

Changes in China's Vertical Intergovernmental Relations and the Logic in the Project into the Village—Analysis Based on Historical Institutionalism

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Abstract: "Project into village" is the realization of the project system in the governance of grassroots public services in China. Drawing on the analytical paradigm of historical institutionalism, the article explores the process and path of change and the logic of evolution of China's vertical intergovernmental relations in the process of project-based governance. The study finds that the status and importance of county governments have gradually risen in the transformation of projects into villages, and that counties will need to continue to improve their governance capacity in future governance changes, especially in coordinating local finances, project resources, and endogenous demand.

Keywords: Historical Institutionalism, Vertical Governmental Relations, Projects in Villages, Historical Change, Evolutionary Logic

1. Introduction

1.1. Issues raised

The term "vertical intergovernmental relations" does not only refer to the relations between the central government and provincial governments, but also refers to the "vertical relations between the various levels of government and their departments, including the central government and provincial governments"^[1]. The formation and implementation of the project system, as an important result of the tax system reform, has reshaped government relations since the tax system reform of the fiscal system. In the existing research, scholars have explored and interpreted the vertical relationship between governments from different perspectives and levels, and the main existence is the centralization and decentralization research, the set-partition balance theory, the duty isomorphism theory, the zero-sum game, the authorization theory, the authoritarianism, the selective centralization theory and other various viewpoints,^[2] The existing research on the project system focuses mainly on the performance of the project (Zu Pei Li, 2012^[3], 2015^[4]; Chengliang Liu, 2015^[5]), The research on the project system has mainly focused on the empirical studies of project performance (Li Zupei, 2012^[6]; Di Jinhua, 2015^[7]), grassroots power changes and outcomes in the project into the village (Guo Linlin, 2014^[8]; Du Chunlin, 2015^[9]; Fu Wei, 2015^[10]), and the consequences of the implementation of the project (Li Zupei, 2012; Di Jinhua, 2015), and the exploration of governmental relations in the project system has also mostly focused on the relationship between the government and the community or on the governance of counties and villages, and has put the project into the village. There are not many studies that combine the "project into village" with the vertical relationship between governments.

1.2. The analytical framework of historical institutionalism

Historical institutionalism, as one of the important schools of new institutionalism, compared with rational choice institutionalism and social science institutionalism, expands the scope of investigation of the system, and takes the system at the meso level as an important point of focus, which provides a kind of "macro-structure meso system - micro-actors" It provides a "macro-structure-middle-level system-micro-actors" analytical framework. The evolution of China's governmental relations shows an obvious path dependence, and the change of intergovernmental relations has always been adjusted around centralization and decentralization, and the relationship between sectors and blocks. The central

government has decentralized power through the fiscal and tax reform, and realized the central government's intentions through the implementation of the project system. Although decentralization is legally implemented, in practice it tries to control lower levels of government through a variety of relationships and arrangements, and this strong path dependence makes decentralization of power not achieve the initial reform goals, but rather a deviation. The perspective of historical institutionalism can help us to explore the changes in intergovernmental relations at the meso level by looking at the context and history of the changes in vertical intergovernmental relations in the historical evolution of the project-based system.

2. Historical Changes in Vertical Government Relationships in Projects in Villages

2.1. Tax reform phase: loosening of authoritative control between central and local governments (1994-2003)

Since 1994, China's central government has begun to implement the reform of the tax-sharing system, and to promote changes in the fiscal system through the establishment and gradual adjustment of the transfer payment system; in 1994, a transfer payment study group was set up to conduct discussions and investigations, and in 1995, the Local Department of the Ministry of Finance formed the Transitional Transfer Payment Program Group, which issued the 1995 Transitional Transfer Payment Measures. The promulgation and adjustment of the transfer payment measures catalyzed the formation of the project system, and in 2002, the State Council approved the Ministry of Finance's Circular on Opinions on Issues Related to the Improvement of the Sub-Provincial Fiscal Management System, which gradually pushed forward the nationwide implementation of the "township financial management by counties," while after 2003, the central government adopted the "Rural Tax and Fee Reform Transfer System" and the "Rural Tax and Fee Reform Transfer System. After 2003, the central government gradually assumed part of the costs of the rural tax and fee reform through the "rural tax and fee reform transfer payment", and after the abolition of the agricultural tax, township finances increasingly relied on the central government's transfer payments and special subsidies, and the source of funding for the supply of public goods in the countryside was gradually assumed by the government's public finance system. The central government, through the reform of the tax and fee system, has decentralized some of the authority for local development to the grassroots level, but in practice the grassroots government has not been able to make the transition from the original centralized system, and still relies to a certain extent on the tasks or projects issued by higher levels of government, and continues to depend on the arrangements of higher levels of government for the governance and development of the localities.

Thus, this phase saw a situation of statutory political decentralization and partial local autonomy brought about by the tax reform, with local governments in practice still relying to a large extent on arrangements and mandates from higher levels of government, and obtaining financial support from higher levels of government through projects. In this regard, the reform of the tax-sharing system opened the way for project-based governance and gave autonomy to the grass-roots level, but the grass-roots level does not yet have sufficient autonomy, and the relationship between the central government and the local government has been loosened, with a weakening of the "authority-command" dimension.

2.2. The stage of strengthening counties and expanding power: the relationship-driven hierarchy in the project into the villages shifted downwards (2003-2012)

After the implementation of the city-county system, the administrative leadership at the municipal level has been expanded, with local municipalities taking control of the personnel power of county-level leadership cadres and being able to make effective deployments of county-level government, while the economic capacity of local municipalities has been enhanced and has led to the development of the surrounding regional economy and the advancement of urbanization. In the stage of municipal management of counties, the resources and powers of local governments were heavily centralized at the municipal level, and there was an obvious expansion of development initiative and autonomy at the municipal level. Subsequently, the provincial system of direct control of counties was implemented, with the province directly interfacing with the county level, and directly contacting the county level in terms of financial revenues and expenditures, transfer payments, and other aspects, thus reducing the diversion of resources from the municipal level, and expanding the power of economic and social management at the county level, and entering into the stage of "strengthening counties and expanding their powers". The freedom and autonomy of county governments in terms of financial control, personnel management and responsibility systems have been effectively enhanced. In the municipal-county phase of project entry

into villages, the municipal government is driven by regional economic development and actively strives for projects and distributes them, while the county government is relatively passive; in the provincial-directly-controlled-county phase, the county government is able to give fuller play to its autonomy, running for projects and striving for them upwards, in order to achieve local economic growth and resource appropriation.

In this phase, the vertical relationship between governments is driven downward, with provincial governments linking the central government with local governments at the city and county levels and promoting the implementation of the central government's policy intentions. Municipal governments take over projects from higher levels of government, and incorporate them into regional development plans, while county governments are responsible for the implementation of projects, which has a direct impact on the effectiveness of governance and development at the grassroots level. Vertical governmental relations have also changed: from centralization of power at the municipal level to the strengthening of counties and the expansion of power, with a gradual downward shift of the driving force, vertical governmental relations have been restructured mainly at the provincial, municipal and county levels, with a focus on changes in the status of the county-level government.

2.3. Formation phase of the new two-track system: intergovernmental synergies (2013-present)

With the help of the changes in the financial system brought about by the tax-sharing reform, the project-based village system has taken the unit system of the administrative system as a stock and the market system of the economic system as an incremental part, and molded itself into an incremental part of a new two-track system, highlighting the government's function of promoting social equity by strengthening the national redistributive system. In the hierarchical governance brought about by the project system, the central government "outsources" policy intentions and power and responsibility relationships through a competitive authorization method, and lower-level governments compete to obtain projects issued by their superiors by declaring them for establishment, and at the same time, in the process, they will also add their own intentions and interests, and make use of scarce resources and governance experience held by localities to realize local governance intentions through projects. At the same time, in this process, they will also add their own intentions and interests, using the scarce resources and governance experience held by the local government to realize the local governance intentions through the projects, thus forming a kind of "anti-control" logic realized through the legal rights and responsibilities.

In the late stage of the development of the project into the village, the project system has gradually become a kind of national governance system in China, in which all levels of governments have gradually played the game of the project into the village with the help of institutional regulations and institutional adjustments to make different choices, but on the whole, the relationship between the governments has gradually developed into a synergistic and cooperative relationship, and the higher level of government has given more consideration to the needs of the local government's development in the process of communicating with the project and striving for the project, while local governments have made use of the project to realize the regional development as much as possible. In the process of communicating and fighting for the projects, the higher-level government takes more account of the development needs of the local government, while the local government makes use of the projects to realize the development of the region as much as possible, and jointly commits itself to the construction of service-oriented government.

3. Structural Changes in Vertical Government Relationships in Projects in Villages

3.1. Background - institutional structure: reform of the fiscal and taxation system and transformation of the economic system

In 1994, the tax system reform established the tax system, in 1999, the budget reform changed China's financial and tax system, the Chinese government gradually abolished the agricultural tax, and through the adjustment of the tax system, the central government allocated transfer funds to the rural areas to "feed" the rural areas, in which the special transfer gradually became the main mode of the transfer payment system. Specialized transfer payments have gradually become the main mode of the transfer payment system. Specialized transfer funds were sent from the central government to localities and grassroots in the form of projects for the provision of basic public products and support for regional development, reflecting the will of the central government and to a certain extent meeting the

development needs of grassroots governments. In the course of the tax-sharing reform and the transformation of the economic system, the central government has increased its ability to regulate local governments, while local governments have sought to secure projects and expand the scale of special funds in practice. The political championships and accountability mechanisms created by the reform of the tax system and China's administrative contracting system, combined with the competitive incentive mechanism, have been effective in mobilizing local autonomous development, which has also provided the institutional background and foundation for the implementation of the project system, making the competitive incentive mechanism effective in mobilizing local development motivation and action.

3.2. System-variable structure: social development needs and service-oriented government building

In the early years of the country's development, a large amount of resources for the construction of new China were drawn from the countryside to support urban development, which gradually led to the formation of an urban-rural dichotomy, and the prolonged period of partitioning also exacerbated the urban-rural gap. At the same time, in response to national development and the impact of social and international change, national governance has gradually moved towards service-oriented State-building. However, rural areas have long been under the influence of insufficient public service resources and institutional inertia brought about by the traditional system, and villages have encountered many difficulties in supplying themselves with public goods. The demands of social development have made it necessary for the State to assume the responsibility of making up for and improving the supply of public goods in rural areas. However, the state can neither directly supply through government monopoly nor completely supply through market institutional arrangement, and thus the project into the village was created. Through such a technical arrangement as the project system, which effectively combines power and the market, the project into the village can not only strengthen the guidance and regulation of the free market by the State system, but also provide public goods and services in a standardized, reasonable and effective manner as far as possible.^[11]

3.3. Institutional-behavioral structures: power structure shifts shape cooperative governance relationships

In the case of "projects in villages", given that villages lack the capacity and motivation to supply public goods on their own, the State has been able to stimulate the collective public spirit of villages through the project system, realizing the effective connection between the input of external social resources and the endogenous supply of villages, as well as the top-down input of the State and the bottom-up self-supply of villages. In this process of interaction between the state and the society, the state gradually adjusts from a control-oriented to a regional development-oriented logic of action when setting up projects and transferring funds for payment, and changes from an authoritative guidance to a democratic cooperation. Each administrative body at all levels has its own scarce resources and its own goals to achieve through such cooperative governance, and thus is able to reach a relatively equal cooperation in negotiation, dialog, and gaming. Even the relatively disadvantaged grass-roots government can, according to the specific situation of the project development and bargaining, etc. to eliminate the transmission of the traditional hierarchical pressure brought about by the administrative system. Through the platform of the project system, vertical governments interact and debug, and eventually form cooperative governance relationships.

4. Evolutionary logic of vertical governmental relations in the project into the village

4.1. Path dependence: changing interactions between policy and government relations in the context of projects in villages

Planning and control by the central government over lower levels of government under hierarchical control. In the case of projects in villages, the projects carry the policy intentions of the central government, and through the project system, the central government has adopted non-disciplinary competitive authorization to form a hierarchical system of operation in the arrangement of public affairs that is different from "line" operation.^[12] Through the establishment of projects and the adjustment of specific operational systems, the State, by controlling the distribution of funds and the direction of flows, has pushed the participating entities at all levels to take action and, to a certain extent, to develop in accordance with the Central Government's plans.

Promotional incentives for city and county governments to drive development. The local government

in the project into the village as the central project, integration of down to the grass-roots government of the connecting transit main body, through the system and the construction of the social field of the project "re-organization", the municipal and county governments will also be the local interests and development planning into the project implementation requirements with the project for bundling. In the context of national institutional change, local governments have their own needs to develop the regional economy, and after the reform of the tax system, cities and counties, in line with the intrinsic drive for local development, have gradually shifted to actively pursuing projects in order to obtain support from higher levels of government, and to participate in the competition within the space of autonomous action, with the help of the project system of city and county development.

Institutional change has led to the coordination and gaming of vertical power and responsibility relationships. In the project into the village, although the higher-level government can master the project establishment and build the system of project issuance, but there are not many constraints on how the lower-level departments carry out the project, and at the same time can not directly intervene in the grass-roots government in the implementation of the project, but can only change the policy framework of the project to adjust the grass-roots government's behavior of the project realization. The project into the village is a decentralized institutional arrangement, the local government has a certain amount of space and freedom of action, the central government retains a certain amount of constraints, but how to balance the relationship between such constraints and autonomy also has a direct impact on the effectiveness of the project. Vertical governments at different levels and holding different powers play games around the gradually clarified power and responsibility relationships in the project system, striving to take the initiative, with superiors constraining subordinate governments through the power and responsibility relationships, and subordinate governments relying on clear responsibility relationships to try to avoid the authority of the higher-ups to avoid the "suppression".^[13]

4.2. Critical junctures: economic restructuring leading to changes in vertical intergovernmental relations

Tax reform and fiscal decentralization have given local governments autonomy in development. Tax reform has made local government governance, day-to-day operations and public services county-based: the increase in transfers and changes in the standardization of fees and charges have made grass-roots governments increasingly dependent on transfers from the Government's public finance system for their tax revenues and expenditures. County governments have gradually risen in the national "county-dominated" structure and in the vertical hierarchy of government, taking on the task of providing the main public services in the region. As a result of the country's governance transition and institutional restructuring, and with the maturation of project-based governance, the State has injected resources into rural areas through projects that go to the countryside and projects that go to the villages. The "project into the village" is accompanied by financial inputs, policy support, and project power, and the village collectives that receive the projects will be able to build and govern freely within the scope of the projects. As a result, there is competition and gaming between village and township governments for projects under the mechanism of cadre promotion and performance appraisal. The institutional arrangement stimulates competitive behavior and economic development between villages and localities, and enhances the level of public services in rural areas through transfer payments.

5. Reflecting on the problems in the project's entry into villages in the context of changes in vertical government relations

5.1. Misalignment of the objectives and effects of the village-based projects

When the project is issued by the central government, there are multiple intentions, and when the project reaches the local government, it is mixed with the intentions of the local government and departments; while the villages and townships, which are the final landmarks of the project, are squeezed by the county and municipal governments to a large extent in terms of the autonomy they can exercise in the project's implementation and decision-making process, and the resources they can grasp, and they are often in a passive state, unilaterally accepting the decision-making and preconceived notions of their higher governments. and preconceived notions. It is difficult for villages and townships to change their passive state through feedback in the process of project implementation. This has directly led to the situation that the final effect of some local governments in the process of project implementation is contrary to the initial project objectives, which is often manifested in the fact that the initial project as a special governance project is eventually converted by the local government into a project to help local

performance, and it is difficult to achieve the objectives of the special project.

5.2. Competition issues arising from resource inequality

In the competition for project issuance, the grass-roots government must take the initiative to "grasp the project" and "run the project" if it wants to realize development with the help of the project. At the stage of project contracting by the state and contracting by the local government, it is necessary to determine the project through a competitive mechanism. Undertake the main body of the project, and ultimately obtain the project area may be required to have a certain amount of "matching" funds, which will appear as a result of uneven resources brought about by the problem of unfair competition, and will make the majority of villages in the middle of the state is ignored, resulting in the majority of villages in the supply of public goods for a long time without supportive supply.

5.3. Technical risks in project-based implementation

For the localities that obtain the projects, the project system also brings a kind of policy "privilege" to the localities along with the projects, and the localities are likely to carry out the so-called "shell construction" through the flexible arrangement of the use of the project funds, but the central government is unable to carry out the substantive participation, thus bringing the risk of local operation projects. However, the central government is not able to participate in the project substantially, which brings the risk of local operation of the project. Project funds will drive the input of rural financial resources, so that villages can realize "indebtedness for projects and construction" through "borrowing", forming a typical "fishing project", which may lead to the expansion of local financing and the development of the rich and poor. Local financing to expand the development of the gap between the rich and the poor further, to the village collective bring unaffordable collective debt. In addition, the "project power" in the process of the project system may be monopolized in the process of operation, thus affecting the national infrastructure and future development.

6. Conclusion

Based on the above analysis and practical considerations, in the practice of project entry into villages, firstly, a bottom-up channel should be constructed to convey needs and preferences; secondly, county governments should be able to improve the adaptability of the system and situation based on public finance, combining the endogenous needs of the society, grass-roots governance capacity and vernacular power structure^[14]. Thirdly, it is necessary to cultivate the self-governing ability and supervisory autonomy of the village subjects; finally, in the institutional reform, it is necessary to adjust the relationship of power and responsibility to realize the equality of power and responsibility and the isomorphism of duties. It should be seen that the adjustment of vertical governmental relations in the process of project entry into villages is relatively complicated, and the design and adjustment of the system will bring about the effect of "pulling one hair and affecting the whole body", so it is necessary to pay attention to the development of complementary reforms, and to push forward the policy changes and institutional adjustments in an integrated manner with the change of vertical governmental relations, and to take into account the specific circumstances of different stages of the country's development and regional development and construction. Policies should be implemented and adjusted in accordance with local conditions and the specific circumstances of the country's different stages of development and the development of each region.

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