.

²⁹ Law 4/2005, February 18th, 'Equality between Men and Women', BOPV, March 2nd 2005.

3.6. A Cultural Identity Open to the World

The Basque paradigm of the 21st century has been defined by the integration of knowledge and creativity to enable and inspire innovation. This has required an unequivocal dedication to technology, in which information and communication are indispensable. This would not have been possible without an acknowledgement of the multi-dimensional value of culture. Culture understood as inherited from the past, assimilated from others, and a productive capacity for ingenuity. This is only possible if cultures are able to speak to each other, literally and metaphysically.

In recognition of the essential symbiotic relationship between language and culture the Basque Country has actively committed itself to the defense of a cultural identity open to the world. The 2004 Basque Cultural Plan³⁰ outlined the following priorities: the primacy of creativity and productivity at the core of the innovation paradigm; the integration of cultural pluralism as a part of inclusive citizenship; reinforcement of the dynamic nature of Basque identity; recognition of culture as an evolutionary process inherent to modernization; and the need to project a positive image of Basque culture abroad. The Basque conception of culture draws upon that of Mahatma Gandhi. He expressed a desire to live in a home where the breezes of all the world's cultures could pass freely, but rooted by his own identity he refused to be swept away by any of them.

Although Basque is 'the' unique language of the Basque People, it is not their only language. French and Spanish are the ('erdera') second languages of the Basque People, which in the 21st century are joined by third languages of English and German. Consequently the Basque Country has

³⁰ BASQUE GOVERNMENT, *Basque Culture Plan*, Government Council, September 21st 2004.

developed a language policy³¹ constructed by a firm conviction that bilingualism is of personal value, and linguistic coexistence is an asset for cohesion and sustainable human development. In 1545 Bernat Etxepare composed the first book printed in Basque, 'Linguae Vasconum Primitiae'. His words, 'jalgi adi kanpora, jalgi adi plazara, jalgi adi mundura', continue to resonate with the policies that promote an open Basque cultural identity 'Basque language go out! Go to the square! Open your doors to the world!'³²

4. Environmental Strategy

4.1. Introduction

The sustainability and defense of the environment define the third axis of the Basque Sustainable Human Development strategy. Conscious of the predicted human impacts of global climate change, Basque society has recognized that in the effort to mitigate anthropogenic global warming there is not time to wait to act, nor can mistakes be made. The magnitude of this challenge is enormous in both scale and duration; the legacy that we leave for our children is at risk. Sustainable Development means ensuring a better quality of life for everyone, now and in the future. Therefore, quality of life must be built on the foundations of environmental sustainability.

The approval of the General Law to Protect the Environment of the Basque Country³³ was approved in 1998, representing a milestone in the

³¹ BASQUE PARLIAMENT, LAW 10/1982, November 24th, *Basic Law on the Normalization of the Use of Basque*, BOPV No. 160 of 1982.

³² ETXEPARE, B., *Linguae vasconum primitiae*, Bordele, Francois Morpain, maitre imprimateur, 1545.

³³ LAW 3/1998 February 27th, *General Law on Environment Protection in the Basque Country*, Basque Parliament, 1998.

country's commitment to environmental policies focused on sustainable human development. The Law stated that the use of air, water, land, landscape, flora and fauna would be sustainable. The Law also committed to a process of development that satisfies the needs of the present without jeopardizing the capacity of future generations.

In 2001 the social and economic axes of development were integrated with the axes of environmental sustainability through the Commitment to Sustainability of the Basque Country³⁴. The following principles were established to align the concepts of equitable growth with environmental sustainability:

Ethical code: Our way of thinking, values, lifestyle and consumption habits must be modified.

Social cohesion and participation: All sectors of society have a role to play in the transition towards sustainability.

Principle of precaution: We must promote action every time there is a threat of damage to the environment.

Comprehensive focus: The environment variable should be included in all policy sectors.

Eco-efficiency: There may and must be a reduction in the use of natural resources, while increasing productivity.

Strategic planning: Environmental objectives must be the fruit of the process of reflection by Basque society on the new model of development.

³⁴ IBARRETXE J.J., *Basque Country Commitment to Sustainability*, Bilbao, January 22nd 2001.

4.2. Medium-term Strategic Planning, 2002-2020

In 2002 the Basque Country committed itself to an environmental strategy³⁵, complemented by five goals³⁶ for 2020:

- Guarantee clean and healthy air, water and land;
- Responsible management of natural resources and waste;
- Protection of Nature and Biodiversity;
- Balance the needs of personal mobility and transportation;
- Mitigate the influence of climate change.

Objectives specific to each goal were formulated, through gradual advances and adapting to new situations as they are detected. The objectives were based on the principles of caution and preventive action, correction of damage preferably at the source, and environmental recovery. To ensure accountability, quantitative values and deadlines were assigned for the achievement of environmental objectives and goals.

The development process of these goals and objectives was based on a commitment to active cooperation between public institutions and social agents³⁷. A document defining sustainability was drawn up with the participation of over one hundred and fifty experts, representatives from all levels of government, and Basque economic and social agents.

³⁵ BASQUE GOVERNMENT, *Basque Environmental Strategy of Sustainable Development 2002-2020*, Government Council, June 4th 2002.

³⁶ BASQUE GOVERNMENT, *First Framework Environmental Programme 2002-2006*, Government Council of 4 June 2002; *Second Framework Environmental Programme 2007-2010*, Government Council of 5 June 2007.

³⁷ BASQUE GOVERNMENT, *Report on local sustainability in the BAC*, 2008. Executive summary; BARRUTIA, J. M^a, 'Network of policies to disseminate the Agenda 21 local in the Basque Country', Research article supported by the UPV/EHU (32.321-15908/2004) and UNESCO for Sustainable Development (Unesco 05/2006).

From this consultative process six necessary conditions were identified to advance towards sustainability in the Basque Country:

- Improve environmental legislation and how it is applied.
- Encourage the market -companies and consumers- to act in favor of the environment.
- Integrate the environmental variable in all other policies.
- Make citizens, companies and institutions jointly responsible for modifying habits in favor of sustainability.
- Promote research concerned with the environment.
- Engage in environmental cooperation at the international level.

4.3. Fight against Climate Change

The decade of the 1990s was characterized by a boost in social awareness and positive actions to preserve the environment in the Basque Country. The following decade has focused on the promotion of effective policies to seek efficiency and sustainability within a global agenda. Environmental policies are now designed in recognition of the overwhelming scientific evidence of anthropogenic global warming, and the effect it will have on climate conditions.

The first Environmental Framework Programme (2002-2006) formulated a series of commitments focused on four areas: energy, transport, industry, and the construction sector. The second Environmental Framework Programme came into effect in June 2007 for the period 2007-2010. Among its commitments a specific cluster of policies was designed to advance the fight against climate change in the Basque Autonomous Community:

- Achieve a saving in energy in 2010 of 975,000 tons of oil equivalent (TOE);
- Achieve 29% of electricity consumption from renewable energy and co-generation;
- Achieve annual consumption of 177,000 TOE of bio-fuel in transport;
- Reach 35% recycling of the total urban waste generated and an end to the depositing of non-treated urban waste;
- Stop the loss in biodiversity, for which measures were proposed, including restoring 50 Hectares of wetlands;
- Increase the forestry area by 10,000 Hectares with regard to that existing in 2006 and reduce the presence of invasive exotic species;
- Re-channel the distribution of public transport passengers and goods transport, towards rail transport.

In December 2007 the Basque Plan Against Climate Change³⁸ was approved by the Basque Government to harmonize Basque climate change related policies with European Union guidelines. Through a comprehensive approach, the primary goal was to reduce carbon emissions to 114% of levels recorded in 1990.

4.4. Sustainable Energy, Transport and Mobility

In order to accomplish the third axis of Sustainable Human Development, the Basque Country recognized the need to transition away from a model of production, supply and consumption dependent

³⁸ BASQUE GOVERNMENT, *Basque Plan against Climate Change 2008-2012*, Government Council of 4 December 2007.

upon hydrocarbon fuels. In 2001 the Basque Government identified four critical areas to achieve this transition in its 'E3-2010'³⁹ energy strategy:

Improve energy efficiency with an aim to reduce energy consumption in global terms, and a reduction in energy intensity.

Increase renewable sources of energy defined as hydraulic, biomass, solar, wind, and bio-fuels.

Invest in energy infrastructures to improve the security of the supply, competitiveness and quality of the energy system. With regard to thermo-electric co-generation, guarantee more energy efficiency and environmentally sensitive production by means of combined cycle power stations.

Promote research and development in the Basque energy sector to improve energy efficiency and to progress towards alternative energy sources.

Similarly, policies that promote sustainable transportation are an essential component of the transition away from a hydrocarbon dependent society. In 2002 the Basque Government launched a Master Plan for Sustainable Transport⁴⁰ with the objective of disconnecting the demand for transport from economic development. The plan sought to address the over reliance on private vehicles for individual mobility and road transport as the means for the transportation of goods. The Plan encouraged the use of public transport for passengers, and rail and nautical transport for goods.

³⁹ BASQUE GOVERNMENT, *Basque Energy Strategy on Sustainable Development E3 2001-2010*, Basque Government Council, December 2001.

⁴⁰ BASQUE GOVERNMENT, *Transport Master Plan: Common transport policy of the Basque Country 2002-2010 Government*, Council of 19 November 2002.

Sustainable transport is a field where the application of the principles of multilevel governance is particularly suitable. In order to achieve this rebalance at different scales, from local and district levels to the international level, measures must include urban development, taxes, technology, mobility demand management as well as the creation of new infrastructures. Solutions that adapt to the needs of the demand for mobility and demands for environmental sustainability must be found.

5. Results

5.1. Indicators of Economic Growth

Year over year during the period under consideration, the Autonomous Community of the Basque Country has demonstrated consistently strong economic growth. From 1998 to 2008 the Basque economy's rate of GDP growth has consecutively exceeded those achieved by Spain (with the exception of 2002), the Euro-zone, the European Union, France, Italy, Germany, the United States, and Japan. As a consequence, the GDP per capita of the Basque Country, when compared as a percentage of the EU average, has risen considerably over the decade analyzed. Starting from 108.9% in 1998 and reaching 136% in 2008.

This economic growth has been dependent on the Basque Country's commitment to the 'real economy'. As can be seen in the table below, the percentage of GDP generated by the industrial sector relative to the rest of the economy has been substantially higher in the Basque Country than both Spain and the European Union.

Without doubt, this commitment, devised and accomplished through self-government, was the key to the improved performance of the Basque

economy. Today the world speaks about observing the real economy to overcome 'the crisis' and build the future. This further highlights the importance of the deliberate consideration of a country's economic structure in order to tackle the changes, challenges and transformations that have to be faced.

Table 1
% of GDP from industry

Countries	1980	1986	2000	2008
Basque Country	43.4	37	31.6	28
Spain	28.7	28.3	21.8	17
EU Average	-	-	23.1	20

In the 21st century, economic growth has required constant technological innovation through a strategic public-private commitment to research and development (R&D). Expenditure on R&D in the Basque Country has grown from 396.2 million Euros (1.11% of GDP) 1998, to 1,345.5 million Euros (1.96%) in 2008. This can be compared to Spanish investment in R&D as a percentage of GDP, growing far slower from 0.87% in 1998 to 1.35% in 2008.

5.2. Indicators of Social Cohesion

As noted previously, in the 21st Century a highly educated society has been prerequisite for innovative development in the Basque Country. Through the 2000s, the Basque Country's completion rate of compulsory education remained parallel with the European Union average, reaching 78% in 2008. This is significantly higher than Spain's 60% rate of completion. Given the Basque Country's economic focus on high-tech innovation it

is important to highlight its graduation rate in science and technology. These fields account for 27% of degrees obtained in the Basque Country in 2007, by far the highest rate in Europe⁴¹.

The economic success of the Basque Country has translated into a productive society. From 2000 to 2008 the Basque Country reduced its unemployment rate from 12.1% to 6.4%. Notably, the Basque Country has been able to reduce its long-term unemployment rate from a relatively high rate of 7.8% in 1999 to 0.9% in 2008. Although the 2008 female employment rate (58.8%) was slightly lower than the European Union average (59.1%), this was a significant increase compared to 1999 (42.2%). The male employment rate has historically been higher than the EU average, reaching 76.1% in 2008 compared to 72.8%.

This success has enabled the Basque Government to commit significant investments in a social state aimed at reducing social exclusion. For example, expenditure on housing and emergency support increased from 69.2 million Euros in 2000 to 231.1 million Euros in 2008. Public spending related to family protection, as outlined in the Family Plan, increased from 555 million Euros in 2004 to 820 million Euros in 2008. These investments have had a remarkable impact on Basque Society. In 2000 the rate of the risk of poverty (17.1%) was higher than the European average (16%), yet by 2007 it had been reduced to 14.8%, below the EU average rate of 17%.

Furthermore, the Basque Country has made gains in terms of gender equality in political representation. The Basque Parliament has increased the proportion of female MPs from 24% in 1997 to 53% in 2008, and the Provincial Councils have increased female membership from 17% in 1995 to 41% in 2007.

⁴¹ France, the next highest country, achieved only 20.7% in the same year.

5.3. Indicators of Environmental Sustainability

Efforts to reduce the average level of emissions to 114% of 1990 levels by 2012 show mixed results. Initially emissions climbed to a peak of 126.5% in 2002, but have been consecutively reduced year over year to a level of 118.5% in 2008. Macro analysis of emission trends suggests that the Basque Country should eventually reach its goal, but will require determined efforts.

Despite the fact that the Basque Country has committed to industrial production it has substantially reduced the energy intensity of its economy. The European Union measures the energy intensity of an economy by the equation of gross domestic energy consumption (measured in kilograms of equivalent oil) divided by GDP per thousand Euros. Energy intensity in the Basque Country fell from 156.8 in 1998 to 146.3 in 2008, far below the European Union average of 169.4. From 1995 to 2005 the Basque Country maintained one of the top five positions in this particular index.

In 2005 the Basque Country came second in the European Union's Index of Environmental Management Certification, achieving a score twice that of Spain in third place. Leaving no doubt in the quality of the Basque Country's policies committed to environmental sustainability.

However, private car usage, the means of transport that emits the most per capita carbon emissions into the atmosphere, has increased from 34.6% to 38.6% of total trips from 2003 to 2007. Public transportation over the same period also increased from 13.8% to 14.5% of trips, but in detriments of trips by foot. In order to meet its emissions targets the Basque Country will need to make greater progress in the development of sustainable transportation.

In conclusion, achieving environmental sustainability remains a significant challenge to the Basque Country. A substantial and sustained effort is being made through the Basque Plan Against Climate Change, and although the results reached over recent years are heading in the right direction this does not guarantee that it will meet its emissions targets.

5.4. Summary

The evolution of the Basque Country over the past thirty years has been rooted in an ethos of economic growth at the service of the community; competitiveness in solidarity.

Table 2
Basic economic indicators 1980-2008

Indicators	Start of Autonomy	Entry into Europe	Period of Analysis	
	1980	1986	1998	2008
1. GDP per capita in Euros (current prices, 2005)	3,132	6,120	17,108	31,712
2. Convergence in income with Europe	89%	90%	108.9%	136%
3. Labor Market				
- Active Population	803,100	805,000	928,300	1,063,900
- Employed Population	702,400	607,200	771,400	995,400
- Unemployed People	100,700	197,800	156,900	68,600
- Rate	12.54%	24.57%	16.9%	5.4%
4. Investment in R&D as % of GDP	0.07%	0.5%	1.11%	1.96%
5. Quality Certificates	n/a	468 (1996)	2,142 (2000)	4,915 (2007)
6. Internet Access	n/a	n/a	2.5% (1997)	55.6%

GDP per capita has grown exponentially since the recovery of autonomy. In parallel, after industrial restructuring and reconversion in the 1980s, unemployment has declined continuously. This transformation of the Basque Country has been dependent on a productive and innovative economy, guided by micro-economic policies and supported by a commitment to research and development. The Basque Country is defined by an economy that produces high quality goods at the cutting edge of technology, and a culturally distinct society nurtured by the free exchange of ideas and information.

5.5. Conclusion

The Human Development Index (HDI) is a synthetic indicator of a country's level of development, produced by the United Nations. The HDI is an indicator that, in our judgment, presents limitations to diagnosing the degree of development of a country in terms of equitable or democratic development. However, by assessing aggregate social indicators in addition to GDP the HDI offers us a much more 'human' measurement of development⁴², described by Stiglitz⁴³ as a necessary transition in the conceptualization of progress 'from production to well-being.' This was the fundamental reason for the Basque Government's request that the United Nations incorporate the Autonomous Community of the Basque Country into its report on the HDI. In the table below we can observe the performance of the Basque Country as whole, rising to a leading position in the HDI.

⁴² The Human Development Index (HDI) is a comparative measure of life expectancy, literacy, education and standards of living for countries worldwide.

⁴³ The Commission on the Measurement of Economic Performance and Social Progress, proposed by the President of the French Republic, Mr Sarkozy, and created in February 2008 under the Presidency of Mr Joseph Stiglitz and the Coordinator being Jean Paul Fitoussi, concludes his report, made public in June 2010, among many other things with the following recommendation: 'From production to well-being... to shift emphasis from measuring economic production to measuring people's well-being'.

The Basque public administrations have generally carried out a rational and serious use of the instruments and resources that derive from a specific model of Basque self-government, particularly the Economic Agreement. This ethically driven but austere approach to public spending has enabled the Basque Country to achieve some of the lowest levels of gross consolidated government debt in Europe⁴⁴. The Basque Country now seeks to transmit the image of a responsible country that generates confidence and possesses the resources to develop innovative ideas. The conclusion is therefore clear: the results confirm the hypothesis that more self-government in the 'Basque Case' has meant greater well-being, and that there are viable alternatives to neo-liberalism.

Table 3
Human development index (HDI)

2001		2007	
1. Norway	0,939	1. Norway	0.968
2. Australia	0.936	2. Iceland	0.936
3. Canada	0.936	3. Basque Country	0.964
4. Sweden	0,936	4. Australia	0.962
5. Belgium	0.935	5. Luxembourg	0.961
8. U.S.A	0.934	8. Canada	0.959
7. Iceland	0.932	7. Sweden	0.956
8. Netherlands	0.931	8. Switzerland	0.955
9. Basque Country	0.930	9. Ireland	0.953
10. Japan	0.928	10. Belgium	0.953

⁴⁴ Standard & Poor's, Global Credit Portal, Ratings Direct, Research Update: Spain's Basque Country Downgraded To 'AA+' On Sizable Debt Burden Growth; Outlook Negative. Rating Action, on April 29, 2010, Standard & Poor's Ratings Services lowered its long-term issuer credit rating on Spain's Autonomous Community of the Basque Country to 'AA+' from 'AAA'. The Outlook is negative.

6. Keys to Success

This document has emphasized that the Basque People have both maintained a distinct cultural identity and adapted to the changing times to be among the world leaders in Sustainable Human Development. The results conclude that a commitment to a system of innovation has been fundamental in raising the speed of growth, whilst maintaining social and environmental balance.

The previous chapter reviewed data that endorsed the existence of a model of sustainable human development in the Basque Country. The Basque Case demonstrates that growth should not be viewed simply as a matter of 'economic rationality' but can also include social objectives and ethical values. The following chapter aims to go further, to condense and define the reasons for the satisfactory results of the 'Basque Case'. Based on these results, it can be argued that the following key differentials made the strategy of Sustainable Human Development in Basque society possible.

6.1. Conception and Vision of a Country

In an unfinished and imperfect Europe characterized by militant Europeanism, the Basque People have claimed active protagonism; their own place and their own voice. We have tried to contribute, humbly but with conviction, with our culture, language, way of understanding work, education, companies, savings, solidarity, society and, now, a model of sustainable human development. The Basque model has been possible because a shared vision of a country existed.

The Basque People aspire to a vision of a country open to the world but with deep cultural roots. The aim is integration into the globalized world

whilst actively portraying our identity as a people; to defend what defines ‘Basque’ without falling prey to chauvinistic interpretations of national identity. As Kofi Annan⁴⁵ wisely put it, ‘we can love what we are, without hating what we are not.’ In the 21st century the Basque People seek to be enriched by the world and to contribute to the global *mélange* with our own unique culture. Our self perception and desire for active participation forms the first reason for the road we have taken.

6.2. Shared Leadership through Public-private Partnership

A vision of country is indispensable, ‘when there is no vision, the people perish’ President Franklin D. Roosevelt said with undoubted effect⁴⁶. Without vision there is no leadership, but with a shared vision of country the most successful of leaderships is possible: leadership shared between public administration and social initiative. Shared leadership that enables the citizenry and elected officials to collaboratively make the necessary decisions to influence economic and social development.

We believe in the evolutionary character of economic dynamics over ‘a historical’ methodological individualism, particularly the neoclassical conceptions of perfect markets and the benevolent planner⁴⁷. Political, economic and social institutions constitute the necessary regulations to define the restrictions and incentives that guide the action of agents. We insist — paraphrasing North— that the differential performance of economies

⁴⁵ ANNAN, K., Ex Secretary General of the United Nations. Speech made in the Nobel Prize Award Ceremony, Oslo, Norway, 10 December 2001.

⁴⁶ ROOSEVELT, F. D., *Inaugural speech to the 32nd presidency of the United States*, Washington, March 4th 1933.

⁴⁷ DIXIT, A., *The Making of Economic Policy. A Transaction-Cost Politics Perspective*, Cambridge, MIT Press, 1996.

through time is fundamentally influenced by the way that institutions evolve⁴⁸. We are not only saying that an economy cannot function without an institutional framework, but that economic results will depend, fundamentally, on the capacity to create an institutional framework that acts as a driving force for vitality and creativity.

In this sense we are recognizing the value of the ‘institutionalist’ approach, more in terms of fundamental principles and specific practical recommendations than as a body of thought with enough capacity to become a theoretical framework of reference. As a consequence of the political, social and economic transformations that are taking place, the state has an ever growing role in governing an ever more complex reality. Interventionist approaches can take on many forms, as can be witnessed in the varieties of economic systems within Europe. An evolutionary vision of economic activity⁴⁹ has enabled the Basque Country to detect the huge insufficiencies that traditional analytical visions present. Such an approach has enabled the Basque Country to adopt a vision that takes into account institutionalist aspects to articulate, explain and manage our economic reality, as seen in the Basque Innovation System.

Institutional change is a fundamental driving force for development, and is the fruit of interaction between institutions and organizations (groups of individuals united with a common purpose) in areas of uncertainty and competence. But we must not forget that to be effective, institutions must be accepted and socially recognized. As Oriol points out, institutional development policies that merely ‘transplant’ institutions from one context to ano-

⁴⁸ NORTH, D., *Institutions, institutional change and economic performance*, Mexico, Fondo de Cultura Económica, 1993, p. 13.

⁴⁹ SCHUMPETER, J.A., *Theory of economic development: research on profits, capital, credit, interest and economic cycle*, Mexico, Fondo de Cultura Económica, 1967. Work published for the first time in 1912 and which was not understood or acclaimed until the second half of the 20th century.

ther cannot guarantee they will function correctly⁵⁰. In this sense, each economy, including the Basque economy, must seek its own institutional framework, specific to its own political, social and economic reality. Shared public leadership committed to people and their well-being, together with an unequivocal commitment to building a strategic public-private alliance to generate wealth and progress, have enabled this Basque Country to boast a very powerful transformative lever.

6.3. A Commitment to the Real Economy

On many occasions running against the grain of neoliberal intellectual and political thought prevailing in Spain and Europe since the 1980s, the Basque Country has made a sustained commitment to industry and the productive economy.

Renewed industrialization, commitment to technology and associated knowledge, the recovery of 'entrepreneurial spirit', deliberate economic policy, and social awareness have all been foundations on which the strategic development of the Basque County has been built. Continued success of the commitment to the real economy has been dependent on three key factors: active industrial policy focused on an innovative economy; clusterization of industry in productive chains; and the role of government to facilitate the relationship between the economy and society.

The decided commitment to the 'real economy' has been the driving force behind the Basque political and social project. Furthermore, when considering different economies weathering the storm of the current finan-

⁵⁰ ORIOL, J., "Revisión crítica de los aportes del institucionalismo a la teoría y la práctica del desarrollo", *Revista de Economía Institucional*, Vol. 9, No. 16, Primer semestre, 2007, p. 143.

cial crisis, maintaining an economic structure with a significant industrial component has turned out to be a decision with enormous strategic significance.

6.4. The Social State, a strategy with 'eyes and faces'

The success of the Basque Case would not have been possible without putting people —men and women treated equally— at the center of the project. One of the greatest failures of neo-liberal economic and political thought has been its abandonment of humanity to the impulses of the market. Leading to a paradigm characterized by the suggestion, 'what does it matter if people are having a hard time, if the economy is doing well.'

In contrast, by optimizing the instruments of self-government, the Basque Country is committed to macro-economic policies that do not lose sight of its people. As Stiglitz⁵¹ points out, 'Development does not consist of helping a few individuals to get rich or create a handful of absurd protected industries that only benefit the elite of a country... 'Development consists of transforming societies, improving the lives of the poor, allowing everyone the opportunity to progress and have access to health and education.' The development of the Basque Country has been based upon the conviction that the well-being of the people is at the heart of any political, economic and social project.

Consequently, we must consider that there is no economic project without a life project: 'a market without values is not a real market, but an

⁵¹ STIGLITZ, J.E., *Unease in globalization*, Madrid, Santillana Ediciones Generales, 2002, p. 313.

auction.’ Not only were the creation of a social state and active economic policy a success, but also an essential component of the sustainable human development strategy. The ‘Basque case’ demonstrates that there is room for microeconomic policies; that we can look to the market in the eye, without having to avoid the gaze of the people. Far from inviting passive resignation to the laissez faire doctrine, the Basque model represents an eloquent manifestation that ‘Ezina ekinez egina’; ‘The impossible can be achieved through hard work!’

6.5. Self-government: Identity and innovation

Self-government, understood as the willingness to make decisions and the capacity to face up to the responsibility of governance, has been essential to the success of sustainable human development. The Basque case presents more than just 'self-governance', it presents a radical form of grassroots democracy through its bottom up vision. In this way, initiatives, laws, fiscal regulations, strategic plans, instruments, and our own resources and finance have been articulated and implemented from a particular conception of self- government.

Starting with the recovery of autonomy through the statute of Guernica, the Basque Country defied conventional wisdom and implemented an active industrial policy to sustain the 'real economy'. Reform of the Economic Agreement in the 1990s provided the Basque Country with the capacity to make substantial investments in a social state. Only through these two prior commitments was the Basque Country endowed with the technical capacity and human capital necessary to commit to its paradigm of 'innovation in cooperation'.

Self-government cannot mean isolation or inaction. One of the most significant changes in the globalization paradigm has been a shift in understanding from one of 'global annuls local', to that of 'local moves the World.' There is a clear recognition of the growing protagonism and influence of 'small' cultural, political, and economic structures⁵². In 1974 the world was told 'small is beautiful'⁵³; due to the growth of intermediate technologies small became 'possible'⁵⁴; but with the current 'nano-explosion', small is now 'unique', leading Etxenike to state that the world is 'facing the challenge of everything small'⁵⁵. Utilizing self-government, rooted in its own particular culture, the Basque Country seeks to actively engage with the global economy.

Therefore, the advancement of Basque self-government, in defense of the Basque political, cultural and economic identity, was the prerequisite for the successful implementation of a strategy of Sustainable Human Development.

⁵² See ALESINA, A. and SPOLAORE, E., *The Size of Nations*, Massachusetts, MIT Press, 2005; ALESINA, A. and SPOLAORE, E., 'On the Number and Size of Nations', *The Quarterly Journal of Economics*, Vol. 112, No. 4, November, 1997, pp. 1027-1056; ALESINA, A., SPOLAORE, E. and WACZIARG, R., 'Economic Integration and Political Disintegration', *American Economic Review*, Vol. 90, No.5, December, 2000, pp. 1276-1296; ALESINA, A. and WACZIARG, R., 'Openness, country size and the Government', *National Bureau of Economic Research* (6024), May, 1997.

⁵³ SCHUMACHER, E. F., *Small is beautiful* (1st Edition 1973), Madrid, Tursen S.A.-Hermann Blume ed., 1990.

⁵⁴ McROBIE, R., Appendix, 'Small is possible', in SCHUMACHER, E. F., *Small is beautiful*, Madrid, Tursen S.A.- Hermann Blume ed., 1990, pp. 264-306.

⁵⁵ ETXENIKE P. M., Conference, 'Crisis, Education and Science', AICE-IZEA XXV Anniversary, Guggenheim, Bilbao, May 8th 2009.

7. A Road Map to Prosperity

7.1. New Governance

Diametrically opposed to the thesis held by Hayek in his well-known work *The Road to Serfdom*⁵⁶, our 'Road map' charts a path to prosperity. This is the fundamental justification for a new framework of self-government in the Basque Country.

Contrary to neo-liberalism, the Basque Country has proven that more state, in the form of self-government, has been essential to its economic and social success; the achievement of a unique model of 'competitiveness in solidarity'. However, in the 21st century the Basque Country is beginning to identify the limitations of existing political and legal agreements. The different roles of Government as educator, trainer, financier of scientific research, establisher of regulations and infrastructure operator are today much more important than thirty years ago⁵⁷. There is a clear need for a responsible and earnest discussion concerned with the modern challenges of Basque self-government.

In this endeavor the Basque Country draws upon the reflections of the European Commission's White Paper on European Governance. The paper identifies a distancing of European citizens with regard to European institutions, within the context of a crisis of confidence in the process of European Integration. The paper articulates a new form of European governance⁵⁸ that

⁵⁶ HAYEK, F. A., *The road to serfdom*, Madrid, ed. Alianza, 2002.

⁵⁷ OSBORNE, D. and GAEBLER, T., *The reinvention of Government. The influence of the business spirit in the public sector*, Barcelona, ed. Paidós, 1995, p. 65.

⁵⁸ Communication of the Commission to the European Parliament, to the Council, the Economic and Social Committee, and the Committee of Regions, published in the DOCE COM (2001) 428 end.

maximizes citizen participation at all levels of public administration. Private companies and organizations would be integrated through 'social corporative responsibility', and involve civil society organized under the concept of 'active citizenship'.

The interest of the Basque institutions in the new model of European Governance was reflected in the Proposal to Reform the Political Statute of the Community of the Basque Country⁵⁹, approved by absolute majority in the Basque Parliament in 2004. The document identified the 'good government and good administration' with the 'participation of civil society' in public affairs as the essential evolution necessary for competent Basque self-government. At the dawn of a new era, the Basque Country requires greater self-government to meet emerging challenges and sustain its advancement towards sustainable human development.

7.2. New Self-governance

Bearing in mind the conceptual paradigm change that the new European culture of governance⁶⁰ represents, we put forward the following requirements for a potential 'new governance' structure in the Basque Country:

⁵⁹ Proposal to reform the Political Statute of the Community of the Basque Country, approved by absolute majority in the Plenary Session of the Basque Parliament on the 30 December 2004, BOPV, No. 180, January 3rd 2005.

⁶⁰ JAUREGUI, G., *Democracy in the 21st century: a new world, new values*, Oñate IVAP, 2004, pp. 92-93, states that 'Governance constitutes, (...), the quality of a political community according to which Government institutions act efficiently in a way which is considered legitimate by citizens, thus enabling the free exercise of political will through civic obedience by the people. (...) the Government is limited by the territorial area of a state. Governance, however, encompasses a much wider territorial area. For this reason, the distinction between Government and governance is particularly pertinent in the current era of globalization'.

1. Given the federal nature of the Basque Country, consolidation of the inter- institutionalism or co-participation of the three levels of Basque institutions in the planning, execution and assessment of public policies is needed.

2. Increased internal or inter-departmental coordination of sectoral policies in order for government action to achieve comprehensive transversal action.

3. Integration of citizen initiatives, the search for consensus or problem solving approaches, and participation of civil society, economic and social agents in the design process of public policies.

4. Institutional loyalty, co-responsibility of agents and civil society organized in this participative dimension. This will require the existence of initiative, consultation and debate forums for socio-economic agents that operate under the principles of governance.

5. This requires perfecting basic methodology to normalize Government action incorporating the constituent aspects of planning: its cause or origin; preparation of potential impacts and alternative action based on an analysis and a diagnosis of the initial situation as well as present and future interests; decision making as a process to select alternatives and prepare and implement strategies to reach goals and, finally, normalize, in terms of quality, the periodical assessment and final balance in terms of efficacy and efficiency in the execution of public policies.

6. Adoption of measures that make it possible, beyond methods to review governmental decisions foreseen in the legal code and functions to control Legislative power, to ensure the double objective of consulting civil

society and social interlocutors, and to carry out surveillance and for citizens or non institutional bodies to interrogate the Government at any moment, about the actions planned to be executed according to public policies.

7. This will represent normalizing the possibility of visualizing each and every variable that contributes to guaranteeing efficacy, acceptability and efficiency of Government action, incorporating private quality and continuous improvement processes to public policies: conception of public policies, choice of instruments and application thereof to reach the goals, communication of policies to society, open debate with society, etc...

8. Another necessary dimension of Basque governance consists of advancing in the integration of the legal code of the Basque Country for public policies that require regulations, introducing in the planning of Government legislative initiatives and in the legislative process in general, improvements directed at guaranteeing the correct conception of policies, the selection of ideal instruments and a more efficient and rigorous application and compliance with rules.

9. In the supranational framework, where the legislative function of the Government is inserted and with regard to the anticipation and proactivity advocated for the position of the Basque Country in Europe, it will be necessary to extend the planning of the internal legislative process. All this will give a solvent and suitable response in the Basque Country to the processes to co-regulate and assess the possibilities of self-regulation, incorporating applicable guidance to the Legislative Programme of the Government that the White Paper on European Governance and the Lisbon strategy incorporate to the open method of coordination.

8. Conclusion

This research provides an abridged history of the Basque Country since the recuperation of self-government at the beginning of the 1980s, and specifically between 1998 and 2008. The results of which empirically verify the existence of ‘The Basque Case’: a comprehensive model of Sustainable Human Development. Guided by ethical and democratic principles the foundations of this new model were laid between the years 1998 and 2001. Over the subsequent years it took shape by means of the socio-political-legal economic initiatives that were formally presented, debated and democratically approved by the instruments of Basque self-government. All of which lead to the final reflections that are formulated below.

I — The ‘Basque case’: an integral model based on principles

The ‘Basque case’ is the result of the development of a socio-political-legal-economic model built on three principles: the ethical principle, the democratic principle, and sustainable human development. Despite significant challenges —political, secular conflicts and terrorist violence since the mid 20th century— the Basque people have made continuous efforts to build Peace based upon social justice, and individual and collective liberty. From these three inseparable principles the Basque people developed a specific way to understand progress. Against the prevailing winds of neo-liberalism, a type of progress was favored in which the subject and fundamental end was the advancement of the person in harmony with the environment.

II — The Ethical Principle

The establishment of the ethical principle as one of the foundations of the model has made defense of human rights the compass for the actions

of Basque society and its public institutions. Violently attacking human life, murder, extortion or torturing someone who thinks differently is a crime against humanity, unacceptable in any society. Respect for life and the human rights of all members of society must be the starting point for any peace process. Ethical, moral and material recognition of the victims of violence and terrorism is an obligation for Basque institutions and society as a whole.

Therefore, it is a condition *sine qua non* that the rejection of the use of violence as an instrument of political action is made prior to any process of a dialogued end to violence, or as a condition to be fulfilled by participants in any negotiation relating to the political conflict. Given these conditions, a dialogued end to violence must be defended.

III — The Democratic Principle

The existence of a political conflict between the Spanish state and the Basque Country must be recognized, which only Basque society and its political representatives can tackle. Whether political agreements are reached or not, the violence of ETA must disappear. At the same time, whether or not ETA exists, agreements must be reached for the coexistence between the Basque Country and the Spanish State.

A profound political dialogue must take place, with an aim to achieve an agreement on political normalization with regard to fundamental elements for our shared future, such as identity, sovereignty, territoriality, the right to exercise self-determination, the presence of the Basque Country in Europe and in the world, the level of desired self-government or the framework of relationship between the Basque Country and the Spanish State. Political problems must have political solutions.

From the strictest respect for the democratic essence, the recognition of the right of the Basque People to decide their own future and the commitment to exercise this right through pact and negotiation is the key to the solution.

IV — Identity and Innovation

The defense of the Basque identity, not in opposition to other identities but in partnership with them, is behind, not only a legitimate political claim, but also a sound model of economic, social and political development. The last thirty years have shown us that self-government —'burujabetza' in Basque— can be a synonym for well-being.

The advance of the Basque People's identity is intrinsically linked to achieve sustainable human development, through the exercise of self-government. By incorporating a positive outlook on change we have been able to survive, adapt and now evolve to meet the social and economic challenges of the past thirty years. The Basque People must look into the future without forgetting their past; they must compete and innovate building upon their deep roots.

V — Self-government and Sustainable Human Development

Self-government is the key to our country's strategy. Built on ethical and democratic principles, it is an umbrella over the rest of the elements that explain the achievement of sustainable human development. The evidence in this paper shows us that —since the approval of the Statute of Gernika and specifically over the period 1998-2008— self-government has been a synonym of well being for Basque society.

Thus, in parallel to the concept of new European governance, new Basque governance entails a strategic reflection on how the powers, which

the Basque citizens confer on their institutions, are exercised. If European governance is an attempt to rescue the European project, making it more democratic, then Basque governance entails the renaissance of the framework of Basque self-government. A new framework which, in order to respond to new challenges, must contain greater and more diffused political, social and economic power.

The results of this analysis of the Basque case show that by furthering self-government in defense of the Basque political, cultural, and economic identity, a unique development model of competitiveness in solidarity has emerged. The Basque model of sustainable human development has been possible because there was a vision of 'nation' that guided our political, economic and social self-government. Public-private shared leadership is not possible without such a driving force. Without a vision, a People will perish. ■

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This issue of the International Studies Collection presents evidence of a successful model for sustainable human development within the context of multinational societies. A Basque model that demonstrates that self-government –that is, the capacity of political, economic and social self-regulation– can be a synonym for sustainable development. The Basque Case can be considered as an example to those who seek innovative solutions to the complex challenges of the 21st Century. According to Dr. Ibarretxe, the model presented is not one of hypothetical conjecture, but an example that draws upon thirty years of experience. This work aims to analyze the initiatives and policies that enabled a progressive transformation of the Basque Country over these three decades, with a particular focus on the period 1998-2008.

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