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Shifting federalism? Comparing centralisation and decentralisation in EU and US governance since 2000

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Abstract

This article examines the evolution of centralisation and decentralisation trends in the EU and the US since 2000, exploring which factors explain variation in these trends and whether the two systems are converging towards a similar institutional equilibrium or diverging further. It builds on the hypothesis that both entities, which are both federal political systems, are constantly being shaped by major crises that influence the vertical balance of power within each system. The results reveal two distinct trajectories. The US exhibits an oscillatory federalism, characterised by sharp crisis-driven centralisation followed by decentralising reversals. By contrast, the EU follows a more stable but gradual path towards centralisation, punctuated by key moments such as the creation of NextGenerationEU, which constituted a Hamiltonian moment of supranational fiscal consolidation. While both systems have centralised in response to crises, their trajectories remain parallel rather than convergent, reflecting fundamentally different models of federal governance. Still, the EU may be slowly moving towards the kind of fiscal and political union that it took the US centuries to build.

Keywords

Fiscal federalism, Centralisation, Decentralisation, EU, US, Federalism, Comparative politics

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Introduction

From the sleek glass of the Berlaymont to the marble halls of Capitol Hill, the EU and the US represent two contrasting yet occasionally convergent governance systems. In 1776 a bold experiment in federal governance emerged in the US, demonstrating the possibility of balancing state sovereignty with central authority (US Congress 1776). Almost two centuries later, the Schuman Declaration proposed an unprecedented form of supranational cooperation by binding the production of key war resources to a shared authority, laying the foundations of what would become the EU (Schuman 1950).

Over the course of their institutional development, both polities have undergone profound transformations. Indeed, the US evolved from a loose confederation into a federal state with a strong central government (Fabbrini 2005, 81–9), while the European project has progressed from the European Coal and Steel Community to the EU (Schütze 2010, 1392–400). As they expanded territorially, from 13 to 50 states in the US and from 6 to 27 member states in the EU, both systems faced the enduring challenge of integrating diverse political, economic and cultural communities. Their trajectories illustrate two distinct pathways to federal governance: one forged through constitutional conflict and consolidation, as exemplified by the American Civil War, and the other constructed through post-war consensus and incremental supranational delegation, beginning with the European Coal and Steel Community.

Since then, the EU, driven by economic crises, geopolitical pressures and globalisation, has progressively consolidated its supranational authority through constitution-like treaty reforms and federal-like Court of Justice rulings (Moravcsik 2001, 179–86; Schütze 2010, 1392–400; Luif 2014). For this reason, the EU is now frequently analysed through a federal lens, with some scholars describing it as an 'inverted federation' in which sovereignty remains primarily with the member states (Trechsel 2005; Foret 2015; Csehi 2020). By contrast, the US has experienced renewed decentralisation and devolution towards state governments, shaped by political polarisation, landmark Supreme Court decisions and growing state-level autonomy, resulting in what some scholars describe as a 'kaleidoscopic' federalist landscape (Conlan 2000; Birkland et al. 2021, 651). These dynamics are unfolding in the context of the polycrisis that has been ongoing since 2008: the financial crisis, migration pressures, Brexit (2016), the Covid-19 pandemic (2020), Russia's invasion of Ukraine (2022) and renewed geopolitical instability (Zeitlin et al. 2019; Van Hecke et al. 2023).

These contrasting historical trajectories and recent institutional shifts highlight a fundamental feature shared by both systems: federal-like systems are not static. Rather, they are inherently dynamic, as they must constantly balance local autonomy with national or supranational unity through trends of centralisation and decentralisation (Aroney 2016; Dardanelli et al. 2019, 1–2). While centralisation refers to the transfer of authority to the central level, decentralisation denotes the transfer of power to lower levels of government (Schmidt 2001; Dardanelli et al. 2019, 1). Among the three main dimensions of (de)centralisation (legal, administrative and fiscal), this study focuses on fiscal (de)centralisation, defined as the transfer of taxing authority and public finance management to subnational[1] or higher levels of government (Blume and Voigt 2011, 238–43; Sharma 2006; Schneider 2003, 32–41). Fiscal federalism therefore provides a particularly powerful lens to capture real shifts in power, as it refers to the division of financial responsibilities and economic authority across levels of governance and examines how these levels interact through intergovernmental transfers (Oates 1999, 1121–2; Agrawal et al. 2024). While the EU operates with limited fiscal capacity and relies primarily on member state contributions (Woźniakowski et al. 2023, 2), the US federal government plays a central role in macroeconomic stabilisation while states retain significant budgetary autonomy (Henning and Kessler 2012, 22).

Building on this comparative framework, the contribution of this article is twofold. First, it conceptualises the EU as a federal system comparable to the US. Second, it develops a novel quantitative framework based on fiscal data to measure centralisation and decentralisation dynamics over time in any federal system. On this basis, the article addresses the following research questions: how have centralisation and decentralisation trends evolved in the US and the EU between 2000 and 2024? What factors explain the variations in these trajectories? And to what extent do their paths converge or diverge over time?

Research design and methodology

To address these questions, this study employs a comparative research design built to analyse fiscal centralisation and decentralisation trends in the US and the EU. Therefore, the units of analysis are the US federal government and its 50 states, and the EU institutional level and its 27 member states. Within this framework, annual data on public revenues, public expenditures and intergovernmental transfers were collected for all units of analysis over the period 2000–23, resulting in 1,849 state–year observations.

The period 2000–23 was selected because it provides consistent, machine-readable fiscal data for both the EU and the US, captures the post-Maastricht phase of European integration and the Nice and Lisbon Treaty rounds, and allows observation of US federal spending shifts following 9/11 and the subsequent expansion of security. It also covers major political, economic and geopolitical shocks, including the 2008 financial crisis and the Covid-19 pandemic, while ensuring a balanced and manageable longitudinal comparison across both systems.

One limitation of this approach is that the EU is not a state in the same way as the US, so its fiscal structures may not be fully comparable. However, this framework was chosen because the study views the EU as a federation in the making. This approach enables the construction of a centralisation index that captures comparable shares of fiscal authority across the two distinct multilevel systems.

Data analysis

Before proceeding to the construction of the indicators, Tables 1 and 2 present descriptive statistics for inflation-adjusted expenditure and revenue, respectively, while Figures

Table 1. Descriptive statistics for inflation-adjusted expenditure.

Constituents	N	Min (YYYY)	Max (YYYY)	Mean	Std
EU	24	78,265 (2001)	155,745 (2021)	105,519	20,101
US	24	1,789,000 (2000)	4,362,183 (2020)	2,695,320	690,531
EU member states	24	3,849,391 (2002)	5,786,995 (2020)	4,780,029	478,221
US states	24	1,084,097 (2000)	1,899,359 (2021)	1,486,588	207,986

Sources: Descriptive statistics based on data from European Commission (2024); Eurostat (2024); Congressional Budget Office (2024); US Census Bureau (2025).
Note: Figures are in millions of € for the EU and millions of $ for the US. N = number of samples; Std = standard deviation.

Table 2. Descriptive statistics for inflation-adjusted revenue.

Constituents	N	Min (YYYY)	Max (YYYY)	Mean	Std
EU	24	87,878 (2003)	163,676 (2021)	109,740	19,269
US	24	1,666,198 (2003)	2,879,661 (2022)	2,099,547	319,992
EU member states	24	3,834,240 (2000)	5,151,561 (2019)	4,501,157	380,858
US states	24	909,960 (2009)	1,986,222 (2009)	1,517,999	263.403

Sources: Descriptive statistics based on data from European Commission (2024); Eurostat (2024); Congressional Budget Office (2024); US Census Bureau (2025).
Note: Figures are in millions of € for the EU and millions of $ for the US. N = number of samples; Std = standard deviation.

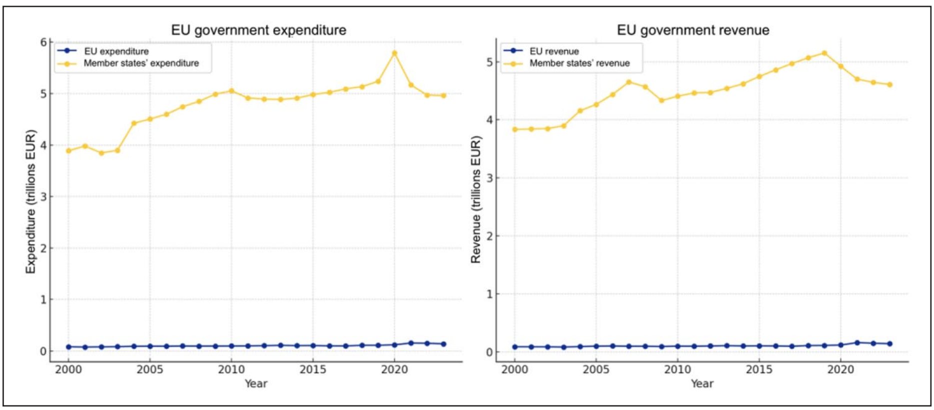

Figure 1. EU versus member state government finances, 2000–23 (in trillions of euros).
Sources: Calculations based on data from European Commission (2024); Eurostat (2024).

1 and 2 illustrate the evolution of these variables over time across the different levels of government in the EU and the US.

To measure centralisation and decentralisation trends in both systems over time, five indicators were constructed. These are:

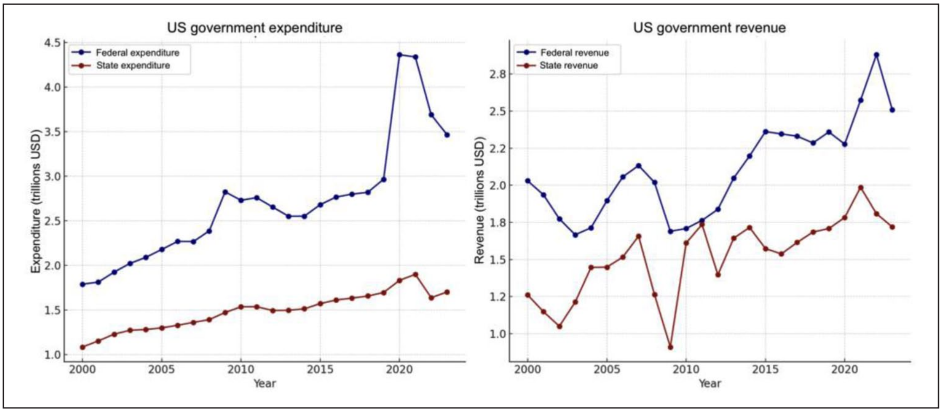

Figure 2. US federal versus state government finances, 2000–23 (in trillions USD).
Sources: Calculations based on data from Congressional Budget Office (2024); US Census Bureau (2025).

1. a centralisation index (CI) synthesising expenditure and revenue shares into a single symmetrical measure of fiscal authority—positive values indicate net centralisation, while negative values indicate net decentralisation and zero reflects a perfect balance;
2. a year-on-year derivative of the CI (ΔCI) to capture dynamic shifts;
3. an adjusted CI (ACI), based on relative growth rates;
4. an indicator of the subnational share of total fiscal activity, tracking absolute proportions of fiscal control; and
5. an indicator of intergovernmental transfer dependency, measuring financial reliance on central transfers.

Together, these five complementary indicators provide a systematic and longitudinal assessment of fiscal decentralisation trends in the EU and the US using a common analytical framework.

Results

CI: stability versus volatility

The CI provides a synthetic measure of the distribution of fiscal authority between central and subnational levels, ranging from complete decentralisation (-1) to full centralisation (+1). As shown in Figure 3 and Table 3, the results indicate that the EU remains consistently decentralised throughout the period, with CI values ranging between -0.958 and -0.937. By contrast, the US exhibits a consistently positive CI, ranging between 0.146 and 0.307, indicating a semi-centralised federal system.

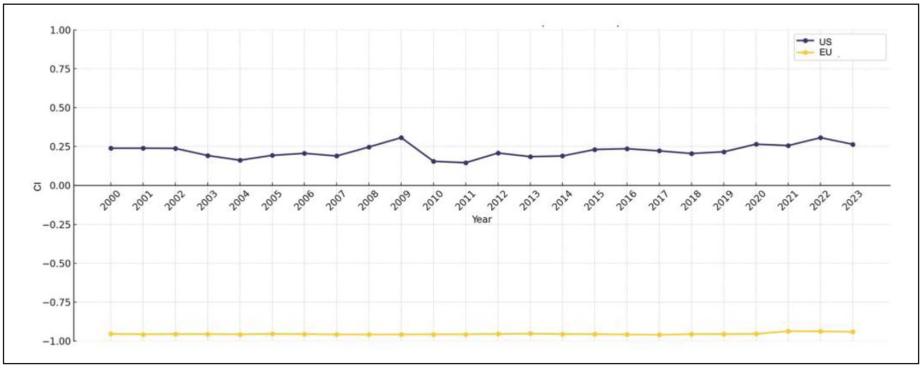

Figure 3. CI: US versus EU (2000–23).
Sources: Calculations based on data from European Commission (2024); Eurostat (2024); Congressional Budget Office (2024); US Census Bureau (2025).

Table 3. CI.

Year	US	EU
2000	0.239	−0.955
2001	0.239	−0.957
2002	0.238	−0.956
2003	0.192	−0.956
2004	0.162	−0.957
2005	0.193	−0.955
2006	0.206	−0.956
2007	0.189	−0.958
2008	0.247	−0.958
2009	0.307	−0.958
2010	0.155	−0.957
2011	0.146	−0.957
2012	0.208	−0.955
2013	0.185	−0.953
2014	0.189	−0.956
2015	0.231	−0.956
2016	0.236	−0.958
2017	0.222	−0.960
2018	0.205	−0.956
2019	0.216	−0.956
2020	0.265	−0.955
2021	0.256	−0.937
2022	0.307	−0.938
2023	0.264	−0.941

Sources: Calculations based on data from European Commission (2024); Eurostat (2024); Congressional Budget Office (2024); US Census Bureau (2025).
Note: The CI ranges from −1 to +1. A value of −1 indicates maximum decentralisation, while +1 indicates maximum centralisation.

Table 4. Descriptive statistics of the CI for the EU and the US, 2000–23.

Constituents	Min (YYYY)	Max (YYYY)	Mean	Std
EU	−0.958 (2009)	−0.937 (2021)	−0.951	0.008
US	0.146 (2011)	0.307 (2009)	0.220	0.042

Sources: Calculations based on data from European Commission (2024); Eurostat (2024); Congressional Budget Office (2024); US Census Bureau (2025).
Note: Std = standard deviation.

Another key finding is the remarkable stability of the EU's CI compared to the volatility of the US index. Indeed, the standard deviation of the EU's CI is only 0.008, whereas the US's CI fluctuates with a standard deviation of 0.042 (Table 4). Furthermore, spikes in the US's CI coincide with crisis periods, notably in 2009 during the Great Recession and in 2020–2 during the Covid-19 pandemic.

The EU also displays slight upward movements in 2021 and 2022, corresponding to the implementation of NextGenerationEU.

Dynamic shifts: the year-on-year derivative

The year-on-year derivative of the CI captures the speed and direction of fiscal shifts. Both systems exhibit a slight cumulative shift towards centralisation over the full period, with a total ΔCI of +0.0205 for the US and +0.0137 for the EU (Table 5).

As mentioned previously and illustrated in Figure 4, the magnitude of annual changes differs sharply. On the one hand, the US experiences large year-to-year swings, including a sharp decentralising reversal in 2010 (ΔCI = -0.1528) and strong centralising surges in 2008, 2009, 2012, 2020 and 2022. On the other hand, the EU derivative remains near zero for most years, reflecting a slow and incremental rebalancing of fiscal authority. This pattern suggests that the US follows an oscillatory federalism trajectory, while the EU follows a path of gradual and cumulative centralisation.

ACI: growth dynamics

The ACI accounts for scale asymmetries between the EU and US fiscal systems by comparing relative growth rates. As illustrated in Figure 5 and reported in Table 6, major centralising growth surges in the US occur in 2005, 2011 and 2020, corresponding to tax reforms, stimulus programmes and pandemic relief measures. In the EU, major positive growth differentials occurred in 2012–13 and 2021, coinciding with eurozone crisis governance reforms and the rollout of NextGenerationEU.

Subnational fiscal shares and transfer dependency

Moving on to the next indicator of this research, the share of spending and revenue controlled at the subnational level (in the US, this is at state level; in the EU, at the

Table 5. Year-on-year derivative of the CI (2000–23).

Year	US	Derivatives	EU	Derivatives
2000	0.239	N/A	−0.955	N/A
2001	0.239	−0.0006	−0.957	−0.0018
2002	0.238	−0.0003	−0.956	0.0012
2003	0.192	−0.0459	−0.956	−0.0005
2004	0.162	−0.0302	−0.957	−0.0005
2005	0.193	0.0311	−0.955	0.0013
2006	0.206	0.0129	−0.956	−0.0006
2007	0.189	−0.0186	−0.958	−0.0018
2008	0.247	0.0591	−0.958	−0.0003
2009	0.307	0.0607	−0.958	−0.0002
2010	0.155	−0.1528	−0.957	0.0010
2011	0.146	−0.0083	−0.957	0.0005
2012	0.208	0.0617	−0.955	0.0019
2013	0.185	−0.0228	−0.953	0.0021
2014	0.189	0.0043	−0.956	−0.0024
2015	0.231	0.0412	−0.956	−0.0002
2016	0.236	0.0054	−0.958	−0.0023
2017	0.222	−0.0136	−0.960	−0.0019
2018	0.205	−0.0169	−0.956	0.0041
2019	0.216	0.0108	−0.956	−0.0003
2020	0.265	0.0489	−0.955	0.0019
2021	0.256	−0.0053	−0.937	0.0180
2022	0.307	0.0470	−0.938	−0.0011
2023	0.264	−0.0467	−0.941	−0.0033
Min		−0.1528		−0.0033
Max		0.0617		0.0180
Total		0.0205		0.0137

Sources: Calculations based on data from European Commission (2024); Eurostat (2024); Congressional Budget Office (2024); US Census Bureau (2025).

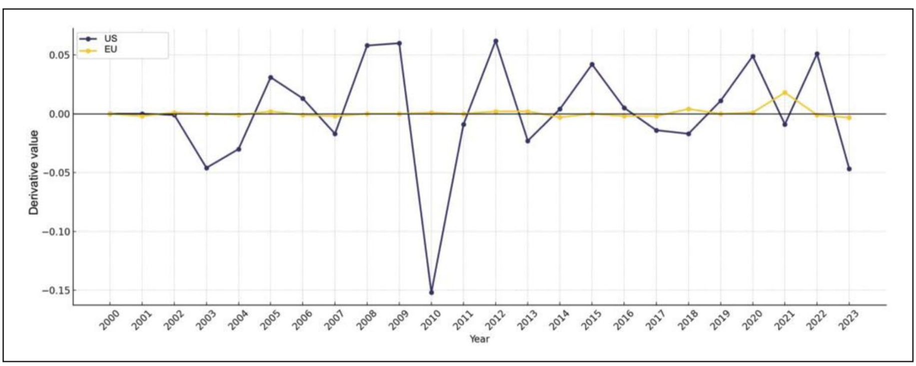

Figure 4. Year-on-year derivative of the CI (2000–23).
Sources: Calculations based on data from European Commission (2024); Eurostat (2024); Congressional Budget Office (2024); US Census Bureau (2025).

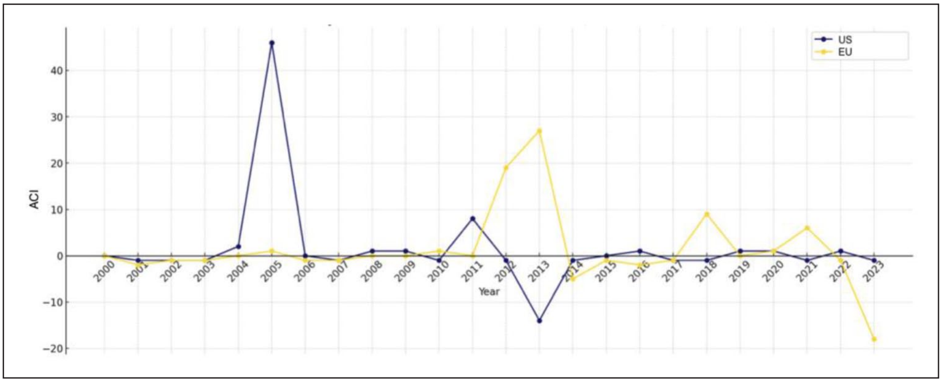

Figure 5. ACI: US versus EU (2000–23).
Sources: Calculations based on data from European Commission (2024); Eurostat (2024); Congressional Budget Office (2024); US Census Bureau (2025).

Table 6. ACI (2000–23).

Year	US	EU
2000	N/A	N/A
2001	−0.160	−3.635
2002	−0.015	−1.499
2003	−0.488	−0.855
2004	1.554	−0.040
2005	46.488	1.160
2006	0.813	−0.709
2007	−0.810	−0.783
2008	1.051	−0.375
2009	1.306	−0.301
2010	−1.377	1.347
2011	8.318	−0.021
2012	0.411	18.721
2013	−13.318	27.178
2014	−0.165	−7.108
2015	1.105	−0.135
2016	0.479	−5.168
2017	−0.607	−2.507
2018	−0.978	9.016
2019	1.283	−0.467
2020	1.538	1.013
2021	−0.510	6.055
2022	1.124	−1.862
2023	−2.086	−22.052
Min	−13.318	−22.052
Max	46.488	27.178

Sources: Calculations based on data from European Commission (2024); Eurostat (2024); Congressional Budget Office (2024); US Census Bureau (2025).

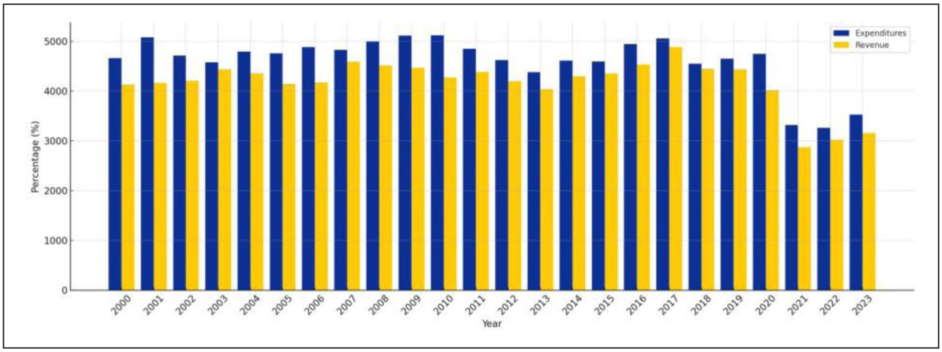

Figure 6. EU share expenditures and revenue at subnational level, in % (2000–23).
Sources: Calculations based on data from European Commission (2024); Eurostat (2024).

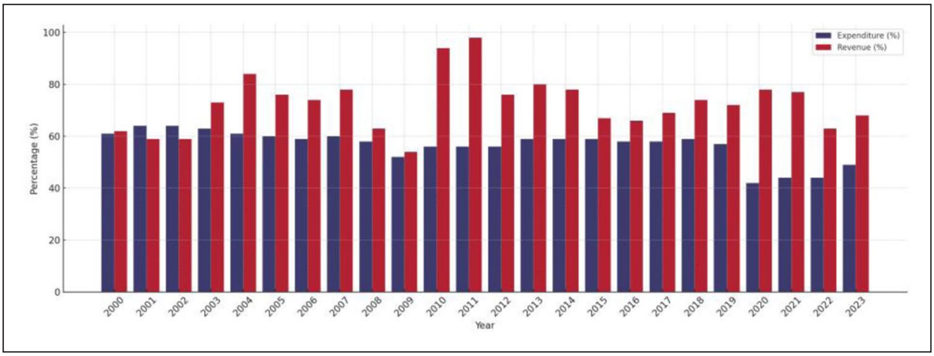

Figure 7. US share of expenditures and revenue at subnational level, in % (2000–23).
Sources: Calculations based on data from Congressional Budget Office (2024); US Census Bureau (2025).

member-state level) reveals structural differences between the two systems (Figures 6 and 7). In the EU, subnational governments control a much larger share of expenditure than revenue, whereas in the US the opposite pattern holds, with states controlling a larger share of revenue than expenditure. The EU series display smooth and stable trajectories, while the US's exhibit much higher volatility, driven by episodic fiscal stimulus and relief interventions. Both systems nevertheless show cyclical fluctuations in subnational shares, with notable shifts during crisis periods, reflecting emergency central intervention.

Intergovernmental transfer dependency rate

The intergovernmental transfer dependency rate further illustrates the diverging trajectories. US state dependence on federal transfers increased by 12 percentage points between 2000 and 2023, rising from 25% to over 37%. By contrast, EU institutional dependence on memberstate contributions declined by more than 33 percentage points over the same

Table 7. Intergovernmental transfers as a percentage of subnational budgets, 2000–23 (in %).

Year	US state budgets dependency	*Yearly Δ (%) in pp*	EU budget dependency	*Yearly Δ (%) in pp*
2000	25.31%	*N/A*	87.12%	*N/A*
2001	25.83%	*0.52*	82.67%	*–4.44*
2002	26.15%	*0.32*	90.35%	*7.67*
2003	26.61%	*0.46*	90.96%	*0.61*
2004	28.01%	*1.40*	82.63%	*–8.32*
2005	27.70%	*–0.31*	82.75%	*0.11*
2006	26.99%	*–0.69*	81.94%	*–0.81*
2007	26.04%	*–0.95*	81.98%	*0.04*
2008	25.41%	*–0.63*	80.56%	*–1.41*
2009	26.99%	*1.59*	79.74%	*–0.82*
2010	29.61%	*2.61*	84.61%	*4.86*
2011	29.67%	*0.06*	79.77%	*–4.83*
2012	26.33%	*–3.33*	81.46%	*1.69*
2013	26.06%	*–0.27*	83.77%	*2.31*
2014	26.48%	*0.42*	81.78%	*–1.99*
2015	28.03%	*1.55*	81.66%	*–0.11*
2016	28.58%	*0.55*	82.16%	*0.50*
2017	28.40%	*–0.18*	69.13%	*–13.03*
2018	28.52%	*0.12*	77.83%	*8.70*
2019	28.18%	*–0.33*	77.57%	*–0.26*
2020	31.03%	*2.85*	80.91%	*3.34*
2021	34.05%	*3.03*	61.23%	*–19.68*
2022	40.64%	*6.59*	53.39%	*–7.84*
2023	37.10%	*–3.54*	53.30%	*–0.09*
Min	25.31% (2000)	*–3.54*	53.39% (2022)	*–19.68*
Max	40.64% (2022)	*+6.59*	90.96% (2003)	*+8.70*
Mean	28.65%	*+0.51*	78.71%	*–1.47*
Total		*+11.79*		*–33.82*

Sources: Calculations based on data from European Commission (2024); Eurostat (2024); Congressional Budget Office (2024); US Census Bureau (2025).
Note: Columns 3 and 5 report the yearly change in dependency, measured in percentage points (pp) relative to the previous year.

period (Table 7). This indicates a long-term trend towards the fiscal empowerment of EU institutions and the growing fiscal reliance of US states on federal funding (Figure 8).

Drivers of centralisation and decentralisation

According to Dardanelli (2019), various drivers influence the direction, magnitude and timing of centralisation and decentralisation trends. Thus, drawing on five fiscal indicators, the results are interpreted within a broader political, economic, health, environmental and geopolitical context to identify the main factors shaping centralisation and decentralisation trends over time.

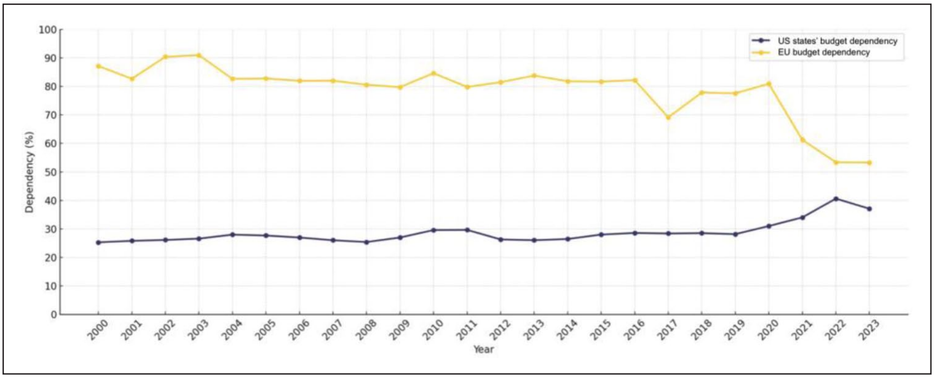

Figure 8. Dependencies on intergovernmental transfers of the US states and the EU institutions, 2000–23 (in %).
Sources: Calculations based on data from European Commission (2024); Eurostat (2024); Congressional Budget Office (2024); US Census Bureau (2025).

Political drivers

During the 2000s, the EU underwent two major institutional reforms due to the ratification of the Treaties of Nice and Lisbon. These reforms expanded qualified majority voting, strengthened the European Parliament and granted legal personality to the EU. However, these institutional tweaks only produced an insignificant shift (ΔCI 2003 = -0.0005 and ΔCI 2010 = +0.0010) and did not alter the level of EU decentralisation (Table 3). This highlights the distinction between institutional competence and fiscal authority: although treaty reforms expanded the EU's regulatory powers, they had only a limited effect on fiscal centralisation because they did not significantly increase the Union's budgetary capacity (Dunleavy and Kirchgässner 2000).

Alongside major political events, both the EU and the US have witnessed the rise of populist movements that contest central authority, notably the Tea Party in the US and Eurosceptic parties in the EU (Barry 2011; Ray 2025). While Tea Party rhetoric emphasises state sovereignty, US fiscal centralisation nonetheless increased between 2010 and 2015, consistent with findings showing no rise in state fiscal autonomy during the 2010s (Vachon and Wallace 2018, 36–7). In the EU, Brexit in 2020 coincided with a slight uptick in centralisation (ΔCI = +0.0019), although this effect overlapped with pandemic-driven fiscal expansion, making it difficult to isolate a distinct Eurosceptic impact.

Economic and fiscal drivers

Over the past two decades, fiscal policies have driven sharply divergent centralisation dynamics in the US and the EU. With regard to the financial crisis, in the US, federal intervention surged with the Troubled Asset Relief Program and the American Recovery and Reinvestment Act in 2008–9, driving a sharp decline in state revenue and expenditure shares and pushing the CI from 0.189 to 0.307 (Council on Foreign Relations n.d.; Jonas 2012). In the EU, the early response, led by the European Central Bank's focus on

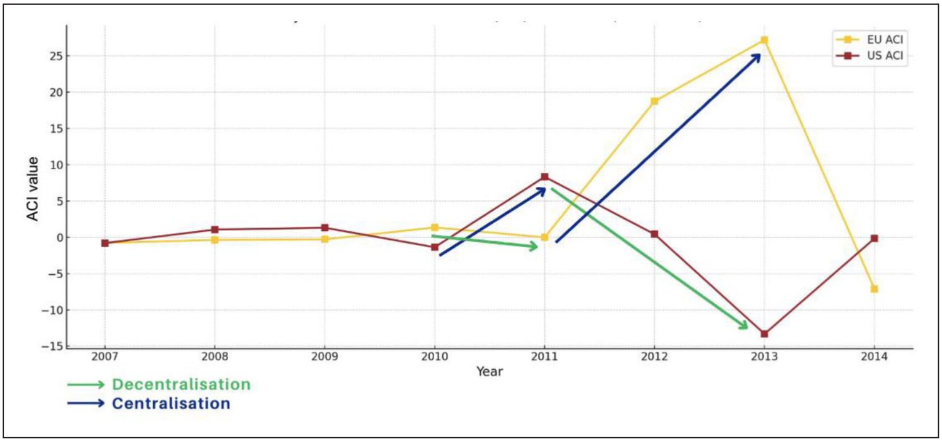

Figure 9. Comparative ACIs for the EU and the US (2007–14).
Sources: Calculations based on data from European Commission (2024); Eurostat (2024); Congressional Budget Office (2024); US Census Bureau (2025).

lowering interest rates and providing liquidity, while leaving fiscal stimulus largely to national governments, resulted in a decentralised crisis-management phase. As a result, the CI remained broadly stable at around -0.958 between 2008 and 2010, while the ACI indicated rapid subnational budget growth (see Table 6) (European Parliament 2009; Eurostat 2009).

In the aftermath, trajectories reversed. In the US, states rapidly regained fiscal autonomy: their revenue share rose by nearly 40%, the CI fell from 0.307 to 0.146 and the ACI had dropped by 13 points by 2013, reinforced by the Budget Control Act of 2010 (Crespy 2020). In contrast, the EU moved towards deeper fiscal centralisation through new governance instruments (the European Financial Stability Facility, the European Stability Mechanism, the Six-Pack, the Two-Pack, the Banking Union and the European Semester), which was reflected in a CI increase from -0.958 to -0.953 and ACI gains of 18 points in 2012 and 27 points in 2013.

In other words, the 2008 crisis produced mirror-image trends of centralisation and decentralisation (Figure 9). During its acute phase, the US federal state centralised, consolidating power, while the EU decentralised, allowing member states to provide national responses. In the recovery phase, the US decentralised, enabling states to reclaim authority, as the EU centralised, deepening its supranational fiscal governance. This comparison underscores how similar economic shocks can yield contrasting institutional dynamics within federal frameworks depending on their initial level of centralisation.

In the 2020s, the Covid-19 pandemic triggered an unprecedented surge in fiscal centralisation on both sides of the Atlantic. In the US, Congress adopted the Coronavirus Aid, Relief, and Economic Security Act in March 2020, a \$2.2 trillion federal relief package (*Investopedia* 2024), which pushed the ACI up by +1.538 in 2020 and raised

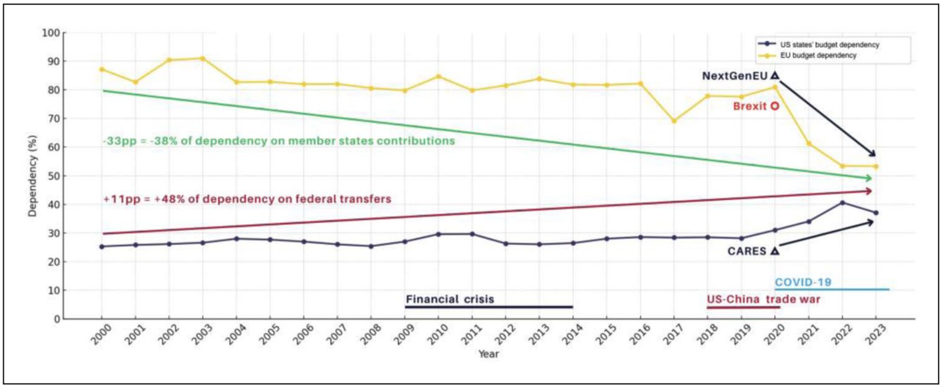

Figure 10. Intergovernmental transfers as a percentage of subnational budgets, with drivers (2000–23).
Sources: Calculations based on data from European Commission (2024); Eurostat (2024); Congressional Budget Office (2024); US Census Bureau (2025).

the CI from 0.265 to 0.307 between 2020 and 2022. In parallel, the Union launched NextGenerationEU, a €750 billion joint-borrowing recovery instrument (European Commission 2020), increasing the EU's ACI by +6.055 and moving its CI from -0.955 in 2020 to -0.937 in 2021.

These shifts are reflected in the intergovernmental transfer dependency rates (Figure 10). By 2022 the EU's reliance on member state contributions had fallen to 53%, down from a peak of 90% in 2009, while US state dependence on federal transfers rose to 40%, up from 25% in 2000. Between 2021 and 2023, EU member state shares of revenue and expenditure fell by up to 33%, while US states' share of total expenditure declined by about 20 percentage points, confirming strong crisis-driven centralisation in both systems (Tables 6 and 7).

The adoption of NextGenerationEU constituted a genuine 'Hamiltonian moment' for the EU. The CI shift from -0.955 in 2020 to -0.937 in 2021 represents roughly 28 times the average annual CI change since 2000, underscoring the unprecedented scale of supranational borrowing (Van Malleghem 2023). With national contributions falling to 53% of the EU budget and the CI remaining elevated since 2021, the pandemic has produced the most significant and sustained centralisation episode observed in the EU and the US over the past 24 years (Figure 10).

Public health drivers

Between 2000 and 2023, only a few public-health-related events intersected with shifts in centralisation dynamics. These included the creation of the European Centre for Disease Prevention and Control, the H1N1 virus response, the US opioid crisis and the Covid-19 pandemic. However, none of these, except Covid-19, produced decisive change. The European Centre for Disease Prevention and Control and the 2014 Tobacco

Directive expanded EU regulatory authority, but they both lacked budgetary powers and therefore had little impact on fiscal centralisation. In the US, the H1N1 response was overshadowed by the Great Recession, while the opioid crisis generated only modest decentralisation through state-level action. This constrained legal framework, along with the EU's limited autonomy of will and action in health governance, as Van Hecke et al. (2021) emphasise, explains why its most substantial role in pandemic management emerged through fiscal mechanisms such as NextGenerationEU, rather than through supranational public-health coordination, as health and social policies remain rooted in national preferences (Wyplosz 2015, 8–9).

Environmental drivers

Environmental shocks have mainly influenced centralisation and decentralisation through fiscal and economic instruments rather than through the direct reallocation of regulatory powers. In the US, Hurricane Katrina in 2005 triggered the Post-Katrina Emergency Reform Act of 2006, coinciding with the largest annual rise in the ACI (+46 points) and an increase in the CI from 0.193 to 0.206, reflecting the expanded federal disaster-relief authority of the Federal Emergency Management Agency following the most-costly disaster in US history (Miao et al. 2018). Similarly, while the European Green Deal, launched in 2019, was a major regulatory initiative, the subsequent rise in the EU's CI from 2020 to 2023 cannot be clearly attributed to climate policy due to the dominant impact of Covid-19 on fiscal centralisation.

Geopolitics and security drivers

Security concerns and geopolitical shocks, alongside economic drivers, have repeatedly acted as engines of fiscal centralisation. After 9/11, US federal security spending surged, pushing the ACI from -0.160 in 2001 to -0.015 in 2002, reflecting expanded federal authority through the Patriot Act and the creation of the Department of Homeland Security (The White House n.d.). Under the first Trump administration, the US–China trade war (2018–20) coincided with an uptick in centralisation: the CI rose by 0.06, with a positive ACI in 2019, reflecting the federal government's unilateral use of tariff powers (Harithas et al. 2025).

Russia's full-scale invasion of Ukraine in 2022 generated another centralisation shock. In the US, sanctions and military aid drove the CI to its highest level on record, supported by a positive ACI (*Venngage.com* n.d.). In the EU, member states initially led the response through national defence spending (Aries and Lawrenson 2023, 14–16; Anicetti 2024), contributing to sharply negative ACI values in 2022–3 (down to -22), which reflected faster national budget growth than EU-level spending. However, the EU has since moved towards renewed supranational consolidation. Alongside the ReArm Europe plan (European Commission 2025), in 2025 the Union agreed to raise €90 billion in joint debt to support Ukraine, a step previously blocked by frugal and Eurosceptic governments but made possible through enhanced cooperation (Liboreiro 2025). This marks a further extension of EU fiscal sovereignty through common borrowing that remains to be measured with data in the coming years.

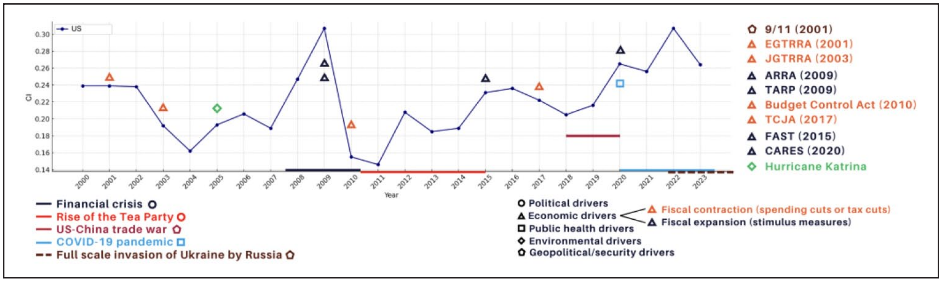

Figure 11. CI for the US with drivers (2000–23).
Sources: Calculations based on data from Congressional Budget Office (2024); US Census Bureau (2025).
Note: ARRA = American Recovery and Reinvestment Act (2009); TARP = Troubled Asset Relief Program (2008); EGTRRA = Economic Growth and Tax Relief Reconciliation Act (2001); JGTRRA = Jobs and Growth Tax Relief Reconciliation Act (2003); FAST = Fixing America's Surface Transportation Act (2015); TCJA = Tax Cuts and Jobs Act (2017); CARES = Coronavirus Aid, Relief, and Economic Security Act (2020).

Taken together, these developments confirm that external security threats tend to accelerate centralisation in federal systems (Dardanelli et al. 2019, 18; Sharma 2006, 172) and have frequently led to the formation of unitary states or the strengthening of central authority for security purposes (Sharma 2006, 172).

Parallel paths, not convergence

The US: oscillatory federalism

The US exhibits a cyclical, volatile pattern of federalism wherein rapid centralisation is triggered through federal stimulus programmes that are implemented due to major crises such as the 2008 financial crisis and the Covid-19 pandemic. This centralisation is then often followed by periods of decentralisation, especially during fiscal contractions such as the 2001 and 2017 tax cuts. This 'boom-and-bust' dynamic has left the US CI fluctuating widely, with states regaining autonomy in the aftermath of crises (Figure 11).

The EU: gradual centralisation

The EU's trajectory is fundamentally different. Its centralisation process is slower, more linear and primarily driven by fiscal instruments rather than constitutional reforms. Political drivers such as the Treaties of Nice and Lisbon produced only marginal fiscal shifts. EU enlargements similarly preserved a decentralised fiscal equilibrium. Instead, economic crises have proved decisive. The eurozone crisis led to the creation of the European Stability Mechanism and tighter fiscal coordination. The Covid-19 pandemic produced the most significant leap forward: NextGenerationEU (Figure 12).

Although initially conceived as an exceptional crisis mechanism, NextGenerationEU has fuelled debates over the necessity of a permanent European fiscal framework. The

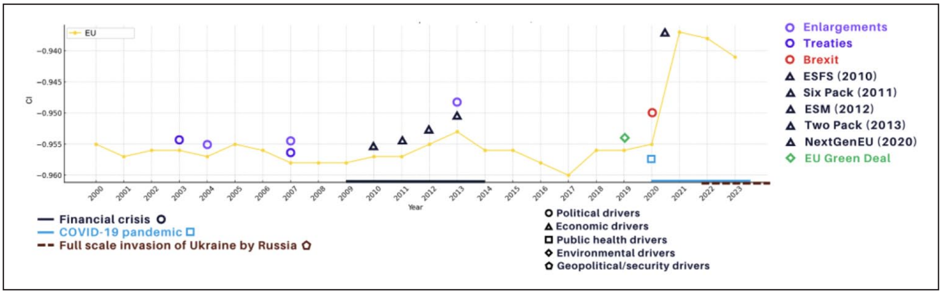

Figure 12. CI for the EU with drivers (2000–23).
Sources: Calculations based on data from European Commission (2024); Eurostat (2024).
Note: EFSF = European Financial Stability Facility (2010); ESM = European Stability Mechanism (2012).

decline in the EU budget's reliance on national contributions, from 90% in 2000 to 53% in 2022, suggests a structural shift is underway (Figure 8).

This reflects the diagnosis of the 2016 Monti Report, which identified the Union's overreliance on national contributions as a key obstacle to achieving true fiscal sovereignty. As the EU approaches its next multiannual financial framework, new priorities such as defence, climate investment and competitiveness could deepen this trajectory. While the post-2021 CI has stabilised, the nearly 27-fold increase between 2020 and 2023 suggests a potential turning point.

Federalism as a moving equilibrium

This analysis provides new tools for understanding how federal systems evolve under stress. It shows that centralisation and decentralisation are not linear processes but dynamic responses to crises, politics and institutional design.

While both the EU and the US systems have responded to similar pressures and have exhibited a trend towards centralisation, their trajectories remain distinct. Indeed, this parallel movement does not imply convergence towards a common equilibrium. The US remains structurally oscillatory, centralising during crises, then decentralising as states push back. The EU, by contrast, has shown signs of institutional maturation. Its centralisation has been slow, cautious and largely consensus-driven, but it is now embedding structures that could last beyond emergency responses.

Yet, it is worth remembering that what took the US centuries to build (a fiscal and political union) may still lie ahead for the EU. The past 24 years could well be seen as the early chapters in a long-term process of integration. Whether the EU will follow the same path remains uncertain, but the fiscal instruments now in place may pave the way for a more federal union in the decades, or even centuries to come, one which gradually evolves beyond the limits of its original institutional architecture.

Federalism, it turns out, is not a destination. It is a moving equilibrium. Especially with the second Trump administration (2025–), it remains to be seen, for both the US and the EU, in what direction the movement will be.

Note: To complement the analytical framework developed in this article, an interactive research platform has been created to explore centralisation and decentralisation dynamics in greater depth. The website (https://pxuxcevf.manus.space/) applies the same core drivers identified in this article (political, economic, public health, environmental and geopolitical) but expands on them with a broader set of events, policy decisions and institutional developments. It allows users to explore year-by-year changes in fiscal authority in both the EU and the US, to customise indicators, and to trace how specific shocks and reforms shaped federal rebalancing over time, offering a more granular and dynamic research environment for further analysis.

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Note

1. In this article, the term 'subnational level' is used in a comparative sense to designate the lower level of governance within each federal-like system. In the context of the US this corresponds to the state level, while in that of the EU, it refers to the level of the member states.

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