Introduction

The stability of any federal system essentially relies on the appropriate balances of the contrary (but complementary) concepts that lie at the very core of federalism. Among others, it needs to balance unity and autonomy, “shared-rule” and “self-rule”, equality and diversity, solidarity and competition, symmetry and asymmetry. Beyond balancing and complementing their contraries, these concepts are also highly interdependent. It has been argued, that to some degree, symmetry relates to shared-rule as asymmetry relates to self-rule, and—to take the argument further—also relates in a similar way to equality and diversity, to unity and autonomy and so on. Tilting the balance too far in either direction could cause national–subnational conflicts that, in turn, could result in the instability of the system as a whole. Therefore, each federal system in its own right has to figure out the legal-constitutional and institutional set-up that caters to these balances, departing from its own local, regional and trans-regional realities.

The importance of financial relations in federal systems can hardly be overstated. They are an essential, defining characteristic of any federation and directly relate to the autonomy of subnational units. Subnational revenue and expenditure powers are fundamental in determining the degree to which subnational entities can autonomously exercise their subnational

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1 The definition of federal systems that has been adopted in this chapter follows F. Palermo and K. Kössler, *Comparative Federalism: Constitutional Arrangements and Case Law* (Oxford, Hart Publishing, 2017). Therefore, it does not only include classical federations but also systems that may be referred to as regional or devolved systems, see footnote xx of the Introduction to this volume.


competences. Without sufficient resources, subnational units would simply not be able to carry out their responsibilities nor to pursue policies that reflect their own priorities autonomously. It is, however, a two-way relationship. The effectiveness of the federal system depends on financial relations while financial relations, in turn, derive from the very constitutional and institutional frameworks that define subnational units and their competences.

As noted by Alice Valdesalici, a static system can hardly guarantee this effectiveness. A federal system needs to adapt continuously to the challenges stemming from global, national, regional and local dynamics. One of these challenges is, certainly, the constant negotiation of necessary degrees of unity with sufficient autonomy of subnational units. In other words, the particular financial arrangement, the “financial constitution”, crucially affects but also effects the fundamental federal principles that have been outlined above.

This chapter will focus on the relationship between diversity and asymmetry in federal design. While asymmetries are to a certain degree unavoidable in any given system, they appear to be an especially prominent tool in attempts to mitigate tensions that stem from regional diversity. This chapter will examine the asymmetries in financial designs of five regionally diverse Western federal systems: Italy, Spain, Belgium, the United Kingdom, and Canada. These systems were chosen for the traits that they have in common: their status as welfare states, their considerable regionally rooted cultural and political identities, and the existing tensions that stem from these identities in relation to the federal system as a whole and the financial arrangements in particular. It will especially look at the ways in which these systems accommodate difference by constitutionally or politically allowing for financial asymmetries in the federal attempts to strike a working balance between diversity and unity.

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6 A. Valdesalici’s chapter, “Defining Fiscal Federalism” in this volume.