ISSN: 2688-9323

The Theoretical Mechanism and Reform Path of Fiscal Vertical Imbalance on the Gap between Urban and Rural Areas in Counties

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Abstract

Narrowing the gap between urban and rural areas in counties is the core task of realizing rural revitalization and common prosperity. The vertical fiscal imbalance between cities and counties at the level of the fiscal system is the deep institutional root that leads to the widening gap between urban and rural areas.Based on the theories of fiscal decentralization, fiscal competition, urban-rural dual structure, urban-rural integration development, and feasible ability, this paper constructs a systematic theoretical analysis framework.The study finds that the vertical fiscal imbalance between cities and counties leads to the structural imbalance of basic public service allocation such as education and medical care by strengthening the fiscal pressure of county-level governments and under the superposition of the asymmetry of urban and rural public service supply costs, and ultimately weakens rural residents. The feasible ability to improve income and well-being, thereby solidifying and expanding the multi-dimensional urban-rural gap in the county.This paper further analyzes the correction function of transfer payments in theory and the multiple reasons for their failure in reality, and puts forward some reform paths, such as deepening the reform of the financial system below the provincial level, optimizing the structure of transfer payments, and strengthening the supervision of budget performance. This study provides a new theoretical perspective for understanding the urban-rural gap under Chinese fiscal decentralization.

Keywords

Vertical Fiscal Imbalance; County Urban-rural Gap; Urban Expenditure Preference; Equalization of Public Services; Feasible Capability.

1. Introduction

'Accelerating the construction of a strong agricultural country plan (2024–2035)' [1] pointed out that a strong country must first strengthen agriculture, and only by strengthening agriculture can the country be strong. Adhere to the increase in farmers' income as the central task of the work of " agriculture, rural areas and farmers, " allocate more resources to the field of industrial development and employment and entrepreneurship, and effectively improve the well-being of people 's livelihoods. With the continuous implementation of preferential agricultural policies, the level of rural economic development in China has steadily improved, but the imbalance between urban and rural development in counties is still prominent, which has become a key obstacle to high-quality development. Narrowing the multi-dimensional urban-rural gap in counties is the only way to realize the integration of urban and rural development, and it is also an important link to promote the modernization of the national governance system and governance capacity.

Finance is an important means for the state to participate in social distribution. Narrowing the multi-dimensional urban-rural gap in the county is inseparable from the government 's overall leadership, especially the effective support of financial resources. The fiscal system with fiscal

ISSN: 2688-9323

decentralization and transfer payments as the core is an important factor that cannot be ignored in studying the multi-dimensional urban-rural gap in counties. As a derivative of the fiscal decentralization system, the vertical fiscal imbalance between cities and counties not only affects the efficiency of local governance but also affects the trend of the multi-dimensional urban-rural gap in the county.

In the process of promoting the coordinated development of urban and rural areas in Guangdong Province, narrowing the multi-dimensional urban-rural gap in counties has become an important breakthrough. The " 14th Five-Year Plan " of Guangdong Province emphasizes the in-depth implementation of the " high-quality development project of thousands of towns and villages in hundreds of counties " to comprehensively enhance the comprehensive strength of the county. In 2024, the per capita disposable income of rural residents in Guangdong reached 26,729 yuan, an increase of 6.3% year-on-year, and the income ratio of urban and rural residents narrowed to 2.31:1. These data reflect the positive results of the " Million Project. " Therefore, taking Guangdong Province as a typical case, it is of great theoretical value and practical significance to systematically explore the mechanism and effect of vertical fiscal imbalance between cities and counties on the multi-dimensional urban-rural gap in counties.

The purpose of this paper is to construct a rigorous theoretical analysis framework and systematically explain the internal logic and mechanism of the vertical fiscal imbalance between cities and counties to expand the multi-dimensional urban-rural gap in counties. The article first defines the core concepts, then integrates multidisciplinary theories, focuses on the analysis of the core path of fiscal pressure transmission to the widening gap between urban and rural areas, and discusses the regulatory role of transfer payments and the reasons for their failure. Finally, it proposes an operable reform path.

2. Definition of Core Concepts and Theoretical Basis

2.1. Definition of Core Concepts

2.1.1. Vertical Fiscal Imbalance between Cities and Counties

There is no unified definition of fiscal vertical imbalance in academic circles.Wagner[2] argued that there is a fiscal vertical imbalance when municipal governments have too much revenue and county governments have too much expenditure demand. Hunter[3] defined it as an imbalance of ' controlled ' revenue between higher and lower levels of government. Both scholars understand this concept from the perspective of the income and expenditure gap. After establishing an analytical framework by Sharma[4], scholars have defined fiscal vertical imbalances according to what they need.Domestic scholars generally believe that the mismatch between intergovernmental powers and expenditure responsibilities under China 's tax-sharing system is the root cause of the problem. Sun Kai[5] pointed out that the county level has less financial resources and higher expenditure demands, while the municipal level is the opposite, resulting in imbalances. Chu Deyin and Shao Jiao[6] defined it as an asymmetric gap between local governments ' own income and expenditure responsibilities.

In the actual operation of China 's tax-sharing system, the powers and responsibilities are often separated, and the vertical fiscal imbalance cannot be simply understood as the mismatch between the amount of its own income and expenditure. This study defines it as an institutional revenue and expenditure gap formed by the mismatch of financial power, administrative power and expenditure responsibility between municipal and county governments in the sub-provincial financial system, which leads to the difficulty of county-level own fiscal revenue meeting expenditure responsibility.In the multi-level structure of ' central-provincial-city-county ', the financial relationship below the provincial level is not standardized, and there is a risk of interception of transfer payments. The lower the administrative level, the government faces three pressures : insufficient funds, limited authority, and non-standard processes, and the financial autonomy of county-level governments is severely restricted.

2.1.2. County Multidimensional Urban-rural Gap

In the late 1960 s, Todaro [7] proposed a population mobility model, which defined the income gap between urban and rural residents as the urban-rural gap. At the end of the 1990 s, Fei and Ranis [8] discussed growth and development from the perspective of evolution, and believed that the poor should also consider the dominance of public goods and services such as medical care and education.Early domestic research on urban-rural gap indicators mostly focused on economic dimensions such as the Theil index, Gini index, and income of urban and rural residents. However, economic growth does not necessarily bring about an increase in the welfare level, and there is a deviation in the measurement of a single dimension.

For a long time, China 's urban and rural areas have been divided. The gap between urban and rural areas is not only reflected in income, but also in residents ' consumption, infrastructure construction, education, social welfare and so on.After the report of the 16 th National Congress of the Communist Party of China proposed to coordinate urban and rural development, the integration of urban and rural development requires starting from various aspects such as factor circulation, public services, infrastructure construction, and income. Some scholars have successively constructed relevant index evaluation systems to observe the differences between urban and rural development from multiple dimensions.

Based on this, this study believes that the multi-dimensional urban-rural gap in the county refers to the comprehensive gap between urban and rural areas in the income of residents, residents ' consumption, infrastructure construction, public education, social welfare and other dimensions within the county administrative divisions.

2.2. Theoretical Basis

2.2.1. Fiscal Federalism

The first generation of fiscal decentralization theory was formed in the 1950 s. The core lies in the optimization of the efficiency of public goods supply, and systematically demonstrates the rationality of the existence of local governments and the necessity of fiscal decentralization. Tiebout[9] proposed a " vote-by-foot " mechanism in which residents can freely move according to public service preferences to maximize utility. Oates[10] pointed out that local governments have more information about residents ' preferences and should be given corresponding financial power to supply public goods.

The second generation of fiscal decentralization theory was formed in the 1990s. It is believed that decentralization promotes local governments to protect and promote market development while strengthening local governments ' fiscal revenue incentives. Qian and Weingast[11] proposed a market-maintaining federal system, arguing that decentralization leads to intergovernmental competition in jurisdictions and improves the efficiency of public goods supply. Rodden[12] pointed out that fiscal decentralization may lead to soft budget constraints and threaten sustainable economic development.

From the theoretical point of view, the responsibilities, powers, and interests of governments at all levels should be consistent, but in reality, local governments collect less taxes, bear more expenditure, and face a large financial gap, which leads to vertical fiscal imbalance. This theory lays an important foundation for the study of the formation and influence of the vertical imbalance of city and county finance.

2.2.2. Urban-rural Dual Structure Theory

The theory of dual economic structure was first proposed by Lewis[13]. He believed that the labor supply in the modern industrial sector was infinitely elastic, and there was a large amount of surplus labor in the traditional agricultural sector. The labor remuneration was much lower

ISSN: 2688-9323

than that of the industrial sector, which drove the agricultural labor force to continue to move to cities and towns. In this process, agricultural labor productivity gradually increased, the income gap between the two sectors gradually narrowed, and ultimately broke the dual structure. Ranis and Fei[14] advocated the importance of agriculture and rural areas in industrial development. Rural areas not only provide labor for the industrial sector, but also provide the necessary material means of production for economic development. This theory provides an important analytical perspective for exploring the multi-dimensional urban-rural gap in the county and is the key theoretical support for studying the urban-rural gap.

2.2.3. The Theory of Urban-rural Integration Development

Urban-rural integration is a process of breaking the dual structure, promoting the free flow of factors, realizing the interconnection of infrastructure and the balanced allocation of public services, and promoting the coordinated development of urban and rural areas in economic, social, and ecological dimensions. Since the 16th National Congress of the Communist Party of China proposed to coordinate urban and rural development, scholars have successively constructed multi-dimensional index evaluation systems such as urban and rural development, urban-rural integration, and urban-rural integration, and observed urban-rural development differences from multiple dimensions [15]. In 2019, the Central Committee of the Communist Party of China and the State Council issued the " Opinions on Establishing and Improving the Institutional Mechanism and Policy System for Urban-Rural Integration Development " [16], requiring the promotion of urban-rural integration from the aspects of factor circulation, infrastructure construction, public services, industrial development, and residents ' income. This theory provides theoretical support for the study of the multi-dimensional urban-rural gap in counties in terms of factor allocation, infrastructure, industrial development, and public services.

2.2.4. Capability Approach

Feasible ability refers to the collection of opportunities for individuals to choose and realize various lifestyles. Amartya Sen [18] believes that personal capabilities are composed of multiple functions, including protection from disease and access to education. He emphasized that measuring inequality only by income ignores the differences in health, education, social participation, and other aspects and cannot truly reflect the degree of inequality between urban and rural areas. Based on this theory, the United Nations established the human development index and the multidimensional poverty index to measure the poverty level of each country. This theory provides important theoretical support for understanding and reducing the multi-dimensional urban-rural gap in the country and helps to promote the balanced development of urban and rural areas and achieve social equity and well-being.

3. The Mechanism of Vertical Fiscal Imbalance Expanding the Urban-rural Gap

3.1. Logical Starting Point: Institutional Financial Pressure and County-level Government Behavior Alienation

Under the institutional pattern of the mismatch between central and local financial powers, there is a general fiscal vertical imbalance between the levels, that is, the powers are moved down and the financial resources are concentrated upward.Under the tax-sharing system, the main taxes such as the value-added tax and the enterprise income tax are distributed step by step between the central and provincial, provincial and municipal, and municipal and county levels, and the sharing ratio is inclined upward, forming a situation in which financial resources are continuously allocated upward.At the same time, local exclusive tax sources such as land transfer fees are also concentrated in cities and higher levels of government. The principle of " territorial management " makes a large number of public service supply responsibilities under pressure, and ultimately by the county and township, and these expenditure standards are often specified by the superior, the subordinate lack of bargaining power.As a result, there is a dilemma between the central and provincial, provincial and municipal, municipal and county.Specifically, at the city and county level, the municipal level plays an intermediary role in the redistribution of financial resources between the provincial and county levels. When it faces a gap in its own revenue and expenditure, it tends to use the advantages of the administrative level to transfer the pressure to the county level, thus exacerbating the vertical fiscal imbalance between the city and the county.

The above situation has led to the continuous expansion of the local fiscal revenue and expenditure gap[17].Constrained by this, the county-level government is forced to make a choice that is more in line with the ' economic and political man ' under strong financial pressure.Prioritize the allocation of limited financial resources to areas that can rapidly stimulate economic growth and increase fiscal revenue in the short term.Under the current performance evaluation system with GDP growth rate and fiscal revenue growth as the core indicators, the promotion incentives of local officials are highly embedded in the economic competition. The marginal returns from investing in urban and non-agricultural industries are much higher than those from investing in rural areas. Therefore, local fiscal decision-making has the characteristics of urban expenditure preference.The more serious the vertical fiscal imbalance is, the greater the rigid expenditure pressure of local governments is, and the more inclined it is to expand economic expenditure and squeeze rural public service expenditure.

3.2. Core Mechanism: Urban Expenditure Preference and Public Service Allocation Imbalance

In order to further reveal the micro-foundation of the above preferences, this study draws on consumer theory and abstracts the process of county-level government governance jurisdictions as the purchase of urban public goods or rural public goods under established financial constraints.Assuming that the county government 's annual public budget is Q, the number of urban public goods is Gu, the number of rural public goods is Gr, and the unit supply costs are Pu and Pr, respectively, and it is assumed that Pu= Pr in the short term.Therefore, the budget line can be expressed as PuGu + PrGr = Q, showing a straight line W with equal horizontal and vertical axis intercepts, which means that under the premise of the same price factor, financial funds have mutual substitution between urban and rural areas.

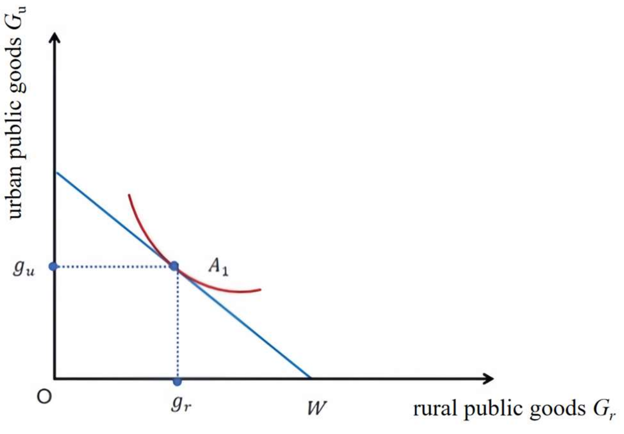

Fig. 1 Equilibrium analysis diagram under no expenditure preference

However, the government 's expenditure preference will change the actual configuration results through the utility function or the shape of the indifference curve.If the local urban expenditure bias is strong, the indifference curve C1 will be steeply convex to the urban public goods axis, and the Gu corresponding to the equilibrium point A1 tangent to the budget line is significantly greater than Gr, that is, the supply of urban public goods far exceeds that of rural areas.Since the above public goods cover basic public services such as education, medical care, and infrastructure, this allocation bias is directly developed into a multi-dimensional urban-rural gap in the county.On the contrary, when the urban bias of fiscal expenditure is weakened, the indifference curve moves from C1 to C2, and the gap between Gu and Gr under the new equilibrium point A2 is significantly reduced, and the urban-rural public service allocation tends to be balanced, and the multi-dimensional The The urban-rural gap is correspondingly alleviated.Fiscal vertical imbalance constitutes a key mechanism to expand the multi-dimensional urban-rural gap at the budget allocation level by strengthening the urban expenditure preference of local governments.

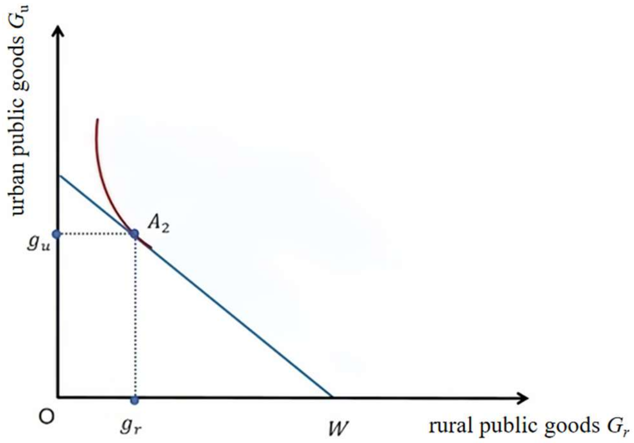

Fig. 2 Equilibrium analysis under urban expenditure preference

The above-mentioned expenditure preference effect is further amplified due to the inherent structural weakness of rural areas. Rural areas have long faced a heavy historical debt of infrastructure, and there is a gap between hard conditions such as road traffic, water supply, and information networks and cities. At the same time, the population distribution in rural areas is highly fragmented, and the trend of ' hollowing out ' continues to intensify. The outflow of a large number of young and middle-aged labor forces has led to a reduction in the size and density of the resident population, which has made the supply of public services in rural areas fall into the dilemma of diseconomies of scale supply, that is, the supply cost of unit services is much higher than that of cities, and the accessibility and coverage of public services are difficult to take into account. In this context, even if rural areas receive the same financial input as cities, their marginal capacity to improve the status quo is quite weak.

In the context of consumer theory, the initial budget line is W. However, due to the highly fragmented population in rural areas and the intensification of ' hollowing out ', the unit supply cost of rural public services is much higher than that of cities. This is equivalent to the relative high price of rural public goods in consumer theory. Therefore, even if the government maintains the same nominal financial input, the amount of rural public goods it can actually purchase will be greatly reduced. This objective fact makes the budget constraint line move to the left as a whole. Under the rational resource allocation logic, the optimal decision point will move to A2 along the new and more stringent budget constraint line.

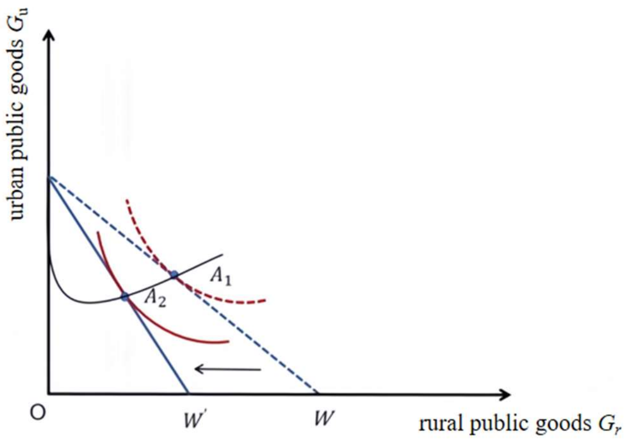

Fig. 3 Equilibrium analysis of rural public goods price increase

Not only that, the vertical imbalance in the current fiscal system fundamentally inhibits the public service supply capacity of local governments. The research shows that the vertical imbalance of finance not only directly reduces the supply level of basic public services, but also forms multiple inhibitory effects by weakening local tax efforts and squeezing the administrative attention of grassroots governments to public services. Under the institutional constraints of serious inequality between financial power and administrative power, grassroots governments often fall into the passive situation of " eating finance, " and the level of public service guarantee and the space for quality improvement are fundamentally restricted.

This institutional constraint is transmitted between urban and rural areas, which is mainly reflected in the allocation gap of human capital investment in public services such as education, medical care and social security.Under the economic growth-oriented promotion tournament system, local governments tend to prioritize public resources in cities, which exacerbates the inequality of opportunities for urban and rural residents in human capital accumulation.The difference in human capital investment in public services between urban and rural areas not only directly restricts the improvement of rural residents ' knowledge and skills and the improvement of their health level, but also profoundly weakens their ' feasible ability ' to enjoy basic public services.As Amartya Sen [18] said, the provision of basic public goods such as education, health care, and social security by society is a direct shaping force for individual freedom of choice and development opportunities ; the gap between Urban and rural public services essentially constitute an institutional obstacle to the substantive freedom of rural residents.As a result, the inequality between urban and rural residents in multi-dimensional aspects such as economic income opportunities and personal development opportunities has been continuously solidified, which has seriously weakened the endogenous driving force of sustainable development in rural areas.Studies have shown that the balanced supply of public services such as education and culture, health care and social security has a significant driving effect on the realization of regional sustainable development goals.Therefore, if the structural imbalance of urban and rural public services is not effectively corrected from the perspective of fiscal system reform, the sustainability of rural development and the deepening of urban-rural integration will continue to face insurmountable institutional bottlenecks.

3.3. Regulation Mechanism: The Correction Function and Limitation of Transfer Payments

In the face of urban expenditure preferences and the uneven supply of public services caused by the vertical fiscal imbalance, the transfer payment system has an important corrective function. In theory, the transfer payment of municipal and above governments can balance the financial resources at the county level, alleviate the supply gap between regions and urban and

ISSN: 2688-9323

rural areas caused by the difference of financial resources and the difference of public service supply cost, and correct the problem of insufficient supply caused by the mismatch of income and cost by internalizing the externality of public service. After the full abolition of agricultural tax in 2006, the tax structure of a large number of agricultural counties has undergone profound changes. The transfer payment of the central and higher levels of government has become the core source of financial expenditure in rural areas, providing basic financial support for narrowing the multi-dimensional urban-rural gap.

In the general transfer payment, special direct subsidy projects for urban and rural compulsory education, urban and rural residents ' medical insurance, and other fields have been set up; In the special transfer payment, there are also subsidies in the form of project-based subsidies such as subsidies for the transformation of weak schools in rural compulsory education. These institutional arrangements not only directly expand the budget constraint line of county-level finance with an income effect, but also may change the relative price of urban and rural public goods through special supporting requirements, produce substitution effects, and promote the balance point of local government expenditure to move to the countryside, so as to offset the unbalanced allocation brought by urban expenditure preference to a certain extent. Therefore, the rational design and optimization of the positive role of fiscal transfer payments in balancing the supply of basic public services in urban and rural Areas will play a key 'correction' role in the transmission chain of the vertical imbalance of city and county finance affecting the multi-dimensional urban-rural gap in counties.

In the context of consumer theory, through general transfer payments and special transfer payments, it provides a basic financial guarantee for narrowing the multi-dimensional urban-rural gap, and directly expands the budget constraint line of county-level finance.It is reflected in the outward translation of the budget line W into the new budget constraint line W '.Due to the increase in the budget, the number and form of the combination of urban and rural public goods are expanded. Under the rational resource allocation logic, the optimal decision point will move to A2, which means that the overall utility of urban and rural public goods investment is improved.

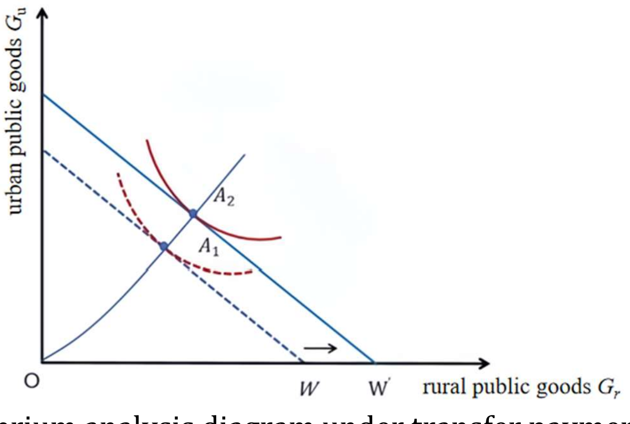

Fig.4 Equilibrium analysis diagram under transfer payment correction

Of course, the degree of this correction effect depends on the structural rationality of transfer payments, the rigidity of local expenditure preferences, and the effectiveness of the supervision and incentive mechanism, which also constitutes a research topic to be further deepened.In reality, in the process of transferring payments to lower levels, there is a risk of being intercepted due to the top-down weakening of administrative authority.The county-level and township governments have specific information about grassroots public services, and it is difficult for the higher-level governments to penetrate the multi-level management authority to conduct high-frequency and accurate end audits on the specific uses of funds.This

ISSN: 2688-9323

information asymmetry makes it difficult to detect and punish interception behavior in time.Combined with the performance evaluation system of heavy city light township, local officials are more inclined to invest limited funds in urban image projects or industrial park supporting construction.Therefore, the full play of the correction effect depends not only on the structural rationality of the transfer payment system itself, but also on the effective supervision of the whole process of capital flow.

4. Realistic Dilemma and Reform Path

4.1. Realistic Predicament

From the current situation of the multi-dimensional urban-rural gap in counties of Guangdong Province, the comprehensive gap index continued to decline from 2017 to 2024, and the decline was significantly expanded in 2020. After 2021, it was basically stable in a lower range, indicating that urban-rural integration has entered a platform period, and deep-seated structural contradictions still need to be solved.From the perspective of spatial pattern, the gap showed obvious gradient differentiation in 2017, and the counties with high gaps were concentrated in the peripheral areas of eastern Guangdong and the Pearl River Delta; In 2024, the gap between most districts and counties narrowed significantly, but the local stubborn gap still existed, and some districts and counties in northern Guangdong even experienced reverse fluctuations.

From the current situation of vertical fiscal imbalances in cities and counties, the imbalance index continues to rise from 2017 to 2020, the county-level fiscal autonomy is weakened, and the dependence on transfer payments is deepened ; after 2020, it has generally declined, but some counties in eastern and western Guangdong are still at a high level.The spatial pattern evolved from ' high periphery and low center ' in 2017 to a mixed situation of ' stable and balanced core area, increased imbalance in the transition zone, and improvement in some peripheral counties ' in 2024.

On the whole, the current main dilemma is reflected in three aspects :First, the county-level financial autonomy is weakened, a large amount of funds are used to guarantee wages and operations, and the investment in rural public services is seriously squeezed; Second, there is a problem of interception in the transfer of transfer payments. Information asymmetry leads to difficulties in terminal supervision, and the correction effect is difficult to fully release; third, the supply standards of urban and rural public services are not uniform, and the feasible ability of rural residents to enjoy basic public services is systematically restricted.

4.2. Reform Path

Deepen the reform of the financial system below the province.According to the principle of consistency of powers and responsibilities, we should optimize the division of financial powers and expenditure responsibilities between cities and counties, plan the cross-county spillover affairs as a whole at the municipal level, and clarify the people 's livelihood affairs such as compulsory education and primary health care as the core powers of the county level and formulate a list of powers and responsibilities.Moderately increase the proportion of sharing tax at the county level, actively and steadily promote the financial reform of the province governing county, reduce the link of municipal financial interception, and alleviate the financial pressure at the county level from the root.

Improve the transfer payment system.With the goal of equalization of public services, expand the proportion of general transfer payments, focus on financially difficult counties, and cancel special supporting requirements for difficult counties.Clean up and integrate cross-repeated special transfer payments, establish a mechanism for funds to reach the county level, and rely on the integrated budget management system to achieve full traceability.Explore the

ISSN: 2688-9323

establishment of ' special transfer payment for balanced urban and rural development in counties ', closely link the performance evaluation results with the allocation of funds, and effectively play the role of transfer payment in correcting the urban-rural gap.

Optimize the county fiscal expenditure structure.Establish a unified urban-rural basic public service expenditure standard to ensure that the level of rural public service funding is not lower than the county average.Priority should be given to the budget of rural public service investment, focusing on supporting the shortboard areas such as the standardization construction of rural schools, the renewal of equipment in township hospitals, and the operation of village-level pension service facilities.Improve the financial subsidy policy for urban and rural teachers and medical staff rotation exchange, and stabilize the rural public service talent team.

Improve the long-term mechanism of financial support for agriculture and budget supervision.Establish a stable growth mechanism for fiscal expenditure on agriculture, innovate agricultural support models such as awards instead of subsidies and loan discounts, and guide social capital to participate in rural revitalization.Improve the financial incentives for the market-oriented allocation of rural factors and the supporting policies for talents to the countryside.Strictly compress general administrative expenditure, build a performance evaluation system covering core indicators such as the urban-rural income gap and equalization of public services, strengthen the whole-process supervision of funds based on the integrated platform of budget management, and seriously pursue responsibility for interception and misappropriation.

5. Tag

This paper constructs a systematic theoretical framework from the vertical imbalance of municipal and county finance to the multi-dimensional urban-rural gap in the county.The research shows that the vertical imbalance of the fiscal system, by shaping the county government 's " urban expenditure preference " behavior, in the objective reality of the asymmetric efficiency of urban and rural public service supply, finally solidifies and expands the multi-dimensional urban-rural gap in the county by weakening the feasible ability of rural residents.This framework reveals the complete causal chain of ' institutional imbalance→behavioral alienation → configuration distortion→capacity deprivation→gap expansion ', and provides a new theoretical perspective for understanding the urban-rural relationship in the context of Chinese-style fiscal decentralization.

The theoretical contribution of this paper is mainly reflected in three aspects : First, the vertical imbalance of finance and the multi-dimensional urban-rural gap in the county are incorporated into a unified analysis framework, breaking through the limitations of previous studies on a single dimension or macro level ; secondly, the mechanism model of fiscal pressure transmitted through urban expenditure preference to the widening gap between urban and rural areas is constructed, and the micro-interpretation is carried out with the help of consumer theory. Thirdly, it reveals the conditions and realistic constraints of the correction function of transfer payments, and provides a mechanism explanation for understanding the theoretical function and realistic failure of transfer payments.

Based on this theoretical framework, future research can use county-level panel data to carry out empirical tests, and deeply explore the heterogeneous effects of institutional variables such as transfer payment structure and sub-provincial financial system reform.At the practical level, we should continue to promote the reform of the financial system below the provincial level, optimize the transfer payment structure, strengthen the supervision of budget performance, fundamentally correct the negative effects of vertical fiscal imbalance, and provide a solid institutional guarantee for narrowing the multi-dimensional urban-rural gap in the county and comprehensively promoting rural revitalization.

Acknowledgments

Project Fund: National-level College Student Innovation Training Program "Research on the Mechanisms, Impact Effects, and Reform Paths of Vertical Fiscal Imbalance Between Cities and Counties on Multidimensional Urban-Rural Disparities at the County Level" (Project No.: 202510564154).

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