

Thoughts on the Construction of China's Public Finance Framework

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Abstract. In the past three decades, China's public finance has gradually changed from a fiscal system that adapts to the planned economy to a fiscal system that adapts to the market economy. However, the development of the public finance system in China is still not perfect. In this regard, this paper analyzes the connotation and characteristics of public finance from the perspective of public finance theory, and compares the public finance system between China and the West. It reviews the development status and construction of China's public finance framework. Later, on the problems faced by China's current establishment of a public finance framework, it puts forward proposals for reforming the government fiscal system, establishing a local public debt system, and constructing a financial supervision system. Finally, it expounds that China's fiscal system construction has shifted from public finance to modern finance, and illustrates the relationship between the two.

Keywords: Public Finance; Financial System; System of Tax Distribution; Financial Supervision.

1. Introduction

In the market economy, the market will inevitably have a "failure" situation, and this time the government needs to adjust. Public finance is an important method for the government to regulate the market, and it is also a relatively common form of fiscal system. In the past three decades, with the continuous advancement and deepening of China's fiscal reform, the public finance system that adapts to the socialist market economic system has been basically established in China. Therefore, the construction and improvement of the public finance framework has become one of the important tasks of our country. The public finance framework is an important foundation of the social public finance system. The establishment of a public finance framework can constrain the social public finance system and help the social public finance system run smoothly.

2. Overview of Related Theory

2.1 The Connotation of Public Finance

Finance is the distribution behavior that the government implements in order to fulfill its functions. Simply put, public finance refers to the activities of a government to provide public goods to the market. The public finance system is a brand-new system under the development of economic modernization and a new management system for the economy. As an invisible hand, the market plays a decisive role in the allocation of social resources. But there will also be "failures" in the market. As a tangible hand, the government rationally allocates social resources when regulating market failures. Under normal circumstances, public finance is a fiscal system based on the market economy system, which can also be called "market finance." The essence of public finance and market finance is the same. The difference is that public finance highlights the characteristics of "publicity", and market finance emphasizes the fiscal market operation mode. The main difference between public finance and finance is whether the social resources used by the government meet the public needs of society.

The most important feature of public finance is its public nature. As a resource allocation or economic behavior carried out by the government, it needs to meet the public needs of the society and provide public goods and services to the society. Publicity is the embodiment of the government's

role in resource allocation under the planned economic system. Under the current Chinese market economy system, it reflects the government's regulation of the market economy and is the embodiment of the government's realization of its fiscal functions. The government is the administrative organ of social public affairs and has a clear public nature. Public finance provides goods and services for social public affairs, which directly reflects its public nature.

Public finance is non-profit. The purpose of public finance is to meet the needs of the public for public goods, not for profit. Public finance is a manifestation of the government's exercise of fiscal functions, and the government's fiscal functions reflect the government's role in regulating the market and regulating the macro economy. The government itself as a non-profit organization is enough to prove that public finance is not-for-profit.

Public finance has the rule of law. Public finances are subject to the law. China is a country ruled by law and a socialist society ruled by law. The operation of the market economy is regulated and regulated by law, and public finance is no exception. The government's financial activities and operations should meet the requirements of the rule of law, and fiscal revenues and expenditures should be reasonable, open and transparent, and subject to the supervision of relevant organs and people.

2.2 Similarities and Differences between Chinese and Western Public Finances

Both the public finance system in China and the West are based on the market economic system, and they are all compatible with the market economic system. Therefore, the public finances in China and the West are similar. They are all means of macroeconomic regulation and control of the economy by providing public services to the society to meet the public needs of the society in the event of market failure. They are equal, and the "equal exchange" market rule that must be followed requires that the social services and public goods provided by public finance must be treated equally and cannot be compared. On the contrary, the difference is not in line with the principle of equivalence exchange, which means that it is not compatible with the market economy; the reason why the market fails are because the market regulation has blindness, spontaneity and lag. Public finance does not aim at profitability. If not, it will lead to political activities with political color and ultimately undermine the normal market economic order.

China's economic system has changed from a planned economic system to a socialist market economic system with Chinese characteristics. Western public finance is directly established in the market economy, so there is a certain difference between Chinese and Western public finances. The western market economy was established with the development of capitalist society, and China's market economy is a new road under the premise that the planned economy is not suitable for China. It is a combination of government regulation and market regulation. China's public finances not only need to solve the spontaneous failure of the market, but also solve the "man-made" failure. At present, the productivity level of Western countries is higher than that of China. Although China's productivity level has developed rapidly in recent years, it still has a certain gap compared with developed countries in the West. China's public finance belongs to the development of public finance, mainly focusing on the construction of infrastructure such as medical care, transportation, communication, etc. The form of taxation is mainly based on turnover tax, ensuring the scale of tax revenue and meeting the needs of fiscal expenditure. The public finances of western countries belong to developed public finances, mainly focusing on the social redistribution of education and welfare. The tax form is mainly based on income tax, which is conducive to balancing the distribution of profits, narrowing the social income gap, and ensuring the realization of the financial fair distribution function.

In addition, due to the differences between the Chinese and Western economic systems, the differences in political systems, and the differences in ideology and culture, public finances have different characteristics in different aspects.

3. The Development Status of China's Public Finance Framework

Our country's finances are constantly evolving with the changes in society. In the early days of the founding of the People's Republic of China, China mainly implemented the planned economic system. Under the unified leadership of the national policy, the state grasps the economic lifeline, determines the direction and focus of economic development, and gradually restores the national economy, laying the foundation for national industrialization. In the early days of reform and opening up in 1978, the government gradually liberalized the administrative intervention of the economy and the allocation of financial resources. The implementation of the "all-round contract" system gradually decentralized the central government, and the role of local finance began to be highlighted. In 1994, the 14th National Congress of the Communist Party of China clearly established a socialist market economic system, carried out a tax-sharing system reform, and reformed and developed a series of fiscal and taxation institutional frameworks. In 1998, the National Financial Work Conference officially proposed the establishment of a public finance system. Since then, public finance construction has become the mainstream of China's financial system development.

China's public finance framework has been in the process of development, mainly reflected in the adjustment of financial relations. Since the rural contracted production and households have achieved great success, the government has learned from the successful experience of "fiscal contracting" and implemented fiscal contracting in China in the 1980s. The fiscal contracting system has played a greater role in promoting the enthusiasm of local governments, liberating and developing productive forces, and has the significance of releasing the national economy. However, with the passage of time, the local finance has gradually increased and the central government has gradually reduced or even reached the form of making ends meet. After the implementation of the financial package, the central government's ability to macro-control the economy has been weakened, and local governments have also lacked plans for the economy. The problem of wasting resources. Since the fiscal contracting system is no longer suitable for the development of our society, China began a tax-sharing reform in 1994. The tax-sharing system has been widely promoted in Europe and the United States. It is divided into central taxes, local taxes, and central and local shared taxes according to the characteristics of taxes. This can transfer the taxes and regulatory taxes that affect the lifeblood of the national economy to the state, while others are collected by local governments and used for local construction expenditures. The tax-sharing system can link the central and local fiscal revenues with the national economy, ensuring that the central financial resources can support the state's normal functioning of finance. The development of the economy has also exposed some shortcomings of the tax-sharing system. The most important thing is that the tax-sharing system leads to a large local income gap. The provinces with large economic resources and resource provinces have more and more tax revenues, and the construction is more perfect. The remote and inferior provinces are increasingly dependent on the central government, and the local tax revenues are not enough for local construction. In 2002, China carried out the reform of income tax on the basis of taxation. In addition to the continuous reform and development of fiscal relations, China's fiscal expenditure, income and financial management system are constantly being established in China.

The construction of China's public finance framework is mainly reflected in six aspects: building a public finance functional framework based on market failure; constructing a public fiscal expenditure framework based on public needs; constructing a public fiscal revenue framework with the goal of standardization and legalization; Democratization and scientificization aim to build a public finance decision-making framework; construct a public finance system framework based on rational decentralization; build a public fiscal policy framework with stability and development as the goal.

4. The Dilemma of the Construction of China's Public Finance Framework

4.1 Financial System Design Flaws

The fiscal system is an important part of the public finance framework. The fiscal system in the narrow sense includes the fiscal revenue system and the fiscal expenditure system.

The fiscal revenue mainly includes three categories: tax revenue, social insurance fund income and non-tax revenue. Tax revenue is the most important fiscal revenue in China. Although the tax-sharing system has carried out certain reforms on the taxation system, it is not thorough and does not conform to the requirements of public finance. VAT is a major tax category in China, but the VAT collection system is not perfect, and some industries such as the construction industry have not been included in the scope of VAT collection. Moreover, taxes such as tariffs are levied by the central government. The main tax revenue of local governments comes from local non-tax revenues and subsidies from the central government. As a result, the income of most local governments depends on land income, which increases the burden on the people. The sub-provincial tax-sharing system is not perfect enough, which leads to the difficult situation of the finance of the grass-roots government, which makes the realization of the goal of public finance more difficult.

The fiscal expenditure mainly includes four types: departmental budget system, treasury centralized payment system, government procurement system and transfer expenditure system. China's "Budget Law" is the main basis of the budget system, but the "Budget Law" itself still has some problems, such as the lack of clear implementation standards, and the provisions in some places such as budget preparation are not detailed enough. In addition, there is a lack of effective supervision in the implementation of the budget. Since the budgets at all levels must be considered by the people's congresses at the same level, the NPC deputies' budget planning time is too short and the lack of professional talents to analyze them, which makes the NPC deputies' supervision of the government's budget greatly reduced. There are also problems with the transfer payment system in China's transfer expenditure. At present, the main transfer payment method is special transfer payment. In the special transfer payment, the central government has earmarked the use of funds, but there will be a situation of financial spillovers, which has great constraints on local autonomy. The regions with relatively backward economy lack the ability to compete for special transfer payments.

4.2 Conflict between Central and Local Government Rights

From ancient times to the present, central and local power distribution and relationship issues are core issues. From the perspective of China's fiscal relations, the conflict of rights between the central and local governments is mainly a game of power and financial power. The conflict between the power of affairs and the power of the power leads to the unclear and unclear division of power and financial power between the central and local governments. First of all, the reform of the tax-sharing system in 1994 was carried out on the basis of the previous fiscal system. The reform of the fiscal system was not very thorough and perfect, so there was still a situation in which the government was offside and absent. The matters that should be borne by the government are partly borne by the local government, and the matters that should be borne by the local government are partly borne by the central government. Secondly, the central and local division of power and financial power is asymmetrical, that is, the so-called "financial power moves up, decentralization of power." The central government has more income than expenditure, while local governments spend more than income. Finally, due to the conflict between central and local powers, local financial power is weak, and some of the powers that should not be borne should be undertaken, so that it is impossible to ensure that public finance expenditure can achieve the goal that should be achieved. The weaker fiscal power of local governments often makes the public goods and social services that the government can provide cannot meet the needs of the society and increase the burden on the society. This not only does not meet the requirements of public finances, but also easily causes waste of public resources.

4.3 Inadequate Supervision System

The imperfect supervision system is reflected in the three aspects of the public's low attention, the government's supervision system is flawed, and the fiscal transparency is not strong. At present, the public in China still does not recognize the importance of public finance supervision. As we all know, the financial department pays more attention to the distribution of finances, but it does not follow up and monitor the use of financial funds, the location of use, and whether the actual use is consistent with the budget. Some units are called to apply for funds for the construction of social public affairs. In fact, they use financial funds for the purchase of their own items or office expenses. Some leaders even use false reporting items to defraud funds or misappropriate public funds for private use. Etc. This is the result of China's current lack of attention to financial supervision. In addition, China's fiscal supervision and legislation work lags behind China's development of the fiscal system. Although China has successively introduced fiscal laws such as budget law and audit law, these laws are limited to a specific field. For financial supervision, only a relatively rough principle is stipulated. There are no clear rules on some common problems such as the scope of financial supervision. There is no law with special financial supervision, nor a complete system. Because there is no special financial supervision law, the role of the financial supervision function is difficult to fully exert, and the authority of financial supervision is undermined. People's lack of awe in financial supervision will result in waste of funds and damage to public and private interests. Finally, the transparency of China's financial supervision is not strong, which is not conducive to the realization of social fairness and justice. For the lack of professional and reliable analysis of the data obtained in the government financial report, the public cannot distinguish the effective information obtained from the financial report, and the financial disclosure system loses its original meaning.

5. Suggestions on the Construction of China's Public Finance Framework

5.1 Reforming the Government's Fiscal System

Reforming the government's fiscal system is the key to establishing a public finance framework in China.

First, the government should change the way of fiscal expenditure. Since the reform and opening up, China's productive forces have been developing at a rapid pace. At present, China has become the world's second largest economy, but China's fiscal expenditure direction is still focused on "dining" finance. With the development of society and the major contradictions of society, the Chinese government should slowly change the direction of fiscal expenditures and shift the focus of fiscal expenditures to social redistribution. At the same time, the financial funds will be tilted to the economically underdeveloped areas, narrowing the imbalance between the regions and the gap between the rich and the poor.

Second, reform the tax system. Reform the tax system, increase the tax revenue that local governments can receive, and hand over some central government-controlled taxes to the central government, establish a stable tax source for local governments, and expand the autonomy of local government taxes. Let the local government be strong in building the place. In accordance with the requirements of strict public finances, combined with China's actual national conditions, reforms were carried out to establish a thorough tax-sharing system.

Third, strengthen budget management. Improve the "Budget Law", refine some laws and regulations on implementation issues, and implement them as far as possible to achieve legal compliance. When convening a meeting of the National People's Congress through the budget, please ask the dedicated personnel to analyze the budget table. To enable NPC deputies to quickly grasp effective information and give full play to the effective supervision of the people's congress on the budget.

Finally, improve the transfer payment system. Change the situation in the current transfer payments that "the wealthy people have been rich and the poor have been poor". The establishment of a scientific and rational transfer payment system is a rational and effective allocation of the state's

financial resources. It will help the areas that need help to the greatest extent possible and change the current situation of imbalances in China's regional development.

5.2 Establish a Local Public Debt System

Establishing a local public debt system is an important measure to improve the tax sharing system, and is of great significance to the construction of China's public finance framework. The establishment of a local public debt system requires a complete system, not only the most basic issuance system and repayment system, but also a mature supporting legal system and supervision and management system. There are two types of local public debt issuance. One is to issue bonds directly, but this is not allowed in China. Therefore, the distribution model of China's local public debt system is the second one, that is, the central government issues bonds on behalf of local governments. . In this way, the issuer of the bond still belongs to the local government, but the central government also has the responsibility, so the central government can supervise the issuance of local government bonds. To promote the issuance of local government bonds, it is necessary to provide corresponding policy support for the issuance of local government bonds. Amend the contents of the "Budget Law" that are not suitable for the issuance of local public debts, and clearly stipulate legally the issuance of local government bonds, and give local governments the right to issue public debts. As an important financing method for local governments, the issuance of local government bonds is necessary for the development of local finance.

5.3 Building a Public Financial Supervision Mechanism

To build a good public finance framework in China, the most powerful guarantee is to establish a public finance supervision mechanism to enable public finance to play a role in meeting social needs.

First, we must pay attention to financial supervision. In order to ensure the normal operation of public finance supervision, financial supervisors should abandon the previous ideas. Ideologically and fundamentally pay attention to financial supervision, bearing in mind the importance of financial supervision, bearing in mind its own responsibilities, strengthening the awareness of the rule of law and the concept of the legal system, and conducting financial supervision according to law to ensure that every financial fund is implemented.

Second, improve laws and regulations related to financial supervision. In view of the current problem of unification of law and law enforcement among various regions, it is necessary to refine relevant laws and regulations, implement law enforcement and unification in future supervision activities, establish the authority of financial supervision, and form a set. Complete legal system of financial supervision. In order to better exercise the financial supervision and authority, the staff in the financial supervision organization can select personnel with certain supervision experience and have a certain understanding of the finance, so that the supervision behavior is more representative. Staff with high professionalism and professionalism can face the problems that may arise in the work more calmly and calmly.

Third, we must improve fiscal transparency. Achieving a fiscal disclosure system is an important measure to clarify fiscal transparency. Financial disclosure must be timely and transparent, and public information should not be too long. At the same time, to ensure the authenticity of the information disclosed, to conduct a special assessment and analysis of the data, the government can be required to explain some information and so on. All of these can increase the enthusiasm of the people for financial supervision, so that financial work can truly serve the people under the "sunshine".

6. From the Public Financial System to the Modern Fiscal System

In 2013, the Third Plenary Session of the 18th CPC Central Committee proposed to establish a modern fiscal system characterized by "rule of law, people's livelihood, stable finance, sunshine finance, and efficiency finance". The construction of modern fiscal system was officially put on the agenda of China's fiscal and taxation system reform. It is highlighted in the modernization of the fiscal system that corresponds to the modernization of state governance capabilities.

The acceleration of China's construction of a modern fiscal system is not a denial of the public finance system, but a further development of the public finance system in a socialist market economy system with Chinese characteristics. The public finance system originated from Western countries and was officially confirmed to be introduced to China in 1998. However, as mentioned above, it is precisely because of the differences in national conditions between China and the West that it leads to different institutional forms under the same conditions of public finance system. The introduction of the public finance system has also brought about many problems in China, such as the slow development of public finance due to cultural differences, the contradictions in Western thoughts, and the lack of deep public finance theory. Under this circumstance, it is very necessary to establish a fiscal system that is compatible with China's own development. The modern fiscal system has not replaced the public nature of the public finance system, but has become more prominent in adapting to the overall governance of the country and is compatible with China's modernization. The establishment of a modern fiscal system is mainly carried out in three aspects: reconstructing the fiscal relationship between the central and local governments, exerting two enthusiasm; reforming the budget management system; and making the regulatory system more transparent.

7. Summary

China's current fiscal system evolved from the traditional planned economic system. The current public finance system was introduced by Western countries. There are still some problems that do not meet the requirements of the socialist market economic system. Therefore, it must be constructed in line with China. The basic national conditions and the public finance framework required by the socialist market economy. Nowadays, China's transition from public finance system to modern fiscal system is a favorable orientation for the localization and localization of public finance system. Under the characteristics of retaining the public nature of public finance, it highlights the modernization of state organization and governance capacity.

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