



THE EVOLUTION OF VERTICAL AND HORIZONTAL INTERGOVERNMENTAL RELATIONS: PERSPECTIVES FROM TIAO- Kuai STRUCTURE IN CONTEMPORARY CHINA

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Abstract

Government functions are generally carried out via different professional departments at hierarchical governments in contemporary China. Due to the unitary system, most departments at higher governments have their counterparts at lower levels, except for a couple of departments such as the ministry of foreign affairs. *Tiao* is thereby formulated to describe the department with the same function in vertical profile, while *Kuai* is used to refer to individual government in horizontal dimension. This article demonstrates that vertical and horizontal intergovernmental competition driven by multiple forces inspires *Tiao-Kuai* segmentation. It is still unclear whether or not the ongoing reforms of mega-ministries and direct provincial administration of counties can foster the integration from the status quo of segmentation for the *Tiao-Kuai* relations.

Key words: *Tiao-Kuai Relations; department; government; segmentation; integration.*

1. Introduction

A model like a multiple lotus root knitted with branches and knots can be intuitively adopted to anatomize the intergovernmental structure in contemporary China. In this model, each channel in every branch represents a kind of professional department, while each knot in whatever level denotes an individual government that is constituted by the former. This is an exclusive structure in the unitary hierarchical system as the professional departments at lower levels have indivisible affiliation with their counterparts at higher levels compared with Federalism. Due to the nature of the unitary system, political and administrative power -especially in terms of legislation, personnel administration, fiscal affairs- are centralized which consequentially makes the departments at lower levels subordinate to their counterparts at higher levels. The department in vertical profile consists of *Tiao*, while the individual government at horizontal dimension refers to *Kuai*. The dynamic interaction of *Tiao*-based departments and *Kuai*-based governments therefore constitutes evolutionary sophisticated network of intergovernmental relations¹ with *Tiao-Kuai* characteristics, which manifests respectively in *Tiao/Tiao*, *Tiao/Kuai*, and *Kuai/Kuai* structure among centre-province, province-prefecture, prefecture-county, and county-town/township. It should be mentioned that framework of departments in town/township is coarser than that of its higher-level counterparts after removing and merging “seven stations and eight offices” (*Qizhan Basuo*). Besides this, one should recognize that the reality is really more complex than the above model as there are some special units, such as autonomous governments at different levels, special economic zones, core cities with independent budgetary status, as well as special administrative regions such as Hong Kong and Macao. In this sense, the author confines his analysis on a general scenario rather than a comprehensive landscape.

In addition, it is here necessary to differentiate vertical management department (*Chuizhi Guanli Bumen*) from general department. The personnel allocation, responsibilities, assets, staff's payment and welfare of the former are directly administrated by its counterpart at higher level² which makes it not only hold a superior-inferior relation within its own system but also isolated from the *Kuai*-based government which is located in the same region. They are generally

classified as central, provincial, and special vertical management³, that are excluded in this article. However, in order to fit with national administrative strategies during different periods of development, *Kuai*-based management has been strengthened at the expense of weakening *Tiao*-based departments in 1980s⁴, while some general departments (such as the People's Bank of China, Food and Pharmacy Supervision Management Bureau in the late 1990s⁵) have been contrarily transferred to vertical management departments. As for general department, it is both affiliated to the particular *Kuai*-based government and equipped with a profession-instructing relation with *Tiao*-based department at higher level, which can be called dual-leadership⁶. The foregoing indicates that nearly each department of governments at any levels more or less has a dual-identity in which it plays not only a functional apparatus in any vertical profile but also a composition of government at the horizontal dimension. It is widely criticized that the dual-identity of the *Tiao*-based department has strengthened the inherent dilemma of *Tiao-Kuai* relations that are decomposed to the vertical and horizontal intergovernmental relations.

The rest of this article is thereby taken apart into the following sections: Instead of probing the intergovernmental relations in special units, as well as among vertical management departments, the author analyzes vertical intergovernmental relations happened among departments at different levels and horizontal intergovernmental relations among departments and governments at the same level, in which the centrifugal effect may account for *Tiao-Kuai* segmentation, followed by analyzing the possibility of *Tiao-Kuai* integration via the ongoing reforms of mega-ministries and direct provincial administration of counties as a concluding remark.

2. Vertical Intergovernmental Relations: Dynamics of Centralization or Decentralization?

From the perspective of vertical profile, dynamics of centralization and decentralization face to face interact in the channel of *Tiao*-based department. Intuitively and empirically, the two pieces of existing forces have given birth to vertical intergovernmental competition and even *Tiao-Kuai* segmentation embedded in hierarchical governments.

The reason why dynamics of centralization did matter may consist in the up-bottom empowering patterns in the unitary system. In the light of this system, powers of personnel management and budget allocation of *Tiao*-based department composing *Kuai*-based government at any level are generally centralized.

According to the principle of “the (Chinese Communist) Party is in charge of cadre management under the one-level-down rule”, the leading cadres of any local government are appointed or dismissed by the party organization at one higher level. Although the leading cadres of *Tiao*-based department are procedurally appointed or dismissed by the relative people’s congress in the jurisdiction, the candidates should be nominated and approved by the party committee core which is chaired by its party secretary. The centrally personnel management is thereby shaped.

As for the budget allocation, revenues are contractedly centralized by enduing central government a dominant fix sharing rate and then reallocated up-bottom under the fiscal responsibility contracting system from 1980 through 1993. Although the share of central government in the total revenues was decreasing via negatively indulging extra- and off-budgetary revenues channeled by local governments, local spending mainly depended on their own revenues⁷. Since the 1994 reform of tax-sharing arrangement, revenues are realistically and intentionally centralized by which the central government can enjoy the major tax category and the vast majority of tax rate.

All in all, Both *Tiao*-based departments and *Kuai*-based governments at higher levels have the inclination to centralize the power of personnel management and budget allocation.

With the above description, *Tiao*-based departments at central level can conduct strategies of centralization that are handed on tier by tier. There emerged at least the following kinds of vertical intergovernmental relations through the channel of functional department:

Central policies (or directives) vs. local implementation

Under the unitary system, local governments are the deputy agencies of central government at the localities. Central government is therefore responsible for policy making, such as construction of a new socialist

countryside since 2005, abolishment of agricultural tax in 2005, 4 trillion RMB investment package as a stimulus plan after 2008 global financial crisis, while local governments are in charge of the implementation or enforcement of these central policies (or directives). While central government enacts administrative instruments, formulates administrative laws and regulations and makes policies, local governments are the executive organs. This division is clearly narrated by the constitutions of 1954, 1975, 1978, 1982 version.

According to the adapted system of policy making in unitary China, although nearly every kind of great policy or directive has experienced the process of round trips under the principle of democratic centralism⁸, the fact of the matter is local voices are hard to be accurately heard by central decision-makers. By taking unimaginable regional disparities into account, central policies or directives don't necessarily fit with local situation. By virtue of centrally managed personnel, it is difficult to ensure the leading cadres of *Tiao*-based department or even *Kuai*-based government at lower levels can represent local interests when bargaining the substantive policies or directives with their counterparts at higher levels, saying nothing of when it comes to endangering their political prospect. Moreover, on the one hand, revenues are centralized; on the other hand, expenditures are decentralized⁹. This asymmetry can be summarized as central policies are released without allocating budget and empowering the localities. The situation exists broadly in every level, especially in town/township level¹⁰.

Under the circumstances of an institutionally centralized fiscal system, the above policies or directives without money are challenging the self-financing capacity of local executors who don't have enough fiscal instruments, including charging major tax categories and rates, issuing local bond. There are probably many informal, even illegal, ways to be used by local executors, such as embezzling items in its own budget package, lobbying earmarked funds held by the relative departments or governments at higher levels, leveraging private investment with introduction of public investment, and illegally borrowing debt in face of soft budget constraint. Once the localities fail to finance for the provision of public goods, some phenomena like the hollowing state at township level will then happen¹¹.

Generally speaking, with local voices failing to be heard by central decision-makers, and without enough money, implementation gap¹² then emerged between central policies or directives and local implementation, in which central policies or directives can't be efficiently and positively executed, even selectively implemented by local governments.

Central control vs. local discretion

Since the founding of unitary system in the 1950s, China has experienced several times of well-known decentralization without restructuring its constitutional framework in the partial periods of a couple of important events, such as the Great Leap in 1958-1960, the Cultural Revolution in 1966-1971, and the reform of responsibility contracting system in rural areas and industrial sectors in the 1980s which involved not only economic but also administrative decentralization. Whatever decentralization is, central control characterized by monopolized party control over the appointment and promotion of cadres¹³ always existed. Due to centrally managed personnel, the central government can conduct control on provincial cadres so that the malign behaviors of provincial governments can be discouraged at any moment when it comes to jeopardizing the centre's authority, which is imitated by sub-provincial governments.

Associated with the image of central control, the two meaningful fiscal systems adopted since 1980 were not so much called decentralization as centralization. The reform of fiscal responsibility contracting system in the 1980s was nominally designed to strengthen the enthusiasm of local taxation in the premise of improving the tax base, but actually aimed at preventing central revenue from decreasing, which can be repeatedly observed by central government's arbitrarily violating its commitment with local governments. Interestingly, local government's dual personality as "tax collector" and "taxpayer" under the fiscal responsibility contracting system has made "the revenue-producing capacity of central government constrained by its relative bargaining power vis-à-vis local governments and its calculation of the costs and benefits of attempted actions"¹⁴. The reform of the 1994 tax-sharing arrangement also bluntly strengthened central government's control over the revenue stream¹⁵ so that it can steer macroeconomic regulation with powerful

fiscal capacity. In this case, the starting point of the two above reforms is to ensure the central revenue at the expense of local interests.

Nevertheless, the intention of central government was never realized easily. In order to obtain the support of localities for central control in terms of fiscal reform, central government intentionally tolerated the existence of extra- and off-budgetary items in both the fiscal responsibility contracting system and the tax-sharing arrangement. Furthermore, there exists weakening supervision from above because of long administrative radius and from below by virtue of lacking local participation. The authorities of the localities granted actively and negatively by the centre mean that central control does not impede local discretion from increasing¹⁶, which was called a non-zero-sum framework¹⁷.

By contrast, an examination on the political and policy contentions for economic resources between central and local authorities implies that central directive on investment behavior is followed by the provinces as the latter has been integrated into central bureaucracy¹⁸. Another scholar further suggests that the centre may possess more patience with local discretion and deviations in economic issue areas while it is reverse when it comes to political and organizational realms¹⁹, the insight of which was extended from his doctorate dissertation²⁰. Albeit these opposite findings, it has no puzzle to denote that each *Tiao*-based department, especially the department which has the revenue-producing resources, together with *Kuai*-based government can enjoy enough chance to nibble tax base and override fiscal discipline.

Even though centralization is a rooted tradition of socialist countries, especially during the period of the planned economy, decentralization in a global trend still has attraction for its capacity to depress organizational expansion and improve administrative inefficiency.

Depressing organizational expansion

The impetus of organizational expansion is inherent in the system of centralization that is characterized by centralized personnel management, non-institutionalized empowering system, and isomorphic functions at different levels. Organizational expansion fosters the proliferation of bureaucratic agencies and organizations, as coordinators and facilitators which are popular in the centre and replicated in the localities²¹. Under the circumstances of

centralization in the unitary system, owing to expanding demand of professional division and functional increment, central government to some extent has increasingly motivated the creation of new *Tiao*-based departments and expanded their power by proposing ambitious working plans for its subordinates as Mao pointed out as early as in 1956, “At present scores of hands are reaching out to the localities, making things difficult for them. Once a ministry is set up, it wants to have a revolution and so it issues orders. Since the various ministries don’t think it proper to issue them to the Party committees and people’s council at the provincial level, they establish direct contact with the relevant departments and bureaus in the provinces and municipalities and give them orders every day, they put a great strain on the local authorities.” (Therefore,) “Our attention should now be focused on how to enlarge the powers of the local authorities to some extent, give them greater independence and let them do more, all on the premise that the unified leadership of the central authorities is to be strengthened.”²²

Under the unitary system, the expansion of *Tiao*-based departments at central level necessarily requests the localities at all levels to create the similar departments to match. Otherwise, the due funds can’t be devolved, the due meetings can’t be announced, the inspectors deliberately pick a hole in inspection, and the superiors don’t let the evaluatees pass the evaluation process²³. At a result, *Tiao* systems, along with *Kuai*-based governments, expand up-bottom. As far as these old and new departments are concerned, decision (directive)-making is “duty-bound”. Provided that *Tiao*-based departments at higher levels strive for expanding their power without policy coordination, their counterparts and their relative *Kuai*-based governments at lower levels will have to face all kinds of policies or directives from above²⁴. At the same time, the *Tiao*-based departments may also receive policies or directives from the individual government to which they are affiliated. The consequence is that *Tiao*-based departments and *Kuai*-based governments at lower levels indulge all day in pursuing and balancing these policies or directives attached to projects, funds, preferential policies, responsibilities, evaluation processes, which are issued by their counterparts at higher levels or by the the *Kuai*-based governments themselves, leaving behind inefficient implementation and malign competition.

Decentralization is regarded as an efficient approach to conquer organizational expansion. There are at least two ways to decentralize the functions that are held by the department at higher level. The first one is to remove and merge similar departments; the second is to encourage departments at higher level to give back the responsibilities to their counterparts at lower level. Unfortunately, the first way is generally boycotted by the vested interest groups, while the failure of the second one is due to the lack of institutionalization, although three main institutions (coercion, bargaining, and reciprocity) could be integrated and survive the de facto or behavioral federalism²⁵.

Improving administrative efficiency

Contrary to the general perception, centralization actually wastes rather than improves administrative efficiency as “it frequently resulted in delay and frustration in decision-making and implementation what is called ‘*tiaotiao zhuanzheng*’ (vertical dictatorship)”, in which information asymmetry among the *Tiao*-based departments and shortage of incentive to the localities contributed to low administrative efficiency²⁶. Deng Xiaoping always paid attention to the dangers of centralization and the necessity of decentralization in 1980. He put it, “It is not good to have an over-concentration of power.”²⁷ “Our leading organs at various levels have taken charge of many matters which they should not and cannot handle, or cannot handle efficiently. These matters could have been easily handled by the enterprises, institutions and communities at the grass-roots level, provided we had proper rules and regulations and they acted according to the principles of democratic centralism.”²⁸

More seriously, under the circumstances of centralization, *Tiao*-based departments at higher level engaged in extracting power and resources while devolving responsibilities to their subordinates. Obviously, the former is centralization, while the latter is decentralization. The reason why the two phenomena can coexist is that the functions of *Tiao*-based departments at different levels are isomorphic²⁹. The isomorphic character has made *Kuai*-based government composed by *Tiao*-based departments need to deal with the same responsibilities as its superior does. Unfortunately, the superior often doesn't assign sufficient budget to carry out these devolved responsibilities.

Furthermore, most responsibilities were devolved from different *Tiao*-based departments without coordination or negotiation that induced confusion for the *Tiao*-based departments and *Kuai*-based governments at lower levels who took heavily on various overlapping assignments designated from above even in the same domain.

On the one hand, *Tiao*-based departments at higher level centralized much more power and resources which are splurged in a transparent way; on the other hand, the overlapping assignments burden by *Tiao*-based departments and *Kuai*-based governments at lower levels can not execute efficiently with their poor budget. It makes decentralization necessary. In this sense, decentralization pursued by *Tiao*-based departments and *Kuai*-based governments at lower levels is not only the decentralization of responsibilities but also the access to power and resources. Unilateral dependance on the self-financing capacity of the localities will disperse the attention of the local executors that necessarily decrease administrative efficiency. It is no doubt that local affairs should be delivered to the localities by ways of local democratic participation. But the limited power and resources in the underdeveloped areas should be included in the initiative of decentralization. Otherwise, the administrative efficiency cannot be improved.

3. Horizontal Intergovernmental Relations: Endogenous and Exogenous Factors

As the model in the introduction revealed, the *Tiao-Kuai* structure in the unitary system makes segmentation respectively between *Tiao*-based departments and *Kuai*-based governments possible, of which are examples in horizontal intergovernmental competition for personnel allocation, gap closing of revenues and expenditures, and access to the limited resources. In accordance with institutional design, different *Tiao*-based departments need to compete for personnel allocation and the limited resources in a vertical profile while cooperate to accomplish various responsibilities in horizontal dimension as an integrated entity.

Personnel allocation

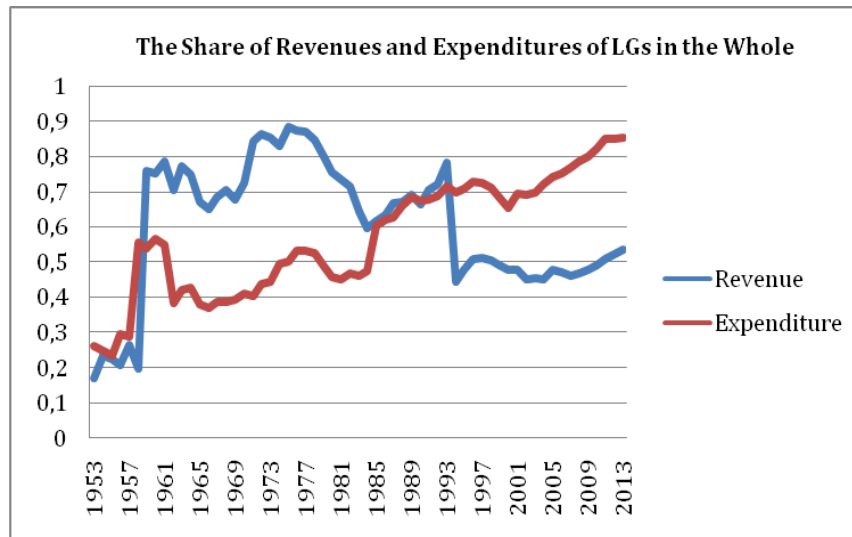
The volume of department or government in *Tiao-Kuai* structure is not based on the population of the jurisdiction but on government functions. The more important the function approved is, the more amount of personnel is assigned. More personnel allocation means there is equipped with more per capita public administrative budget packed for covering the daily expenditures. The importance of one department is negotiated and decided by virtue of expansive functions in the central level. In the light of *Tiao-Kuai* setting, the localities necessarily set the similar department to cater to its superior. This is why there are similar amounts of deputy mayors in different counties with sizably different population, and there are the same *Tiao*-based departments in *Kuai*-based government at any level, whatever they are necessary.

In order to decompose the implementation of its functions, each department at higher level has indulged in organizational expansion in its own system. As a kind of scarce resource, each department at the *Kuai*-based government needs certain personnel allocation that is strictly given and controlled by the *Kuai*-based government. Therefore, the scarcity of personnel allocation stimulates the competition among *Tiao*-based departments. The importance of the department will decide how much personnel can be equipped. Each *Tiao*-based department tries its best by lobbying its superiors and the related commission office for public sector reform to show its importance so that the latter can assign much more personnel allocation. The same scenarios happen not only at central level but also in the localities. This competition for personnel allocation among the *Tiao*-based departments shows that the interest of department even exceeds the whole government interest.

Gap closing of revenues and expenditures

As the chart shows, since the construction of socialist state till the reform and opening up, local revenues can absolutely cover its spending in the vast majority of the period. Even from the 1980s through 1993, the revenues and expenditures at both central and local levels respectively balanced in the fiscal responsibility contracting system. According to the responsibility contracts, although they are often unilaterally violated by central government, the localities actively develop channels of revenue-producing to cover their own

expenditures. Nevertheless, since the 1994 reform of tax-sharing arrangement, fiscal capacity via empowering major tax categories and rates to central government was centralized while expenditures were decentralized in the integrated hierarchical administrative system, mismatch of too many responsibilities with too low fiscal capacity in the localities widely and deeply exists in the undeveloped localities. In some undeveloped areas, above 95% of expenditures of the local governments rely on fiscal transfers from above initiated by *Tiao*-based departments at higher level. Most of these transfers are only enough to pay the wages of civil servants in local governments and teachers in compulsory schools. Some even are entangled in corruption.



Resource: China's Statistics Yearbook

We really understand the necessity of the existence of fiscal transfer as the undeveloped areas contributed numerous labor forces and natural resources with cheap price to the developed areas. Even if considering balancing gap between the poor and the rich, it is necessary to transfer partial revenue from the rich area to the poor area via national compulsory power. We do know the same story has been happening in many countries, such as Germany, where the western federal states annually make huge amount of fiscal transfer to eastern federal states although the finance of the former is also uptight. The problem is that the allocation of the vast majority of the fiscal transfer is arbitrary without a formula deserving common consensus, which could reduce the disordered and illicit competition among the *Tiao*-based departments and the *Kuai*-based governments at lower levels.

Access to the limited resources

Since highly centrally planned economy was gradually replaced by market-oriented economy via economic and administrative decentralization, allocation of materials and production, together with investment and enterprise management, is no longer controlled by *Tiao*-based departments and *Kuai*-based governments at higher level. However, the scarce resources like budget or funds, projects, preferential policies, and initiative of organizational expansion are still centrally held by the top *Tiao*-based departments. Sometimes, the horizontal demarcation of responsibilities among the relative *Tiao*-based departments is vague³⁰ or overlapped. For example, in order to substantiate the central policy- construction of a new socialist countryside, some *Tiao*-based departments at central level like national development and reform commission, the ministry of agriculture, the ministry of finance, and the ministry of environmental protection are integrated into this comprehensive project and respectively hold various resources.

In face of interlaced resources from different channels, both *Tiao*-based departments and *Kuai*-based governments at local levels have incentive to apply, even compete. The competition may happen among

- 1) different *Tiao*-based departments in the identical *Kuai*-based government;
- 2) *Tiao*-based departments with similar function among different *Kuai*-based governments;
- 3) and different *Kuai*-based governments at the same level.

Furthermore, let's go back to the dual-identity of *Tiao*-based department in *Tiao-Kuai* structure. The *Tiao*-based department has the compulsory obligation to obey the professional instruction from its superior and administrative leadership from the *Kuai*-based governments to which it is affiliated. Therefore, with regard to the scenario 1, the *Kuai*-based government enjoys capacity to coordinate the behavior of *Tiao*-based departments' competition for the resources package that either applied from the above or issued by themselves. As for the scenario 2, the *Tiao*-based department at higher level also has the ability to coordinate the behavior of *Tiao*-based departments' competition for the scarce resources. When it comes to the scenario 3, the degree of competition

will vary tremendously in different advantages held by the competitors. All in all, any disobeying behaviors will incur in partial distribution of resources.

The reason why the above situation can exist rests with shortage of rule of resource allocation. On the one hand, there is no formal rule to regulate the distributional behavior of the limited resources that facilitates the informal and flexible actions taken by the departments at higher level. On the other hand, the behavior of applying or competing for the resources package from the higher levels of departments is generally manipulated by the *Kuai*-based government who has power to coordinate the proposals collected from *Tiao*-based departments. After obtaining the resources, they will be dispatched among the relative *Tiao*-based departments. There is also no formal rule to distribute. The usually potential rule is first-come, first-served. By considering these factors, one can imagine that the horizontal competition for the access to these resources will be unavoidable.

Apart from endogenous motivation, there are two important exogenous factors up-bottom and bottom-up that are also contributing to the horizontal intergovernmental competition.

Cadre appointment

It is approved that personnel control still significantly works, although central *nomenklatura* has been restructured in 1983³¹. According to the Regulations on the Work of Selecting and Appointing Leading Party and Government Cadres, there are at least six principles that must be obeyed. Apart from that, it is highly disproportionate between the positions and the cadres to be promoted.

Given the above comprehensive determinations mattered, it is necessary to ask what role cadre appointment as material and spiritual incentive can play in competition respectively among the *Tiao*-based departments and *Kuai*-based governments. Here, there is a premise that as a vital instrument of maintaining the compliance of local cadres to their superiors, the cadres at lower levels are appointed or transferred by the higher levels by exercising exclusive party control with one-level-down rule³². As far as centrally cadre management system is concerned, cadre appointment indeed plays a salient role in stimulating competition of cadres holding the similar seniority to pursue being promoted to higher positions, transferred to more profitable departments or

more convenient regions, which implies they can get more decent payroll, feel better reputation, and enjoy higher business consumption.

In order to be appointed or transferred, both leading cadres and general cadres in *Tiao*-based departments and *Kuai*-based governments are involved in a competitive environment by accumulating favorable performance evaluation scores, good personal relations with the superiors, positive reputation or impression in the jurisdiction, and so on. Nevertheless, since the higher and better positions are relatively limited in *Tiao*-based department and *Kuai*-based government, fierce competition appears, like forming many kinds of factions and fragments, dusting the eyes of the superiors and the subordinates among local cadres with the similar seniority then deteriorate the segmentation between the organs where they are affiliated.

Responding to local demands

It can be empirically tested that the pressure of local cadres not only comes from the performance evaluation process conducted by the superiors but also is imposed by the increasing local pluralistic demands. With the proceeding of economic and administrative decentralization since reform and opening up, responding to local demands is becoming a primary compulsory responsibility or accountability of local cadres in both hard paper and practice.

In the individual jurisdiction, the pressure of responding to the local demands breeding from the giant population gives burden to the leading cadres of the *Kuai*-based government. This pressure package will be scattered to the leading cadres of the *Tiao*-based departments, and then conveyed to their fellow general colleagues. The environment of competition for satisfying the local demands is forming since constructing service-oriented governments become common consensus.

Generally speaking, the ambition of the leading cadres serving the public in both *Tiao*-based department and *Kuai*-based government is strong enough to shape a bottom-up competitive environment. If some departments did not respond to the local demands, the impact is not only on the leading cadres but also on the position of this *Tiao*-based department in the *Kuai*-based government. As an organizational entity, the pressure of responding to the local demands burdened by *Kuai*-based government is more than that of *Tiao*-based

department, as the latter is based on professionals and experts which many times do not directly face these demands. The inconsistent goals shape the competition of the two intertwined and independent groups. Only if this perception can be realized and consolidated in the local leading cadres, the malign competition can be transferred to benign ones.

4. Concluding Remarks: Towards Integration from Segmentation by the Ongoing Reforms

The alternative to foster integration from segmentation in the *Tiao-Kuai* structure is consensus building both vertically and horizontally in the system while this arrangement inhibits direct communication and cooperation between functional units under different units³³. Recently, the reforms of mega-ministries and direct provincial administration of counties have been proceeding.

The aims of the ongoing reform of mega-ministries are to streamline *Tiao*-based departments at all levels with the similar functions so that the accumulating problems of functional overlapping and jurisdictional conflict can be decreased, administrative efficiency and responsibility mechanism can be improved. Although the reform has made some progress in merging and restructuring ministries and departments, isomorphic functions at vertical profile and functional coordination failure at a horizontal level still exists, and especially induces some new paradoxes such as the paradox between enlargement of management radius and increase of deputy problem, and the one between expansion of public affairs and decrease of executive organs. Until now, the healthy and comprehensive operation mechanism of integrating power of decision-making, enforcement, and supervision has not been improved even though the reform of mega-ministries has made some successful and influential experiments at both central and local levels.

The original intention of the reform of direct provincial administration of counties is to transfer the management authority of counties from prefecture to province by breaking through from the fiscal side first, and then extend it to the administrative realm. Direct provincial administration of counties on the fiscal side refers to that the revenues and expenditures of county are transacted directly with provincial finance, in which the county gets the same position as

the prefecture in fiscal affairs. The second step is direct provincial administration in which the affairs of personnel management, finance, examination and approval of county are directly in charged by province. From the perspective of institutional design, the reform of direct provincial administration of counties can improve administrative efficiency and decrease deputy linkage among the *Kuai*-based governments so that the waste of administrative resources and implementation gap can be shortened. New questions are raised in the period of the ongoing reform, such as power expanding of provincial organizations, lacking of provincial management and supervision capacity, and weakening of radiation effect of prefecture on counties.

To conclude, from the vertical dimension we can see there are two pieces of contrary forces characterized by the dynamics of centralization and decentralization contribute to the vertical intergovernmental competition. At the same time, from the horizontal dimension we can see that endogenous and exogenous factors also facilitate the horizontal intergovernmental competition. The combination of the two dimensions of intergovernmental competition has been strengthening the *Tiao-Kuai* segmentation. A preliminary test shows that although the ongoing reforms of mega-ministries and direct provincial administration of counties have made much progress in integrating *Tiao-Kuai* segmentation, intergovernmental integration has not been completed yet. Therefore, the impact of the two reforms on the *Tiao-Kuai* structure deserves further research.

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