

# REFORMING

(汉英对照)

## 城镇化与中国财政改革

REFORMING THE PUBLIC FINANCE SYSTEM TO FIT A MORE URBANIZED CHINA

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## 致 谢

在为世界银行和国务院发展研究中心关于中国城镇化的联合研究课题撰写支持性论文的过程中，我们产生了写作本书的想法。世界银行和国务院发展研究中心的研究成果已经以《城镇化中国：实现高效、包容和可持续的城镇化发展》为题发表。该联合研究课题的同事们对本书写作提供了很多帮助。

在研究过程中，我们从许多人处获益良多。很多财政部门的从业者挤出宝贵的时间告诉我们中国地方政府是如何运行的。过去九个月里，我们会见了许许多多来自上海市、四川省、重庆市、湖南省、海南省、河南省、浙江省、辽宁省和广东省的财政官员。这使我们能不断重构和更新先前基于对其他省份的了解形成的工作基础。

我们收到了许多来自前任和现任中央政府官员和中国其他地区学者的有益评论与批评。也许，我们没能更多地采用他们对本书的建议是一个错误。特别要感谢许善达、王道树、满燕云、刘乐峥和黄佩华为我们提出了关于中国地方财政体制的有益想法。特别还要感谢的是 Karlis Smits，他是我们的数据分析顾问，是他让我们能够更加合理地解释实证证据。

最后，本研究最终书稿的形成离不开一些人的出色工作。来自中国财政经济出版社的责任编辑赵力提供了专业的指导，使本书出版成为可能。中央财经大学和纽约州立大学布法罗分校的一些学生为我们提供了宝贵的研究帮助，他们是陈歆燕、刘楠楠、李雯瑞、张少哲和万晓萌。刘乐峥为本书一些艰涩的部分作出了优秀的翻译。

尽管我们接受了许多帮助和建议，但本书所有分析和结论的文责由我们承担。





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# 第一章 财政体制面临的挑战

## 引言

未来二十年，伴随一个更加成熟经济体的发展，城镇化和其他结构性改变将会使中国发生翻天覆地的变化。中产阶级崛起，服务业突飞猛进，最终，家庭消费对中国经济增长的驱动将超过投资的作用，同时大规模城市的人口还会进一步扩张。McKinsey（2009）认为，到2025年，城镇经济规模将占中国GDP的90%。现行公共财政体制虽然适应投资驱动型的经济，但是将无法很好地适应城镇化程度更高的中国。事实上，一些现行体制的根本问题给中国经济发展带来了越来越显著的效率、公平和环境问题。城镇化进程中，现行的政府治理和财政收支体制都需要进一步改革，以真正利及中国经济的发展。因此，体制内外的很多专家都一致认为，进一步的财政体制改革势在必行（楼继伟，2013；世界银行和发展研究中心，2013，2014；Lim, Porter, Romer 和 Spence, 2011）。<sup>1</sup>

改革的中心议题是形成一个健康的财政体制，政府能够将传统的、提供公平高效公共服务的职能与具有私人部门性质的投资与生产性职能分离。目前较为可行的策略是，弱化政府拥有和运营与私人部门形成竞争的公司，不再强调政府直接干预经济职能的重要性。取而代之的是政府将扮演支持性的角色，为市场经济发展提供必要的基础设施和监管，相信市场能为经济参与者产生正确的经济信号。地方政府的工作重点是提供较好的地方公共服务，且地方官员的奖惩取决于履行公共服务提供职能的表现。事实上，这并不是一个全新的政策，而是重新强调三十年前中国改革开放的既定策略。

要向这一方向迈进，建成合适利益驱动的公共部门体系，政府就必须慎重考虑财政体制改革的各项要点：构建地方政府官员决策的问责机制；合理划分中央和地方的收入与支出责任；为社会公共服务和社会保障提供资金；从生产型税基

1 本书中发展研究中心为中国国务院发展研究中心。

转向消费型税基；给予地方政府税收；规范地方政府合理利用土地融资；提高地方预算的透明度；提高私营部门在住房信贷上的作用；加快构建促进省际和省内容量化的项目；采取更灵活的预算体系使地方政府能高效地制定收支计划以及更好地分配财政资源。由此可见，这将是是个不小的改革。

值得指出的是，一个更突出的挑战是如何处理财政体制改革带来的财政理念调整。这包括用规范透明的决策机制替代非正式的协商机制、让居民意识到公共服务需要用税收和使用者付费购买而不应将服务看作既得利益、更多地对个人直接征税、将地方官员的执政理念从“政府支出用以经济发展”转变为“政府支出用以提升城市宜居性”。本书所讨论的重大财政体制改革的推动快慢取决于这些财政理念转变是否能够顺利推行。

这些影响深远的变革所处的经济环境将会使推进财政体制改革更加艰难。宏观经济增长逐渐放缓将使过去支撑政府支出高速增长财政盈余不再持续，同时不断流入城镇地区的人口会进一步拉高政府服务的需求。并且，对消费提高征税与提升国内消费的规划之间需要进一步协调。落后于经济发展的财政体制已经形成一些财政“既得利益”，难以去除。这些改革有必要纳入 2013 年党的十八届三中全会提出的进一步深化改革的远大规划实施之中。

## 转型期的财政体制

未来二十年，中国将会面临两个重大的转型，这两个转型都要求财政体制进行相关调整（世界银行和发展研究中心，2014，81 ~ 126 页和 127 ~ 186 页）。首先，随着城镇化进程的推进，中国人口将大规模向城市转移；其次，随着中国经济发展不断成熟，中国 GDP 增长率将会下降（世界银行，2013b）。这些重大的变化将会对公共服务的需求、公共服务提供的成本、财政收入增长以及公共服务的提供方式产生显著影响。因此，在转型时期，对政府部门的有效管理，尤其是对地方政府财政的管理，将是中国政策制定者面临的主要挑战。中央政府需要决定，财政政策的目标究竟是在问题暴露后能快速修正，还是积极推动结构性的改革以防范于未然。

## 城镇化的财政影响

政府预算将在城镇化过程中面临诸多挑战。未来二十年，城镇人口增长将突破两亿人。到 2030 年时，中国城镇人口占比将从现在的 53% 提高到 70%。其中，部分人口增长来自一些从其他地区新移民而来的技术工人，但大部分会是技能低于目前的城镇居民的外来务工人员。与以前相同的是，很多迁入城市的外来务工人员不会带上自己的家庭，而是住在集体宿舍里。现在，只有 20% 的外来务工人员会带着他们整个家庭迁入城市。但是，如果城市有足够的医疗教育服务以及可负担的住房提供给新迁入人口，那么这种人口迁徙的形态就会改变（王桂新、沈建法、刘建波，2008）。因此，现在首要的财政制度问题是，如何在保证现有城市生活水平不变的同时，吸收新城市居民与工人，并为他们提供合适的公共服务。实现这个方法以及可用的资源将是我们关注的重点。

### 城镇化的成本

城镇化的成本本身就难以定义，更不用说去测量。我们可以肯定的一点是根据现有城市基础设施以及公共服务提供能力的情况，未来城镇人口的增长显然比绝大部分城市目前能容纳的水平要多。同时，对部分有特殊需求的外来务工人员来说，地方政府需要花费比现有水平更高的财政支出以满足他们，比如补助学校用品、建设满足外来务工人员健康需求的社区医疗中心和经济适用房，以及促进医疗保障和养老保障体系跨区域结算。

人口流动的边际成本大小很大程度上依赖于外来务工人员可以享受多少当地户口的居民享受的公共服务。这个成本会随城市和公共服务的种类不同而变化。举个例子来说，外来农民工能否被纳入当地社保体系是由地方政府政策决定的。平均来看，只有少于 25% 的外来务工人员能被纳入社保体系，但却有高于 85% 的原籍居民能被纳入社会保障体系（世界银行和发展研究中心，2014，263 ~ 358 页）。对于很多公共服务来说，尽管以全国居民为基础的系统已经投入使用，但是这个系统既不属于中央支出责任，也不受中央监管。现实是，一些城市在就业和享受公共服务提供上对户籍居民采取更宽松的限制条件以及给予更高的福利。

在教育方面，官方采取的政策是按照属地为所有儿童提供义务教育。地方政府总体上都遵照执行了这项政策。最近一项调查显示，大约 80% 的外来务工人

员子女能在公立学校就读。<sup>1</sup> 但是，每个地方的实际情况并不完全相同，至少在一些地区，政府对于为外来务工人员子女服务的学校的资助力度并不及一些常规的公立学校（杨兰娟，2012）。<sup>2</sup>

显然，城市要吸收逾两亿的城市新居民以及外来务工人员的成本是非常巨大的。因为难以将城镇化对成本的影响与其他因素的影响分开，准确衡量城镇化的成本很难实现。McKinsey（2009）估计城市吸收全部新移民的成本达到约 2.5% 的 GDP。

根据中国社会科学院发布的研究结果（2013），使外来务工人员和城市居民间达到公共服务水平一致的人均成本全国平均值为 131000 元，其中沿海地区、中部地区和西部地区的数据分别为 176000 元、104000 元和 106000 元。一些地方政府估计的城镇化的公共部门成本甚至更高。例如，河南省估计，吸纳六百万流动人口成为城市居民且接受正常城市公共服务，支出成本会达到 1 万亿元，并在接下来的三年里平均每年大概要有 167000 元的人均资本性支出。<sup>3</sup> 为更好地理解以上数值意味着什么，请注意河南省每年人均 GDP 大约是 38000 元。

工业化国家同样也应对过吸纳人口流入的财政成本的问题。这些成本的估计值变动很大。一个经合组织的研究表明德国吸纳移民的财政成本等于其 GDP 的 1.1%，这很大程度上是为大量移民提供养老金福利造成的。但是，移民是财政体系的支出负担还是收入贡献者这个问题还没有确定的答案。Rowthorn（2008）给出了另一组全面的估计值，并考虑了经济周期的调整。他发现在发达国家这一因素对财政的影响在 -0.7% 的 GDP 到 +0.7% 的 GDP 区间变化。Ekberg（2011）预测，到 2050 年，未来瑞典移民的财政影响在 -1.6% 的 GDP 到 +1.3% 的 GDP 区间变化。一个关于英国移民对英国财政影响的研究表明 2000 年早期以来进入英国的移民为英国财政带来了显著的净贡献（Dustmann and Frattini, 2013）。在瑞士和卢森堡，移民为财政收入贡献了约 2% 的 GDP（经合组织，2013）。<sup>4</sup>

4

1 Wong（2013a）跟踪发现在给予外来务工人员子女入学机会方面获得了很大的进步。

2 经合组织的国际学生表现评估调查认为上海的 15 岁学生在阅读、数学和科学上的表现超过了韩国、芬兰、香港和新加坡的同龄学生。但是，上海的非户籍人口外来移民家庭并不能受益于这些上海公共教育体系的优势。中国儿童早期教育入学率和持续时间——这是不管在发达还是发展中国家学生获得经合组织国际学生表现评估测试高分的重要因素——城乡差距很大。2011 年副省级城市划分了约 75% 的公共教育支出。

3 作者根据河南省政府提供的材料估计。

4 [http://www.oecd-ilibrary.org/docserver/download/8113141ec006.pdf? expires = 1400208841&id = id&accname = ocid195670&checksum = BEB2D99C6358F7B1ADA32B1E1BB0967F](http://www.oecd-ilibrary.org/docserver/download/8113141ec006.pdf?expires=1400208841&id=id&accname=ocid195670&checksum=BEB2D99C6358F7B1ADA32B1E1BB0967F)



当中国放松其户口政策时，一些社会问题会不可避免地涌现出来<sup>1</sup>。一些当地城市居民不欢迎外来务工人员的原因有两个，其一是他们担心公共服务需求的增加会导致整体公共服务质量的下降，其二是他们觉得外来务工人员会受到政府的优待（世界银行和发展研究中心，2014，263 ~ 358 页）。这与美国和欧洲的当地居民长期排斥外来移民非常相像。但不管是中国还是其他地方，当有新的资源与需求相匹配的时候，这种问题将能得到缓解。

城镇化的成本问题不仅仅来自农村的务工人员涌入。当城市不断涌入从周边县区以及其他城市迁移而来的新居民时，城市政府财政同样将面临压力。这些居民通常是专业工人以及他们的家庭，往往需要更好的公共服务，对地方政府造成的压力也更大。大城市居住的居民将会寻求更高质量的住房以及更便利的城市设施，要求新兴服务业坐落于靠市中心更近的区域，而且他们要求的市政基础设施和公共服务与制造业所要求的是不同的。

更一般地，城市公共服务水平要得到提高，公共设施维护性支出也同样需要增加。要达到中央设定的环境保护标准，还有很长一段路要走（世界银行与发展研究中心，2014，439 ~ 535 页）。同时，随着当地居民收入的提升，他们也会要求更好的公共服务。

### 城镇化的收益

在中国，城镇化和人口流动也会产生财政收益，就如欧洲那样（具体见上面讨论）。从其他城市迁来的居民将会带来新的技能，同时城市内不断成熟的大学也会提高生产率。外来务工人员能有效地满足私营部门生产扩大的需要，也由此吸引更多的资本投资，从而更好地发挥集聚效应以及规模效应。相对于较低的城镇化水平，这会提高增值税、企业所得税以及工薪税收入。同时外来务工人员还会通过增加应税消费和缴纳社会保障税直接对财政收入作出贡献。<sup>2</sup>

城镇化和人口流动也可以缓解地方支出预算的压力。城镇化可以吸收公共与私营基础设施及房地产的过剩产能。目前大部分存量保障房的受益人并不是政策的目标人群。中产阶级成为经济适用房项目的主要受益人。城镇地区的低收入农

1 从 1958 年开始中国实施户口制度，把居民分为“城镇居民”和“农村居民”，并通过限制非当地居民接受当地公共服务的权力来严格控制人口流动。目前，中国正在为促进城乡共同发展改革机制，包括进一步放开户口限制。

2 据报道，四百万辽宁省外来务工人员中的一百万人缴纳了社会保险金。

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民工的住宅需求得不到满足与二三线城市存量房屋过剩形成鲜明对比。

城镇化带来的增量收益多大程度能覆盖增量成本部分取决于服务业的发展有多快，以及能否抑制地方官员在城市边缘大兴工业的冲动（世界银行与发展研究中心，2014，81~126页）。如果不能抑制这种冲动，城市持续蔓延扩张将会带来更高的城镇化成本，并且会抵消一定的财政收益。现有证据表明，至少在短期而言，城镇化将会给公共财政带来额外的负担。

即使城镇化带来的国家财政红利足以支付大部分城市提供基本公共服务的新增成本，也很难覆盖每一个城市的成本，且城镇化对每个城市公共预算带来的影响并不相同。一些城市的居民和商业需要更高层次的公共服务，由此公共服务支出就会更多，积压待建的基础设施建设也会比其他城市要多。而一些城市居民和商业需要不同类型的公共服务，这部分反映了经济结构的变化（制造业转服务业），也部分反映了外来居民对城市发展的贡献程度。在此之上，城镇化进程中增长最快的省份和城市将能通过按收入来源地共享的体制获得最多的税收共享和返还。

### 改革的方向

为了更好地适应城镇化带来的变化，对财政体制进行适当调整十分必要。政府间转移支付的分配要与各地不同的融资需求和融资能力相匹配。同时，要因地制宜地满足各个地方政府不同的偏好和财政支出需要，可以给予地方政府更多控制财政收入的权力，以便他们能更好地提高收入来满足日益增多的支出责任。

6 政府融资的问题不仅仅在于收入与支出的差异，也在于提供服务的差异和可能使用的税收和收费的类型的差异。这些差异可以呈现在：一部分城镇区域会吸引服务业的公司而另外一些将会吸引更多工业产业的公司；一部分城镇区域会吸引更多低收入的工人；也有一部分会吸引更多的居住者，而另外一部分将会吸引更多的临时工人。以上这些差异意味着地方政府需要更灵活地决定所提供服务的种类以及如何提供这些服务。要满足这些不同的需求，有必要改变地方决策系统，让地方更多考虑长远的规划及提供一系列让地方经济高效、包容和可持续发展所需要的公共服务。<sup>1</sup>

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<sup>1</sup> 由于难以确定“成功”表现的决定因素是什么，研究地方首脑的考核机制非常困难。参见周黎安（2007），Li and Li-an Zhou（2005）。

## 经济增长放缓对财政体制的挑战

到 2020 年，中国的 GDP 增长率预计将逐步下降到 6% 左右（世界银行与发展研究中心，2014，81 ~ 126 页）。尽管按世界标准，这一经济增长水平仍是健康的，但可以预期未来财政盈余状况不再会像前二十年那样。表 1-1 通过简单计算演示了这种情况。届时，如果财政收入占 GDP 比率与 2012 年水平一致（23%），8% 经济增速下征收的收入与 5% 经济增速下征收的收入差距将在 2010 年达到 25%，在 2030 年达到 66%。<sup>1</sup>

表 1-1 GDP 和财政收入预测<sup>d</sup>

年度	实际 GDP 增速 (%)	实际 GDP (百万元) <sup>c</sup>	财政收入占 GDP 比重 <sup>c</sup> (%)	实际收入 (百万元)	实际人均财政 收入 (元)
1990	3.8	10269	13	1357	119
2000	8.4	27702	11	3086	244
2010	10.4	75055	21	15501	1156
2011	9.3	82031	22	18385	1365
2012 <sup>a</sup>	7.7	88313	23	20227	1494
2020 <sup>b</sup>	5.0	130478	23	29884	2207
	6.5	140757	23	32238	2381
	8.0	163461	23	37438	2765
2030 <sup>b</sup>	5.0	212535	23	48678	3595
	6.5	252074	23	57734	4264
	8.0	352899	23	80826	5969

资料来源：使用中国统计年鉴（2012）计算。

a. 基期年；b. 预测值；c. GDP 指数与 CPI 指数，1978 = 100；d. 仅包括一般公共预算收入。

这些预测值并不是正规模型计算的，而是基于演示性的直观计算，但也可以反映一些重要的财政问题。财政收入显著下降意味着中央和地方政府的一些支出项目的名义增长需要放缓，或者要主动增加收入。即使将增加税收的办法排除在外，政府仍有许多办法处理收入紧缺，包括支出项目缩减、提高使用者付费以及

<sup>1</sup> 这个演示性的预测没有考虑报告土地出让收入和社保收入的地方政府性基金项目。

把一些预算项目变成私人部门提供等。

面对收入增长不足，政府支出管理将面临挑战。一个特别重要的问题是由于人口老龄化，养老金以及健康保障方面的财政支出压力巨大。未来几十年，超过六十岁的老龄人口增长会很快，预计占人口比重将由 2010 年的 12% 上升到 2030 年的 25%，到 2050 年更是增长到超过 33%。这将不仅仅使家庭养老经受考验，还会使政府社会福利项目、养老金和卫生医疗项目承受更大的压力（世界银行和发展研究中心，2014，263 ~ 358 页）。

如果实际工资水平能得到提高及中产阶级的消费以理想情况增长，公共服务需求发展的方向将是更好的服务、更美的自然环境和更人性化的公共设施。财政支出需求的变化也有可能源于企业部门从制造业逐渐向服务业转型。<sup>1</sup> 会给政府支出预算带来很大压力的方面有：解决积压的财政支出需求、支付债务以及养老金、治理城市环境污染及交通拥挤问题等。其他一些城镇化的成本包括过去十年政府不断增加的固定资产的维护费用和中国很多大都市区城市过快扩张带来的成本增加（世界银行和发展研究中心，2014，127 ~ 186 页）。

经济发展变缓给预算带来的冲击并不都是负面的。举个例子，与放缓的 GDP 增长率及私人部门工资增长相协调，公共部门雇员的报酬可逐步下调。<sup>2</sup> 如果新的地方政府债务管理框架顺利建立，并设置正式的债务规模限制，地方政府的债务规模以及偿债成本增长将会减缓。但是，如果一定程度上随着 GDP 增长放缓，公共部门投入（如材料）的价格并没有下降，服务提供的单位成本减少并不会对缓解财政赤字有多少帮助。类似地，公共部门员工的工资也可能并不会向下调整来适应缓慢增长的私人部门工资。

在政府收入方面，由于税收主要由消费和工资推动，高弹性将会使财政收入增长仍可持续。中国个人所得税有累进税率结构，但是覆盖率较低。政府收入增长缓慢将主要体现在土地流转的税收收入方面。

上述讨论及前一节的讨论表明公共支出增长的决定因素复杂多变，且正如下面第二章所讨论的，国家与国家之间也普遍不同。一种新兴的追求生活环境质量的全民意识也可能会部分甚至全部抵消中国经济增长缓慢所带来的影响。

1 关于经济结构转型会如何影响政府支出的讨论请参见 Yusuf (2013)。

2 根据 2000 年到 2006 年的数据，公共部门的工资比私人部门的工资高 13.48%，并且差距正随时间扩大（尹志超、甘犁，2009）。

## 本书的框架

在下一个章节，我们将介绍现行中国财政体制并进行相关分析。<sup>1</sup> 我们将说明这套体制是如何运作的以及它近几年的发展；并说明这套体制与世界其他国家财政体制相比的优缺点。同时，我们会分析中国公共财政支出增长的决定因素并与世界各国比较。在第三章，我们将会考察我国财政体制的现存问题。在第四章，改革现行财政体制的措施将是主要内容。我们第四章着重考虑的问题是：现行财政体制的改革究竟是应该以整体全局的方式推进，还是要以零碎的方式开展？根据经济理论得出的改革方向对中国改革是否适用？第五章我们将提出财政体制改革的整体方案。在第六章，我们将考察财政体制改革所带来的影响，例如对公平和效率的影响和实现改革所需的行政要求。在第七章，我们将总结财政体制改革将如何适应全国人民代表大会所制定的中国经济和社会发展战略。

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<sup>1</sup> 部分分析源自我们更早的分析（Bahl and Qiao, 2013），并请参见世界银行与发展研究中心（2014, 362 ~ 438 页）。

## 第二章 中国财政体制的框架

### 引 言

中国的财政体制与苏联以外的大多数国家的财政制度存在较大差异（楼继伟，2013；Bahl，1999）。中国财政体制的特点在于：在政府预算支出方面，中国政府实行高度分权，但在政府预算收入方面，中央政府却牢牢掌握着征税权；不透明的预算系统和地方政府资本预算的缺失导致财政规划能力受到削弱。本章中我们要重点理解这套体制的优缺点，以及如何作出改变使之适应经济发展的需求。

### 政府的规模与增长

中国政府规模一直是个备受关注的问题，其规模是大，还是小？可以和哪些国家的政府规模相比较？规模的大小应当如何衡量？是否还有增大的空间？是否需要政府通过政策设限？在如今现代化的进程中，我们是否可以从分析决定政府规模增长的因素里得到一些启示？

我们用中央政府和地方政府的支出总和，减去由政府间转移支付引起的重复计算的支出部分来衡量中国政府规模。政府规模指数（支出占 GDP 的百分比），可以看作政府支出占国家总支出的比重。

中国的统计报告一般会记录所有用于政府服务的经常性开支和资本支出（财政部，1997，2001，2006）。其中包括对提供公共服务的企业的补贴，但不包括这些企业的运营开支，尽管这些企业的部分所有权属于政府。同样的，在竞争性领域的国有企业的运营开支也没有被包括在政府预算当中，但政府预算包括对国企的转移支付。社会保障支出虽然是独立预算，但这里也被包括在政府总支出里。

## 中国政府规模大吗？

如果以一般公共预算支付的政府支出为衡量标准，中国政府规模占 GDP 的 25%（见表 2-1）。如果包括社会保障项目（养老金和医疗保险），中国政府规模将达到 GDP 的 30%。无论用上述哪一个标准衡量，中国政府的规模都高于发展中国家的平均水平，与中等收入国家的政府规模大致持平，比如阿根廷，但低于巴西（见表 2-2）。

表 2-1 政府支出占 GDP 的百分比 单位：十亿元人民币

年份	GDP	一般公共预算支出		政府性基金支出		社会保障支出		国有资本经营支出		合计
		数量	占 GDP 百分比 (%)	数量	占 GDP 百分比 (%)	数量	占 GDP 百分比 (%)	数量	占 GDP 百分比 (%)	占 GDP 百分比 (%)
2008	31603	6259	19.81	1498	4.7	993	3.1			27.61
2009	34032	7630	22.42	1612	4.7	1230	3.6			30.72
2010	39976	8987	22.48	3395	8.5	1482	3.7			34.68
2011	47212	10925	23.14	3995	8.5	1888	4.0			35.64
2012	51932	12571	24.21	3633	7.0	2390	4.6	140	0.27	36.07
2013	56885	13974	24.57	5012	8.8	3451	6.0			

资料来源：《中国统计年鉴》，《全国地市县财政统计资料》。

- 支出总额，包括采购成本和土地出让的征地成本；
- 包括一些对社会保障预算的转移支付；
- 包括一些从一般公共预算划拨的转移支付。

表 2-2 部分国家的政府支出占 GDP 的百分比：不同年份比较

国家	政府支出占 GDP 的百分比 (%) <sup>a</sup>	人均 GDP (以 2005 年美元价格衡量)	人口数 (百万)
中国 (2012 年)	30	3348	1351
加拿大 (2011 年)	41	35794	34
美国 (2011 年)	40	42447	312
德国 (2011 年)	45	37271	82
阿根廷 (2004 年)	29	4380	38



# CHINA

续表

国家	政府支出占 GDP 的 百分比 (%) <sup>a</sup>	人均 GDP (以 2005 年 美元价格衡量)	人口数 (百万)
韩国 (2012 年)	36	21562	50
波兰 (2011 年)	43	10387	39
巴西 (2011 年)	39	5721	197
印度 (2009 年)	25	948	1190
俄国 (2011 年)	42	6633	143

资料来源：政府支出数据来源于《中国统计年鉴》，国际货币基金组织政府财政统计数据库。人均 GDP 和人口数量数据来源于世界银行世界发展指数数据库。

a. 除去预算内转移支付的估计值后。

与一般工业化国家相比，中国政府规模相对较小，这主要是因为中国政府对医疗卫生以及社会保障服务的投入较少。然而，与工业化国家对比会比较困难，因为他们政府规模的差异幅度太大，比如在 30 个经合组织国家中，政府规模从占 GDP 的 35% ~ 52% 不等（国际货币基金组织，2011）。

中国在政府支出方式上与工业化国家的不同主要体现在两个重要方面：首先是对私人部门经济发展的大额支出，包括对公司的补贴；其次是地方政府支出所占的比重。比较表 2-3 与表 2-4，可以看出中国地方政府的支出大概占了 85% 的政府总支出。而且，如果政府性基金的支出（大部分包含基础设施建设的独立支出预算）和社会保障基金的支出也包括在内的话，政府支出的分权程度会更大。世界上没有任何一个国家的政府能有类似这样的财政分权力度。

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表 2-3 地方政府支出<sup>a</sup>

年度	占 GDP 百分比 (%)	占总政府支出 的百分比 (%)	占总政府支出的 百分比 (%，省)	占总政府支出的 百分比 (%，市)	占总政府支出的 百分比 (%，县)
1994	8.38	69.70			
1995	7.94	70.80			
1996	8.13	72.90			
1997	8.49	72.60	23.04	23.65	25.88
1998	9.09	71.10	22.41	24.10	24.55
1999	10.08	68.50			

续表

年度	占 GDP 百分比 (%)	占总政府支出的百分比 (%)	占总政府支出的百分比 (% , 省)	占总政府支出的百分比 (% , 市)	占总政府支出的百分比 (% , 县)
2000	10.45	65.30			
2001	11.98	69.50	20.71	20.98	27.79
2002	12.70	69.30	19.64	21.03	28.63
2003	12.69	69.90			
2004	12.88	72.30	18.75	22.20	31.35
2005	13.60	74.10	18.88	22.67	32.58
2006	14.07	75.30	18.33	22.54	34.41
2007	14.42	77.00	17.72	22.20	37.09
2008	15.68	78.70	18.45	21.10	39.13
2009	17.91	80.00	19.20	22.10	38.71
2010	18.40	82.20			
2011	19.61	84.90			
2012	20.98	85.19			

资料来源：《中国统计年鉴》；《全国地市县财政统计资料》；《2006 地方财政统计资料》。

a. 这里报告的支出仅包括一般公共预算支出，不含政府性基金预算、国有资本经营预算和社会保障预算的支出。

表 2-4 中国全部政府的财政预算总支出增长<sup>a</sup>

年份	政府支出占 GDP 的百分比 (%)	实际人均政府支出 (元)	实际人均政府支出 (美元)
1994	12.02	593	69
1995	11.22	608	73
1996	11.15	658	79
1997	11.69	746	90
1998	12.79	872	105
1999	14.71	1070	129
2000	16.01	1253	151
2001	17.24	1451	175
2002	18.33	1673	202
2003	18.15	1811	219

# CHINA

续表

年份	政府支出占 GDP 的百分比 (%)	实际人均政府支出 (元)	实际人均政府支出 (美元)
2004	17.82	1946	235
2005	18.35	2217	271
2006	18.69	2532	318
2007	18.73	2883	379
2008	19.93	3345	482
2009	22.38	4082	598
2010	22.38	4486	663
2011	23.10	5034	779
2012	23.94	5529	876
2013	24.57	7426.34	1199.11

资料来源：根据《中国统计年鉴》以及世界银行数据计算。

a. 仅含一般公共预算支出。基年 = 2000。

## 政府规模增长

自 1994 年以来，政府总体支出规模以 GDP 增长率两倍的速度增长。中国政府能够推动经济发展以及家庭实际收入增长的一个可能原因是提高了实际人均财政支出水平。即使不包括社会保障基金及资金来源于土地出让金的基础设施支出，表格中的结果也表明自 1994 年以来政府规模正持续稳定地在增长（见表 2-1 与表 2-3）。在 2000 ~ 2012 年间，中国的人均政府支出的实际增长达 6 倍，增长额为 725 美元；而同时期内，美国的人均政府支出的实际增长仅为 16%。这表明中国曾拥有非常大的实际政府预算支出扩张空间。

究竟是什么因素导致政府支出的快速增长呢？一些对工业化国家的研究提供了几个关于支出增长决定因素的解释。阿道夫·瓦格纳在 20 世纪初利用欧洲国家支出数据作出了论述，即政府支出成比例地快于总产出增长是正常现象。<sup>1</sup> 虽然“正确的”增长取决于政府支出需求的长期收入和价格弹性，但是基于欧洲各国的表现，瓦格

1 事实上瓦格纳本人并没有确切地描述“瓦格纳法则”，相关讨论可见 Peacock and Wiseman (1961)。

纳推测这个比例肯定大于1。瓦格纳“法则”确实符合自20世纪50年代以来在多数工业化国家观测到的税收占比和支出占比的增长（Pryor, 1985, Tanzi, 2011）。

为了检验瓦格纳假说在中国的适用性，我们用人均财政支出和人均GDP进行了回归分析，结果见表2-5。对所有政府支出的时间序列的回归分析结果（表中第一栏），以及对地方政府支出的面板数据的回归分析结果（表中第五栏）都显示出在1994~2012年间，人均政府支出增长快于人均总产出。根据研究的时间不同，政府支出一国内生产总值弹性的范围是1.3~1.5。我们对政府领导换届可能带来的置换效应也进行了检验分析，发现其并没有带来显著影响。<sup>1</sup>但我们发现，1994年的税制改革确实使政府支出的增长有所减缓，详见以下解释。

表 2-5 中国人均政府支出增长的决定因素<sup>a</sup>

年份	全部政府				地方政府 <sup>b</sup>			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	1994 - 2012	1983 - 2012	1983 - 2012	1994 - 2012	1994 - 2012	1983 - 2012	1983 - 2012	1994 - 2012
截距项	-6.36 (-19.47)	-4.31 (-6.09)	4.72 (9.12)	-5.85 (-17.39)	-5.84 (-13.37)	-4.57 (-12.79)	-3.31 (-6.00)	-5.49 (-13.26)
人均GDP	1.49 (44.56)	1.32 (15.31)	0.21 (3.35)	1.39 (31.85)	1.42 (30.46)	1.32 (31.19)	1.17 (17.38)	1.34 (27.59)
94虚拟变量 <sup>c</sup>	—	-0.47 (-3.18)	-11.07 (-18.02)	—	—	-0.39 (-9.00)	-1.78 (-3.62)	—
人均GDP与虚拟变量交互项	—	—	1.28 (17.97)	—	—	—	0.17 (2.88)	—
工资率 <sup>d</sup>	—	—	—	0.04 (3.24)	—	—	—	0.03 (4.15)
R <sup>2</sup>	0.99	0.95	0.99	0.99	—	—	—	—
观察值	19	30	30	19	586/31	914/31	914/31	586/31

a. 不含社保和政府基金预算支出；回归系数下的括号内显示了t值；最小二乘法估计值，所有水平变量取对数；

b. 面板数据，固定效应模型；

c. 从1994年开始虚拟变量=1；

d. 政府、党政和社会团体职员工资占总工资的比重。

1 为了分析置换效应，我们引入了虚拟变量：令样本内新政府成立的第一个年份等于1，但是结果显示都不显著。

另一个关于工业化国家的政府支出增长的解释来源于 Peacock 和 Wiseman (1961)。他们认为政府支出上升到新的高峰是由于战争和经济的大幅波动等主要外部冲击造成的。他们判断在这些冲击过后，政府支出水平会继续保持在新高点。一些对欧洲国家（第二次世界大战为主要冲击）研究和对美国的研究（大萧条为主要冲击）已经共同证实了这一点（Castles, 1998, Tussing and Henning, 1991）。

我们检验了上述置换假说是否适用于中国，发现了一些有趣的结果。首先，我们研究了较长阶段（1983 ~ 2012 年）的时间序列数据，在回归当中加入了代表 1994 年财税改革的虚拟变量。结果发现，1994 年财税改革之后，政府总支出和地方政府支出都有一定程度的减少。表面看来，禁止地方政府滥用预算外基金和减少地方政府的税收分成比例似乎可以达到预期开支减少的结果（Bahl, 1999）。但是在回归分析中加入了一个 1994 年财税改革与人均 GDP 的交叉虚拟变量后，结果表明收入弹性在 1994 年后显著变大。由此可知，1994 年财税改革促使中央和地方政府部门规模增长得更快。

为什么会有这样的结果？一种解释是 1994 年后，全国政府的财政空间拓展了将近两倍。这主要归功于于税制结构的改变和税收管理水平的提高。另一种解释是，1994 年的税收共享协议给予了地方政府税收收入的固定分成比率和一系列激励税基增长的措施。

另外，我们还采用了一个更长的时间序列数据（1979 ~ 2012 年），并加入了 1998（亚洲金融危机开始的年度）及之后等于 1 的虚拟变量。我们的假设是经济危机导致政府采取扩张性的财政政策，因此，政府支出会迅速增加。研究结果表明（见表 2-6）政府总支出和地方政府支出都有上升的迹象。

表 2-6 亚洲金融危机对中国人均政府支出的影响：被解释变量为  
人均中央和人均地方政府支出

变量	中央政府数据 1979 ~ 2012 年		地方政府数据 1979 ~ 2012 年	
	(1)	(2)	(3)	(4)
人均 GDP	0.955 *** (0.0555)	0.733 *** (0.123)	1.096 *** (0.0229)	1.007 *** (0.0265)
虚拟变量 1998		0.436 ** (0.198)		0.197 *** (0.0275)
截距项	-1.320 ** (0.494)	0.435 (1.004)	-2.769 *** (0.199)	-2.081 *** (0.223)
观测值	34	34	1030	1030
R <sup>2</sup>	0.907	0.925	0.942	0.945
群体数			31	31

括号内为稳健标准误差估计值；\*\*\* p < 0.01；\*\* p < 0.05；\* p < 0.1。

一个有趣的问题是，中国的城市化进程是否会成为这样一个外部冲击。从某种程度上它也许会，越来越多的人涌入城市会产生新的支出需求。例如，政府会面临更多以下方面的需求：环境保护、拥堵治理、房屋建造、基本公共服务和基础设施建设。还有一个可见因素：社会大众也许会越来越关注收入不均的问题，并且渴望更好的保障穷人的服务。如果真的是这样，而且如果中国也和其他工业化国家的发展进程一样，那么可以预见中国政府的规模会以新的更高的增长率上升到一个新的水平。

关于支出增长的另一理论假说是，由于私人部门边际生产率提高，生产部门工资将会上涨。如果公共部门与私人部门的工资均衡得到保持的话，公共部门的工资增长将会使政府支出增多，政府支出占 GDP 的份额便会上升（Baumol, 1967）。但鲍尔默假说并不能很好地适用于中国的情况，原因如下：第一，在过去大部分时间内，公共部门工资增长都比私人部门要快（尹志超、甘犁，2009）。第二，工人的报酬包括一系列非工资福利，以及受补贴的一般公共服务。表 2-5 呈现的是公共部门与私人部门的工资比较，但我们无法设定合适的方程来检验鲍尔默假说。

最后一种支出增长假说是，政府支出的增长受政府可用财政收入资源的多少驱动。例如，公共部门服务的巨大需求使财政支出增长，以至于会用尽所有可能的财政收入空间。这个解释应用于中国似乎十分合适。从 2003 年至 2013 年，税收占 GDP 的比重从 15% 增长到 19%，而这些增长并不是政策变动导致的。

## 税 收

一般税收收入在中国达到 GDP 的 19%（见表 2-7）。加上支付社会保障的工薪税收入，这个数值将达到 23%。<sup>1</sup> 这些税收比重高于发展中国家 17% 的平均水平，而且是中国在 1994 年财税改革前 10% 税收比重的两倍。然而，这仍然大大低于工业化国家的平均水平。

1 不含土地出让收入。

表 2-7

中国税收结构及增长<sup>a</sup>

单位:%

年份	税收收入占 GDP 的比重	总税收百分比分布					
		增值税	消费税	营业税	企业所得税	个人所得税	其他
1994	10.64	45.02	9.51	13.07	13.82		18.58
1995	9.93	43.10	8.97	14.34	14.55		19.05
1996	9.71	42.88	8.98	15.23	14.02		18.90
1997	10.43	39.88	8.24	16.08	11.70		24.09
1998	10.97	39.17	8.80	17.00	9.99		25.03
1999	11.91	36.34	7.68	15.62	7.60	3.87	28.89
2000	12.68	36.19	6.82	14.85	7.95	5.24	28.95
2001	13.95	35.01	6.08	13.49	17.19	6.50	21.72
2002	14.66	35.03	5.93	13.89	17.48	6.87	20.79
2003	14.74	36.15	5.91	14.21	14.58	7.08	22.06
2004	15.12	37.32	6.22	14.82	16.38	7.19	18.08
2005	15.56	37.50	5.68	14.71	18.57	7.28	16.27
2006	16.09	36.73	5.42	14.74	20.23	7.05	15.84
2007	17.16	33.91	4.84	14.43	19.24	6.98	20.60
2008	17.27	33.19	4.74	14.06	20.61	6.86	20.53
2009	17.46	31.05	8.00	15.14	19.38	6.64	19.79
2010	18.23	28.81	8.29	15.24	17.54	6.61	23.50
2011	18.98	27.04	7.73	15.24	18.69	6.75	24.55
2012	19.37	26.25	7.83	15.65	19.53	5.78	24.96
2013	19.42	26.07	7.45	15.58	20.29	5.91	24.71

资料来源: 2012《中国统计年鉴》。

- a. 仅包括一般公共财政预算收入;
- b. 国内增值税不包括进口货物增值税;
- c. 国内消费税不包括进口货物消费税;
- d. 2001 年之前, 企业所得税仅仅包括国有企业和集体企业所得税。2001 年后, 企业所得税还包括其他企业所得税, 所以数据无法和往年相比;
- e. 表格里最后一栏中的“其他”包括不动产税、契税、土地增值税和资源税等等。但是这里并不包括土地出让金(土地收入), 因为它不被认为是税收。



## 税收结构

中国的税收收入主要来自对消费的征税。大概一半的税收收入由增值税、消费税以及营业税组成（见表 2 - 6、附表 1）。中国的直接税与间接税的比率（0.36）相对较低。比如，在 2005 年，亚洲国家该比率是 0.91，世界平均水平是 1.49，经合组织国家平均水平达 2.27（Martinez - Vazquez, Vulovic and Liu 2011）。与世界其他国家的收入结构另一个很大的不同在于，中国对非税收入依赖较为严重，尤其是来自于土地出让金的收入目前占 GDP 的 7%。<sup>1</sup>

自 1994 年财税改革，中国的税收结构已经变得现代化。这些变化并不是一次性激进改革的结果，而源自富有成效的渐进式发展。税收结构变化的大方向是更简单的税收体制，更广的税基，更低的税率，更好的横向公平以及更好的征管方式。近十年发生的税制调整主要有：从 2004 年开始实施的转生产型增值税为消费型增值税的改革，在 2008 年消除国内外企业所得税率的差别对待，近年来持续增加消费税的覆盖项目，资源税转换为从价税，而且尤其是最近，为了更好地支持服务业发展以及为高度依赖服务产品投入的企业减负，营业税也开始归入增值税。

在地方政府税收方面，税收政策上并没有采取很多激进措施。作为地方政府主要收入来源的营业税正逐步淡出和显著减少，同时还没有出台对这部分收入的补偿政策。一直以来讨论热烈的房产税也没有正式开征。

### 税收努力

一个测量中国额外税收能力的办法是比较分析法。这个方法的目标是考察中国政府运用税收能力的程度是否和其他国家一样。在这里，我们将利用 2010 年 54 个国家的税收水平进行比较分析。

我们运用传统方法来测量中国的税收努力程度。该方法的主要原理是：通过考察 GDP 水平及其他会影响预期税收收入的变量来估测国家的税收能力。例如，以前的研究表明拥有更高的人均 GDP、更多的国际贸易和更低的农业/GDP 比重的国家往往具有更高的征税能力。用传统方法进行测量的研究包括 Lotz 和 Morss

1 2008 年到 2010 年，剔除征地补偿和土地平整准备的费用后土地出让的净利润大致为该值的 56%，即约 3.8% 的 GDP（世界银行和发展研究中心，2014，187 ~ 262 页）。

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(1967), Bahl (1971) 和 Bird, Martinez - Vazquez 和 Torgler (2008)。在此研究中, 我们用一个更现代的设定重新考察税收能力。

本书采用的模型是:

$$(1) T_c = f(x_i)$$

$$(2) E = T/\hat{T}_c$$

其中,  $\hat{T}_c$  = 税收能力估计值;

$x_i$  = 税收能力的决定变量;

$T$  = 实际征收的税收额;

$E$  = 税收努力指数。

在该模型中, 3 个外生变量 ( $x_i$ ) 被用作税收能力的指标。以美元计算的人均 GDP 是衡量国家税收能力的广义指标。大量税收努力的文献都将此变量纳入解释变量。出口占 GDP 的比重作为解释变量的原因是它反映了一国生产部门的规模和正规程度。根据理论假说, 这个指标衡量了一个国家在国际市场上的竞争能力, 并且该指标与税基是否来自更正规的工资、更高的利润和消费及增长中的财产价值是紧密相关的。最后, 我们加入了一个工业化国家的虚拟变量, 目的是衡量在控制了 GDP 水平和出口水平后, 高水平的普遍发展程度对税收能力的效应。工业化国家采用了现代的方式开展经济业务 (如使用现代财务记账方式方便税收遵从和审计)、制定税收政策和实施征收管理 (如对资本利得的识别和征税、自行纳税申报和实施房产税等), 并签署国际税收协议帮助他们能更好地锁定税基和充分征税。<sup>1</sup>

被解释变量是 2012 年税收收入占 GDP 的比, 数据来自国际货币基金组织 (2011)。该变量包含了社保收入。样本包括 54 个发展中国家和工业化国家, 但不含中国。回归方程使用最小二乘法估计, 所有的变量取了对数。我们的预期是所有 3 个变量都对税收比例有正向作用。

回归结果表明 (见表 2 - 8), 所有 3 个变量的估计系数均为正号并统计显著。使用截面数据估计的 GDP 和出口的弹性均低于 1 并统计显著。其他因素不变, 工业化国家税收比其他国家要多 10%。大约 70% 的跨国变动在回归分析里可以被解释。

我们可以使用这些结果对中国尚未使用的税收能力作出一个估计。如果中国

1 工业化国家的定义来自世界银行, 人均 GDP 和出口占比数据来自国际货币基金组织政府财政统计数据库。

被视为一个低收入国家，估计的税收能力是 GDP 的 15.3%，这是大大低于现实的 24% 的水平（包含社保收入）。如果这么看，那么中国已经是一个高税收国家，似乎已经没有多少空间去提高税收了。如果把中国与工业化国家放在一起比较，那么估计的税收能力是 25.2% 的 GDP，高于实际包含社保收入的 24%。这说明中国还有一些没使用的税收能力。以上分析提出了一个有趣的问题：中国应跟发展中国家比较还是跟发达国家比较？

表 2-8 54 个国家的税收努力回归分析

被解释变量	税收/GDP
人均 GDP	0.37 *** (0.107)
出口/GDP	0.15 * (0.083)
虚拟变量 =1, 如果是工业化国家	9.91 *** (2.812)
截距项	8.34 *** (2.704)
观察值数	54
R <sup>2</sup>	0.72

注：\* 表示显著性水平为 0.1；\*\* 为 0.5；\*\*\* 为 0.01。

## 财政分权

中国大量一般性财政支出由地方政府完成，地方政府支出占全部政府支出的份额远远超过了世界上的其他国家。我们在表 2-3 中可以看到，在 2012 年地方政府支出占总支出的 85% 以上。与之相比，一些财政分权的国家地方政府的支出却没有这么大。例如，加拿大和德国这一比例分别为 66% 和 39%，美国为 48%。如果将地方政府性基金支出的基础设施建设资金和社会保障也考虑进来，这个分权指标的值会变得更大。

更能显示中国财政分权决心的一点是，最低层级的（市或县级）政府支出在所有政府支出中占了最大比重。表 2-3 指出市和县级地方政府的支出占近三分之二的政府总支出。中国日益增长的省级以下政府的支出说明坚持支出责任分权是中

国的发展策略的关键元素。由于在公共服务提供上地方政府占着举足轻重的位置，中国的政府结构设计应处理好地方财政问题以更好地适应城镇化发展的需要。

与之形成鲜明对比的是，中央政府并没有对下放普通征税的权力作出承诺。中国征税的立法权（一直）是集权的。现行的制度并没有给地方政府任何自主确定税基和税率的权力。<sup>1</sup> 如果地方税的定义是地方政府要拥有制定税率的权力，那么中国地方税的比率是可以忽略的。另一方面，中国中央政府的确指定了一些税为“地方收入或地方税”。这些被指定为“地方收入”的税由地方来征收，并且所有的税收收入由地方留存。<sup>2</sup> 如果使用中国定义的“地方税”，各地地方政府的税收占全部税收的比重大约为 25%。

计算这些政府间的协定是很有意思的，因为这呈现了中国政府间财政体制的高度纵向不均衡：中央政府征收或是批准征收近乎 100% 的一般税收，用掉其中的 15% 作为自己项目的直接支出，通过各种税收共享和拨款分配剩下的（大约 85%）给地方政府。德国在处理纵向平衡上也采取相似的方法来集中大部分税率和税基的决定权。这一方法也在墨西哥和印度尼西亚这样的大发展中国家使用。平均来看，工业国家中地方税的占比大概在 23%，而发展中国家大概在 11% 左右（Bahl, Sethi, 2010）。

当讨论中国财政收入集权时，要注意重要的两点。首先，为社会保障筹集资金的工薪税是列入地方预算的。社保工薪税的税率有指导性条款规定，但各地又是各不相同的，取决于地方政府的选择。其次，土地出让的管理责任是分权到地方政府的。这包括设定农业用地征用价格的权力、设立土地出让价格的权力以及保留土地出让金的权力。2012 年土地收入相当于当年 GDP 的 7%，大约 30% 的政府收入，并且超过了社会保障收入。

按广泛定义，中国地方政府税收包括中国特色的“地方税”、社会保障税和土地出让金。按此计算，地方政府控制或有权使用资金占全部财政收入的三分之一以上。一定程度上，一些转移支付也属于地方拥有“权力”决定用途，如果把这部分也包括进去，地方政府的收入占比将会更高。在决定一般税制结构方面，中国地方政府并没有很大的决定权，但他们在支出预算内对如何使用资源却有很大的自主权。因此，预算将如何应对城镇化很大程度上掌握在他们手里。

1 地方政府仅有的税收自主权是在最低和最高的法定税率区间选择城镇土地使用税的税率。

2 这些税包括：营业税、资源税、城市建设维护税、房产税、印花税、城镇土地使用税、土地增值税、车船税、车辆购置税、耕地占用税、契税、烟叶税等等。

## 支出责任划分

支出责任划分指的是不同层级政府之间的功能责任分配，可以说，支出责任划分是财政分权体制里最重要的支柱。一旦确定支出责任后，就可以建立相应的政府收入体制为这些支出责任融资，并形成各级政府的财政平衡。然而，支出责任的划分远比政府公共服务的提供责任划分困难。支出责任划分也涉及给予各级政府决定公共服务提供的权力。

### 公共服务职能

中国预算法中并没有明确规定各个层级的支出责任。中国《预算法》只对各级地方政府的支出责任给出相当宽泛的责任定义，并给予他们广泛的自主权。然而，现实里中国支出责任的划分不透明和不清晰，很大程度上是因为不同层级的政府之间存在大量交叉的支出责任。

国务院下发的《国务院关于实行分税制财政管理体制的决定》（以下简称《决定》）对中央—地方支出责任的定义如下<sup>1</sup>：

根据现在中央政府与地方政府事权的划分，中央财政主要承担国家安全、外交和中央国家机关运转所需经费，调整国民经济结构、协调地区发展、实施宏观调控所必需的支出以及由中央直接管理的事业发展支出。具体包括：国防费，武警经费，外交和援外支出，中央级行政管理费，中央统管的基本建设投资，中央直属企业的技术改造和新产品试制费，地质勘探费，由中央财政安排的支农支出，由中央负担的国内外债务的还本付息支出，以及中央本级负担的公检法支出和文化、教育、卫生、科学等各项事业费支出。

地方财政主要承担本地区政权机关运转所需支出以及本地区经济、事业发展所需支出。具体包括：地方行政管理费，公检法支出，部分武警经费，民兵事业费，地方统筹的基本建设投资，地方企业的技术改造和新产品试制经费，支农支出，城市维护和建设经费，地方文化、教育、卫生等各项事业

1 《国务院关于实行分税制财政管理体制的决定》（国发〔1993〕第85号）。

费，价格补贴支出以及其他支出。

这些指导性的文件条款表明地方政府需承担较重的政府支出责任，但是《决定》并没有详细地规范这些支出责任，且地方政府支出责任当中有很多与中央政府重叠。表 2-9 呈现的是各级政府的实际支出。可以看出，许多随着经济的增长与城镇化日益增多的公共服务需求都要由地方政府政府满足。教育、医疗卫生、社会保障、环境保护、交通设施和社区服务共占三分之一的政府总支出，地方政府承担了 90% 的上述支出项目。教育（地方政府占 94%）和医疗卫生（地方政府占 95%）都是增长较快的公共支出项目。

表 2-9 按政府职能分类的各级政府支出占比：2007 ~ 2012<sup>a</sup> 单位：%

职能		2007	2008	2009	2010	2011	2012
一般公共服务	职能支出占比（所有政府）	17	16	12	10	10	10
	中央政府占比	25	24	12	9	8	8
	地方政府占比	75	76	88	91	92	92
国防	职能支出占比（所有政府）	7	7	6	6	6	5
	中央政府占比	98	98	97	97	97	97
	地方政府占比	2	2	3	3	3	3
公共安全	职能支出占比（所有政府）	7	6	6	6	6	6
	中央政府占比	17	16	18	16	16	17
	地方政府占比	83	84	82	84	84	83
教育	职能支出占比（所有政府）	14	14	14	14	15	17
	中央政府占比	6	5	5	6	6	5
	地方政府占比	94	95	95	94	94	93
科技	职能支出占比（所有政府）	4	3	4	4	4	4
	中央政府占比	52	51	52	51	51	50
	地方政府占比	48	49	48	49	49	50
文化体育与传媒	职能支出占比（所有政府）	2	2	2	2	2	2
	中央政府占比	14	13	11	10	10	9
	地方政府占比	86	87	89	90	90	91
社会保障和就业	职能支出占比（所有政府）	11	11	10	10	10	10
	中央政府占比	6	5	6	5	5	5
	地方政府占比	94	95	94	95	95	95

续表

职能		2007	2008	2009	2010	2011	2012
医疗卫生	职能支出占比（所有政府）	4	4	5	5	6	6
	中央政府占比	2	2	2	2	1	1
	地方政府占比	98	98	98	98	99	99
节能环保	职能支出占比（所有政府）	2	2	3	3	2	2
	中央政府占比	3	5	2	3	3	2
	地方政府占比	97	95	98	97	97	98
城乡社区事务	职能支出占比（所有政府）	7	7	7	7	7	7
	中央政府占比	0	0	0	0	0	0
	地方政府占比	100	100	100	100	100	100
农林水事务	职能支出占比（所有政府）	7	7	9	9	9	10
	中央政府占比	9	7	5	5	4	4
	地方政府占比	91	93	95	95	96	96
交通运输	职能支出占比（所有政府）	4	4	6	6	7	7
	中央政府占比	41	39	23	27	4	11
	地方政府占比	59	61	77	73	96	89
其他	职能支出占比（所有政府）	15	16	17	18	17	15
	中央政府占比	28	26	35	24	21	23
	地方政府占比	72	74	65	76	79	77

资料来源：历年《中国统计年鉴》，财政部网站。其中，a：仅含一般公共预算数据。

## 支出自主权

合理的政府支出分权需要地方政府有一定的支出自主权。尽管目前地方政府有一定的支出自主权，但这些自主权也在一些重要方面受限。中央政府可以通过运用行政命令、规章制度和有条件转移支付来限制地方政府的支出权力。

同时提供资金支持的行政指令不一定是消极的政策。这种受到资助的指令可以有利的减少外部性、促进社会公平以及保证地方支出目标与中央一致。不可否认的是，受到资助的指令有一定的成本：无论对受到资助的指令的下达方或接受方而言，由于需要监管，受到资助的指令会产生额外的管理成本；同时，受到资助的指令扭曲地方政府的支出行为，一些情况下会产生经济效率损失。



## CHINA

没有资金支持的行政指令就是命令地方政府开展某些行动，并且不提供相应的资金支持。要求大范围整修公共设施，同时不补偿上升的维护成本的情况便是例子之一。通常，没有资金支持的行政指令是高层级政府试图控制地方政府支出分配的工具。

最后是非资金性的行政指令。这种指令要求地方政府按照一定的规定分配他们的预算资源或者按照一定的方式管理其设施。有时这种指令并不会给地方政府带来额外成本，但是限制了地方政府的预算自主权。

以下是地方政府所面临的一些行政指令：

- 中央要求公务员基本工资不增长。
- 有条件转移支付和一些一般转移支付规定地方政府如何使用资金。
- 在某些领域，规定支出不能超过或不能低于地方 GDP 的一定比例。
- 一些领域的支出如教育、科技、农业、文化、医疗、社会保障、计划生育与财政收入、支出或 GDP 的增长挂钩。在接受采访时，财政部部长楼继伟谈到，2012 年这些支出项目占有所有财政支出的 48%。<sup>1</sup>

### 政府间转移支付

中国政府间的转移支付为大多数地方政府的开支提供资金，并且也在促进区域平等上扮演了重要的角色。主要使用的转移支付方法有两种。第一种是中央政府直接与地方政府分享税收。在 2009 年这种转移支付占地方政府收入的 46%（扣除土地出让收入和社会保障基金缴费，见表 2 - 10）。第二种是有条件的转移支付和无条件的转移支付。这两种转移支付分别占地方政府收入的 19% 和 25%。这两种形式的收入都不应该被看作稳定的、长期的收入权力，因为中央政府可以出台政策改变这种纵向分享的安排。表 2 - 10 呈现的是地方政府预算财政分权的程度。至少从财政预算收入角度来看，省级政府保留了财政预算收入的 25% 作为本级直接支出使用，其余 75% 传递到下级政府。县与乡镇的支出大约为城市支出的两倍。

1 [www. ce. cn/xwzx/gnsz/gdxw/201311/21/t20131121\\_ 1782314. shtml](http://www.ce.cn/xwzx/gnsz/gdxw/201311/21/t20131121_1782314.shtml)

表 2-10 合并的地方政府收入状况表：2009 年<sup>a</sup> 单位：十亿元

项目	所有地方政府		省级政府		市级政府		县及以下政府	
	数额	百分比 (%)	数额	百分比 (%)	数额	百分比 (%)	数额	百分比 (%)
总收入	7119	100	1740	100	1918	100	3559	100
税收共享	3260	46	765	44	1066	56	1429	40
转移支付	2858	40	406	23	565	29	1888	53
一般性	1759	25	368	21	352	18	1039	29
有条件	1099	15	37	2	213	11	849	24
债务	200	3	193	11	7	0	0	0
其他收入	801	11	376	22	281	15	242	7
总支出	6230		1331		1672		3325	
平衡值	889		409		246		234	

资料来源：《地方财政统计资料》，2009 年。

a：仅含一般公共预算。

## 税收共享

1994 年的分税制改革建立了一个新的中国政府间转移支付系统。这个体系使用基于规则的方式代替了过去临时协商式的转移方法 (Bahl, 2000 ; 乔宝云、刘乐峥, 2013)<sup>1</sup>。这一收入分享体系给予了地方政府一个明确的税收分享权力。现行的税收分享协定 (地方获得增值税征收额的 25% 以及企业所得税征收额的 40%) 给地方政府提供了有收入弹性的税基, 也让地方拥有了应对随着城镇化日益增长的开支需求的融资基础。其他中央税种的收入或由中央留存, 或以指定用途的方式转移给地方政府, 或按照一些协定与地方政府分享 (乔宝云、刘乐峥, 2013)。目前的问题是, 税基是否足以支撑地方政府日益增大的财政支出需求。尽管中央政府明确了地方政府收入分享的权力并在每年中央财政预算分配上尊重

1 1994 年分税制形成的税收共享体系把所有税种分为三类。中央税包括消费税、关税、车辆购置税。共享税包括增值税 (中央 75/地方 25)、企业所得税 (中央 60/地方 40)、个人所得税 (中央 60/地方 40)、证券交易印花税 (中央 97/地方 3)。地方税包括营业税、房产税、城镇土地占用税、车船税、车辆购置税、契税、城镇建设维护税和土地增值税。2002 年, 中央政府进一步开展所得税分享改革, 两年内把中央分享的企业所得税比重调到了 60%。

这种权力，但这种分享的权力会如何变动取决于中央政府的决定。

中国体制与大部分其他国家大不相同的地方是对各省分配这些共享的收入的方式。每个省能获得的分享收入是基于收入来源的，也就是说取决于税收征收的地点。<sup>1</sup> 税收收入高的发达省份在这样的体制下能够获得更多好处。人均收入分享的收入与人均 GDP 之间的相关系数是 0.91，这表明越是高收入的省份越能够系统性地获得好处（见表 2-11）。<sup>2</sup> 同时，我们发现人均税收分成与人类发展指数（HDI）也呈显著正相关关系。<sup>3</sup>

表 2-11 人均 GDP、人类发展指数和人均转移支付的相关关系：  
按 2009 年转移支付类型

	GDP	人类发展指数
转移支付合计	0.48 ***	0.20
税收共享	0.91 ***	0.79 ***
拨款总额	-0.28	-0.51 ***
税收相关	0.72 ***	0.61 ***
无条件转移支付	-0.35 *	-0.56 ***
均等化转移支付	-0.41 **	-0.61 ***
有条件转移支付	-0.35 *	-0.56 ***

资料来源：以《地方财政统计资料》和《中国统计年鉴》数据计算。

注释：\* 表示显著性水平为 0.1，\*\* 为 0.5，\*\*\* 为 0.01。

## 拨款转移支付

中国使用的另一种政府间财政转移支付是拨款，包括无条件转移支付拨款和覆盖上百种有条件的对下级政府的专门项目资助（Martinez - Vazquez, Qiao and Zhang, 2008；乔宝云、刘乐峥，2013）。当前，无条件的拨款转移支付占全部拨

- 1 苏联解体后的许多国家曾采用这种类型的体制。发展中国家更常见的做法定义纵向分享为中央税的一个固定百分比，并在向地方政府分配时使用公式。这种方法为印度尼西亚和菲律宾采用。
- 2 严格地讲，简单相关系数并不是不平等的有力证据，也不代表因果关系。这个结果可能受离群值的影响，比如中国的北京市、上海市和西藏自治区。
- 3 人类发展指数通过整合预期寿命、教育情况和收入情况的信息形成一个综合指数衡量社会经济发展的程度。该指数值的范围是 0~1，数值越大代表社会经济发展程度越高。联合国开发署（多个年代）描述了人类发展指数的基本情况。

款转移支付的 60% 左右。<sup>1</sup> 这与工业化国家的发展趋势是一致的。无条件拨款转移支付目前在工业化国家变得日益重要，这反映了这些国家想要给予地方政府更多预算自主权的意图（Blochinger and Vammalle, 2010）。

中国人均拨款转移支付和人均 GDP 之间的相关系数是 -0.35，这表明与税收共享形式相比，拨款让收入低的省份更容易获得转移支付。

### 无条件转移支付

就中国的情况而言，使用“无条件”一词有一定误导。中国 70% 的无条件转移支付项目里“指定”用于某些项目活动。这些项目覆盖广泛，例如补偿农业税费改革损失的转移支付以及义务教育转移支付（见附表 2）。这些转移支付在省际的分配以及这些转移支付的最终用途都受到这些“指定”的影响。

中国的无条件转移支付可以分为三类：

第一，均等化转移支付。这个转移支付于 1995 年引入，目的是减少省际的财政不均。资金分配基于一个综合了许多衡量财政能力和支出需求的客观指标的公式。实际分配量基于标准支出和标准需求之间的差距计算，并经过一个考虑了差距大小的系数的调整。财政能力使用估计的税基和标准税率计算。支出需要计算包含许多类别，包括行政管理支出、公共安全支出、教育支出、城市维护支出、社会保障支出及供暖费用<sup>2</sup>。

人均均等化转移支付与人均 GDP 的相关系数为 -0.41，表明平均来看低收入的省份会获得更多均等化转移支付。人均均等化转移支付与人类发展指数的相关关系甚至更强，表明均等化转移支付的受助对象选择合理。然而均等化转移支付仅占有所有政府间转移支付的 18%，因此对于显著减少省际财政不平等没有太大帮助。均等化转移支付占纵向共享资源的比重没有固定的比例，其资金额较小一定程度是由于专项转移支付和其他无条件转移支付增长（Zhang and Martinez - Vazquez, 2003）。相比而言，经合组织国家到 2000 年中期地区间的财政能力差异减少了多达三分之二（经合组织，2007）。

1 附表 2 给出了按类型细分的转移支付拨款的情况。

2 计算方法可见《2012 年中央对地方均衡性转移支付办法》，链接为 [http://yss.mof.gov.cn/zhengwuxinxi/zhengceguizhang/201207/t20120725\\_669218.html](http://yss.mof.gov.cn/zhengwuxinxi/zhengceguizhang/201207/t20120725_669218.html)。用教育举例，支出需要计算方法如下：教育标准财政支出 = 学生数 × 生均支出 × 支出成本差异系数，其中生均支出用全国教育总支出除以学生人数。计算各地支出成本差异系数比较复杂，需要计算 9 个其他系数。其他标准支出也使用类似的方法计算。

第二，税收返还。这个项目返还给富裕省份一部分增收的税收，起初的目的是为了消除对分税制改革的抵触。但实际上，税收返还与均等化理念高度冲突并抵消了均等化转移支付的作用。人均税收返还与人均 GDP 之间的相关性系数是 0.72。税收返还一个有意思的方面是各省的税收基数是按照基年的征收额名义值设定的，因此在转移支付体系里的相对重要性随时间降低。如今税收返还份额只有 1994 ~ 1995 年的三分之一。

第三，采用对地方政府的无条件的“赤字弥补转移支付”来处理地方政府财政纵向不平衡问题。主要的“赤字弥补转移支付”有以下几类：

- 原体制补助。目的是让每个省份不因改革受损，保障每个省份名义收入至少达到 1993 年的水平。
- 对少数民族地区的转移支付。
- 针对提高公务员工资的支出而设立的转移支付。目的是为了支持中部和西部省份能满足中央要求提高公务员工资的标准。
- 为支持农业费改税的转移支付以及补充取消农业税损失的转移支付。
- 其他一些为处理各省政府赤字问题设立的一般性转移支付。包括资源枯竭型城市转移支付<sup>1</sup>、工商部门停征两费转移支付、成品油税费改革转移支付、重点生态功能区转移支付等。

### 有条件转移支付

指定用途的转移支付（见附表 2）直接针对一些中央政府希望刺激地方政府支出的特殊需求提供拨款。数以百计的专项转移支付与中央各种各样的项目联系在一起。一个例子是“义务教育转移支付”。这是一个中央政府为推进和支持农村义务教育项目设立的转移支付<sup>2</sup>。另一个例子是为了补贴地方政府债券发行设立的转移支付。众多专项转移支付中最为重要的是针对交通运输、保障房和教育的专项转移支付。许多指定用途的转移支付的设立是为了一些解决特殊或应急的需要，资金只能用于特定的目的。

许多这样的转移支付由中央直属机构或者是他们的省里面的对口部门进行监督和控制。指定用途的转移支付规定了资金使用的条件，在某些情况下会规定提

1 这个转移支付于 2007 年设立，目的是为一些过去资源丰富但目前已枯竭的城市提供收入以保障地方公共服务持续。

2 关于义务教育项目的讨论可见 Wong, 2013a。

供服务的标准。<sup>1</sup>

## 省以下政府的转移支付

省政府负责向省级以下的地方政府提供转移支付。省政府决定了向市、县级政府转移支付的总量和向每个地方财政单位转移支付的额度。由此可见，中国的财政体制部分具有美国联邦财政体制的特点。所以，这种特点导致各省在向低层级市、县政府的转移支付分配上采用的做法不尽一致是不奇怪的。

在某些情况下，税收按来源地原则的方式分享。省以下转移支付体制还使用公式化的分享、专项转移支付以及命令等方式分配资金。此外，省政府有权力根据具体项目来形成专项转移支付。虽然1994年的分税制改革给中央向省级政府的转移支付体制带来了显著的变化，但是省级以下政府转移支付的分配方式并没有完全随之改变，有时甚至完全没变。

为更好地了解省级以下财政资金的分配，我们根据转移的目的地汇总了资金数据。我们发现，平均来看，县级政府的支出占所有的地方政府支出的大约一半。县政府高度依赖转移支付拨款而不是税收分享来获得资金（见表2-10，附表3和附表4）。例如，在2009年，转移支付拨款占所有县级及以下政府收入的53%，而对市级和省级政府这一数字分别为29%和23%。

## 地方政府举债

中国对于地方政府借债权力有严格的规定。《中华人民共和国预算法》第二十八条规定：“地方各级预算按照量入为出、收支平衡的原则编制，不列赤字。除法律和国务院另有规定外，地方政府不得发行债券。”省级政府和地方政府正式的直接债务融资规模相当小，大概等于GDP的7%。

举债限制产生一系列严重的公共财政融资问题，因为基础设施融资责任大部分属于地方政府。地方政府需要应对城镇化和经济增长带来的日益增长的公共设施需求。

1 一些国家使用这种项目，如印度的“中央资助计划”。

为了满足其融资需要，地方政府使用代理人代表他们借款融资。这些代表地方政府借债代理人是城市建设投资公司（以下简称“城投公司”）、特定目的融资工具或融资平台。城投公司由地方政府注入资本，主要是通过向农民或集体购买的，从农业集体用地转为国有土地的使用权。<sup>1</sup> 之后城投公司使用这些土地出让的预期收入作抵押，为土地出让需要准备的基础设施建设进行融资。地方政府存量债务中有一半都是由这些城投公司举借的（见附表 4）。大约三分之二的债务由地方政府担保（另外三分之一的担保状态不确定）。<sup>2</sup>

近年来，地方政府的债务规模增加很快。据国家审计署统计，截止到 2013 年 6 月，中国各级政府负债总额达到 30 万亿元人民币（大概 4.9 亿美元），比 2010 年上升了 73.27%，占 GDP 的 53%，中央政府负债 12.38 万亿元，占 GDP 的 22%，地方政府负债 17.89 万亿元，占 GDP 的 31%，引起了人们对地方财政风险的担忧。到 2012 年底，直接债务规模为 GDP 的 36.74%，其中外债规模不到 1%。全国政府债务总额占 GDP 的 39.43%，远低于国际规定的 60% 的债务警戒线。<sup>3</sup>

从获得收入的角度看，土地出让项目非常成功，很大程度上源于它所支持的地方政府债务。过去十年地方政府的债务规模显著地上升，到 2012 年末，政府直接负债总量为 GDP 的 37%（国家审计署，2013）。至少以平均未清偿的债务水平来看，中国地方政府的债务规模似乎并不处于危险的水平。

地方政府债务规模及结构（见表 2-12）分析让我们可以更好地理解地方债务未来潜在的问题。首先，只有 25% 的地方政府债务是由地方政府直接发行，接近 60% 的地方债务由城市投资公司和国有企业发行，而一个很重要的问题是这些债务到底属于谁。

表 2-12 截至 2013 年 6 月各地方机构举借的债务 单位：十亿元

	合计		直接债务		担保的或有债务		其他或有债务	
	金额	%	金额	%	金额	%	金额	%
城投公司	6970.4	39	4075.6	37	883.3	33	2011.6	46
地方政府	4058.9	23	3091.3	28	968.4	36	0	0

1 有时，注入的资产可能进一步扩张。注资扩张的来源一些情况是来自地方财政预算的持续小额资金流，一些情况是从地方政府预算的一次性转移支付。

2 由 Painter (2013) 报告。

3 [http://www.gov.cn/gzdt/2013-12/30/content\\_2557203.htm](http://www.gov.cn/gzdt/2013-12/30/content_2557203.htm)

续表

	合计		直接债务		担保的或有债务		其他或有债务	
	金额	%	金额	%	金额	%	金额	%
财政补贴的事业单位	2395.1	13	1776.2	16	103.2	4	515.7	12
国有独资或持股的国有企业	3135.6	18	1156.3	11	575.4	22	1403.9	32
自负盈亏事业单位	602.5	3	346.3	3	37.8	1	218.5	5
公共事业机构	328.1	2	124	1	14.4	1	189.6	4
其他	394.4	2	316.3	3	83.1	3	0	0
合计	17890.9	100	10885.9	100	2665.6	100	4339.4	100

资料来源：国家审计署报告，2013年。

根据偿债责任的不同，财政部将地方政府债务分为三类：直接负债、担保的或有负债以及其他类型或有负债。

- 直接债务指对地方政府偿债有直接硬性要求的债务。这包括2009年财政部代发的地方政府债券，从高层级政府向低层级政府提供的贷款<sup>1</sup>，地方政府拖欠的工资和债款以及合同规定地方政府偿还的地方融资平台的债务。61%以上的地方政府是直接负债。
- 具有担保责任的或有债务。这包括一部分投入竞争性项目的上级政府转贷。如果项目的盈利无法达到偿还贷款的预期，上级政府会收回剩下的贷款。因此，偿债义务属于地方政府。另一或有负债是地方政府融资平台的直接债务或是由政府担保的政府下属机构和公共事业机构的债务（不含直接由财政基金直接偿还的债务）。
- 其他或有负债，包括没有政府担保的基础设施建设贷款。借款人包括政府下属机构（如大学、医院等）；公共事业机构（如自来水公司、供热公司、污水处理公司和垃圾收集公司等）和地方融资平台。

<sup>1</sup> 上级政府转贷包括为非营利公共项目（基础设施）融资的贷款，贷款偿还使用财政资金。比如，这包括财政部将国债资金借给地方政府，作为中央机构监管的地方建设项目的资金来源。



## 土地收入与土地出让

利用土地来为城市基础设施建设融资不是一个新办法。<sup>1</sup> 中国突出的地方在于过去的十年间使用土地出让为基础设施建设融资的规模。中国土地出让是由地方政府主导的。中国出让土地使用权的实践始于1987年的深圳，当时的运作也是较为温和的（Peterson, 2007）。但在过去二十年，这种方法成为主流并且在全国广泛使用。这种方法有非常大的优势，为地方政府提供了一种基础设施以及公共服务融资的方法，让他们可以支持城镇化发展。从这个项目中为公共设施筹集的资金规模让人惊叹不已，并且，过去二十年使用这些资金建设的基础设施为农村居民向城市移民扫除了不少的障碍。

基础设施建设的需要和土地出让的稳定收入使土地出让项目成为地方财政重要的元素。对地方财政来说，土地出让已经重要到了无法放弃的地步。另一方面，许多令人担忧的问题由此而生：地方政府担保的土地抵押贷款增长过快；一些地方政府的投资选择拙劣；与其他城市公共服务相比，基础设施投资过度；城市蔓延扩张；粮食安全的挑战；农业用地转换为城市用地过程带来的社会和公平问题等。<sup>2</sup> 改革土地制度，处理该制度中的一些问题现在已成为中国改革的一个优先事项。这些改革几乎必然会导致土地收入减少。

推行可持续的土地政策的改革是不容易的。出让土地获得资金对地方政府来说有不可抗拒的吸引力。土地出让为地方政府提供了一个不用受到中央监管的主要收入来源。并且，土地出让收入不需要与中央政府分享。<sup>3</sup> 土地使用权交易市场业已存在，且通常买家来自区域外。当地居民（除农民外）没有察觉到他们将为这种基础设施的建设背负任何成本。一旦中央政府允许使用地方城投公司来代表市级政府发行债券，使用来自土地租赁的预期收入作为抵押进行贷款的规则变得逐渐清晰起来的话，那么为资本项目找到长期的融资方式的问题实际上被解决了。为贷款担保的地方政府与放贷的银行之间的紧密关系更助长了这种运作。因此，利用土地出让为基础设施建设和产业发展融资变得流行就一点也不奇

1 中国也许是学习了香港土地出让的成功经验（Hong, 2003）。

2 关于这些问题的全面分析，参见世界银行和发展研究中心（2014），第81~186页。

3 以前土地出让收入需要与中央政府共享，但自1994年分税制改革后，地方政府可以保留所有收入。

怪了。

2008 年到 2010 年，土地出让收入与 GDP 的比例从 3.3% 上升到 7%（见表 2-13）。2013 年，土地收入占地方政府总收入近三分之一，不过各地这一比重有所不同。2009 年的广州这一比例是 29%，2010 年上海是 20%（Wong, 2013）。

表 2-13 土地出让金：2004~2013 年 单位：十亿元

年度	土地出让金	占 GDP 百分比 (%)	占财政收入百分比 (%)
2004	77	0.48	2.91
2005	109	0.59	3.44
2006	165	0.76	4.25
2007	694	2.61	13.52
2008	1038	3.30	16.92
2009	1397	4.10	20.38
2010	2820	7.02	33.93
2011	3114	6.59	29.98
2012	2665	5.13	22.73
2013	4125	7.25	31.94

资料来源：以《中国统计年鉴》和财政部网站的数据计算。

一般来说，把地方政府资产变为能获得高收益的公共设施以及公共服务是一个好的经济决策。大多数人会赞扬政府卖出商业企业并把资金用于升级教育系统，大多数人会唾弃地方政府坐拥大量现金结余而基本公共服务不能得到满足的状况。然而花掉非必需的大量现金存款是一方面，但不受限制地出让土地资产也难以获得支持。特别是在中国，地方政府在城市土地所有权上拥有垄断地位并且在把农业用地转换为城市用地的时候会驱赶现有土地使用者，这就更难获得支持了。<sup>1</sup>

<sup>1</sup> 在各层级政府与原住民分享不可再生资源的回报上，中国也出现了类似的争议。加拿大和俄罗斯提供了该问题不同的解决方法。

## 地方财政预算

中国地方政府的财政预算由四个预算项目组成：公共财政预算、政府性基金预算、社会保障预算和国有资本经营预算。不存在一个能完全协调和合并这四个预算的综合预算。<sup>1</sup> 此外，事业单位、公共事业企业、国有企业以及城投资公司的账户属于预算外管理，地方政府的财政部门并没有直接控制这些预算外账户，但通过各类转移支付发生联系。

图 2-1 呈现的是政府预算框架以及不同账目间的转移流程。

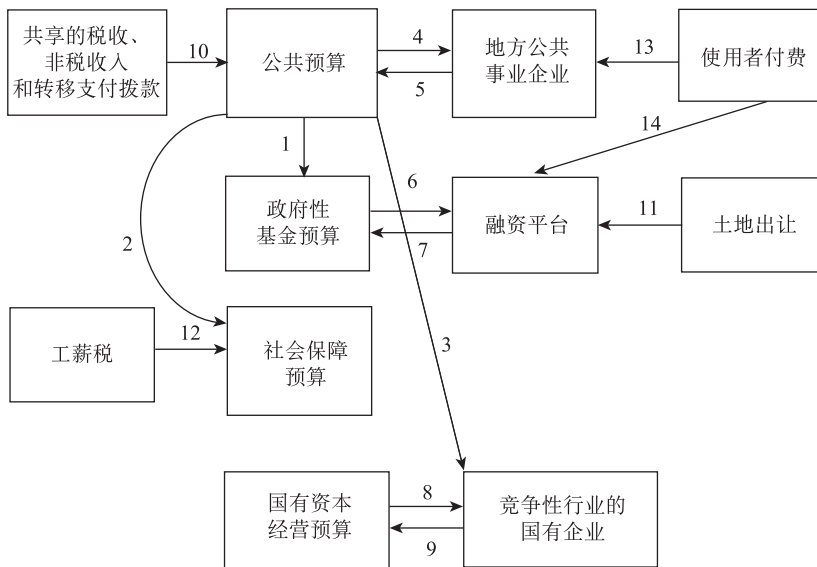


图 2-1 地方政府预算流程

转移支付：图 2-1 中的关键点

1. 资本项目建设的补贴（可能是专项资金）；
2. 弥补社会保障账户赤字的补贴；
3. 弥补竞争部门国有企业亏损的补贴；

<sup>1</sup> 理论上，这四个子预算互相独立，管理分离，但财政部目前正试图找到合适的方法打通和连接这四个预算，从而更好地为财政规划服务。

4. 弥补公共事业企业亏损的补贴；
5. 地方公共事业企业的盈余转入公共财政预算；
6. 从政府性基金预算到地方融资平台的转移支付；
7. 地方融资平台利润转入政府性基金预算的转移支付；
8. 从国有资本经营预算到竞争领域国有企业的转移支付；
9. 国有企业利润或股息转入国有资本经营预算的转移支付；
10. 政府间转移支付转入公共财政预算；
11. 土地出让收入转入地方融资平台；
12. 工薪税收入转入社会保障预算；
13. 使用者付费转入地方公共事业企业；
14. 使用者付费转入地方融资平台。

## 公共财政预算

公共财政预算是政府预算的一般预算账户，包括几乎所有经常性支出项目以及一些资本支出项目。所有地方税收收入和绝大部分政府间转移支付都会流向这个预算账户。公共财政预算的支出项目在大多数统计报告里编入“总政府支出”项（如 2012 年《中国统计年鉴》）。公共财政预算由地方政府的财政部门管理。

公共财政预算的资金会转移到其他的预算，以实现各种目的：

- 转入公共事业企业以弥补运营亏损，如补偿票价过低造成的公交公司亏损。
- 转入政府性基金以弥补公共设施建设的投资成本及支付资本投资的后续资金。
- 转入社会保障账户弥补保费收入与福利支出的差额。
- 转入竞争行业的国有企业预算以（直接或间接地）帮助困难企业，处理破产和重组事宜，或处理一些负外部性问题。

## 政府性基金预算

政府性基金预算是为投资经济发展项目所设立的专用项目（主要是基础设施建设）。

该预算包含了地方政府大部分资本支出，主要资金来源是地方政府土地出让收入。政府基础设施建设的资金可以直接来自政府基金预算，或间接来自负责建

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设与融资的城投公司，同时政府往往会对城投公司有相应的转移支付。政府基金预算与城投公司之间有许多资金来往，但并不总是对外公开。如何打通政府性基金预算与公共财政预算的连接是一个需要探讨的问题。

### 社会保障预算

社会保障预算管理养老金、医疗和工人保护相关的保险项目的福利支出，也管理工薪税收入和政府对社会保障的补贴。

### 国有资本经营预算

国有资本经营预算（并不是所有的地方政府使用）用于区别地方政府与其所属竞争性领域国有企业的预算关系。一般而言，预算体现两类活动：（1）国有企业向地方政府的转移支付，代表地方政府企业所有权的收益；（2）对国有企业的补助，包括政策性补助。

## 预算有硬约束吗？

中国地方政府预算不能存在赤字。但是法律对政府赤字的定义很宽泛，而且政府财政透明度不足。因而，部分人认为至少有一部分政府预算并不平衡。

38 工业化国家对预算硬约束有相对明确的定义，预算硬约束意味着政府必须保持预算收支平衡。经常性开支至少要与经常性收入和现有现金结余相匹配，经常性预算不许存在赤字。<sup>1</sup> 在这种财政体制下，政府不允许事前预算出现财政赤字。在资本性预算里，资金来源有本期盈余、资本性转移支付拨款、资产出售以及借贷。债务的作用是让长期资产的年度收入现金流与项目年度支出之间形成平衡。如果是借贷融资，项目的生命期（预期收入流）需要与贷款的偿还期（偿还利息流）相匹配。所有这些都有关地方财政的文献中有详细的叙述。

中国官员坚称所有地方政府的四项预算都是平衡的，实际情况可能并不如

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1 当然，总会有例外，例如，自然灾害救助要求没有预算的大额救灾支出，还有短期由于支出和来自转移支付或地方税的收入流波动形成短期现金流问题。

此，如下所述：

- 工薪税仅占社会保障福利支付的 75%，其他部分需要由政府补助补足。
- 中国政府预算的透明度有限，所以与企业（包括地方融资平台）的资金来往不是全部可知，因而也很难确定整体预算是否平衡。<sup>1</sup>
- 部分地方政府对其债务进行滚动再融资操作（借新还旧）。
- 预算赤字会隐藏在对国有企业或公共事业企业的非货币化转移支付中，其中包括利率优惠、使用未来土地租金收入权作为债务抵押物等。
- 地方政府可操纵支出和收入流，将支出或收入移到下一个或上一个财年，使预算看起来像没有赤字。
- 拖欠工资、福利费用、公共服务提供商费用和少交养老、医疗保险基金也是预算赤字的体现。

## 大城市的财政

中国四个最大的都市是直辖市，其地方政府有市和省两种身份。北京（2070 万人口），重庆（2950 万人口），上海（2380 万人口）和天津（1410 万人口）都是与他们的区级政府一同负责向居民提供公共服务的大都市。四个城市加起来，人口占了全国人口的 6.5%，GDP 占了全国的 11%，省与地方政府总支出的 12%。

### 经济重要性

直辖市是我国经济发展的中坚力量。比较优势让他们能在国际市场有效竞争。这些优势包括完善的基础设施建设以及充足的受大城市吸引的熟练技术工人。直辖市的规模有利于发挥集群效应，成为创新中心（Yusuf, 2013）。同时，他们在区位专业化分工中获得优势（如北京市作为政治中心，上海市作为金融中心），并成为区域经济中心（如重庆市）。他们给中国其余地区带来巨大的正外部性。

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<sup>1</sup> 关于这一点，参见 Wong（2013）。

但是获得优势的同时也伴随着成本。要吸引并留住熟练技术工人，公共服务的数量与质量必须改进；要吸引产业入驻，交通便利程度与信息技术发达程度必须持续提高。而且，较大的城市规模也不可避免地会带来城市问题，如交通拥挤、环境恶化等，大都市政府必须解决这些问题以保护城市自身的比较优势。大都市面对的财政成本也是巨大的。随着大都市的规模不断扩张，其经济辐射范围和公共服务辖区服务范围会逐步纳入周边地区，这将会让上述的问题变得越来越复杂。

## 公共财政

根据表 2 - 14 呈现的信息，我们可以总结出两种财政行为和产出的模式。首先，大都市的人均政府支出与其他地级市的人均政府支出有着巨大的不同。北京市和上海市的人均政府支出达到中国其他省人均政府支出均值的 3 倍左右。北京市和上海市比天津市和重庆市更加富有，其增值税税基也要更大。整体而言，大都市的人均一般公共服务支出都要比其他地方政府的要高得多。但是，大部分一般性收入都来源于使用统一共享比率和税基的税收分享，同时各个省（包括直辖市）根据征收来源确定分享的份额。

表 2 - 14 直辖市：一些财政指标：2012 年<sup>1</sup>

	中国所有地方政府	北京	上海	天津	重庆
人均财政支出（元）	12904	31492	32329	27871	17525
教育与卫生医疗占 GDP 百分比	4.74	4.95	4.19	3.76	5.60
社会保障基金占 GDP 百分比	5.65	9.62	10.60	5.89	5.70
政府性基金占 GDP 百分比	5.92	6.21	6.80	8.03	12.84
人均税收共享（元）	3511	15103	14398	7824	3294
增长税占 GDP 百分比	1.17	1.76	3.31	1.16	0.76
保留的收入占 GDP 百分比	10.59	18.54	18.55	13.65	14.93
财政收入分配					
公共财政预算	45.94	49.51	49.60	50.14	42.64
政府基金预算	25.73	17.89	17.10	27.01	35.90
社保基金预算	28.33	32.60	33.30	22.85	21.46
支出分配					
公共财政预算	61.63	56.56	54.38	54.42	59.03
政府基金预算	19.64	17.05	17.83	26.28	28.38
社保基金预算	18.73	26.39	27.80	19.30	12.59

资料来源：作者根据《中国统计年鉴》和财政部提供的数据计算。

1 社保基金数据基于 2014 年预算。

其次，相比其他政府而言，大都市有更多的财政资源，但他们使用这些资源都的方式并不一致，如平均来看，北京市和上海市政府比中国其他地方政府更注重社会保障支出预算，重庆市和天津市更注重政府基金预算的基础设施建设支出。然而，在教育与卫生支出的 GDP 占比方面，大都市与中国其他地区并没有很大的区别。

### 财政收支平衡

中国政府间财政制度是统一的。中国所有地方政府都有统一税收分享、转移支付、土地收入和债务融资的制度安排。与之不同的是，直辖市兼有省政府与地级市政府两种身份。

通过对比渝沪两地的财政政策的实施特点可以发现，大都市政府间财政政策处理上有一定的自主权。首先，上海市和重庆市的财政制度有一定的共同点。在两个大都市，公共服务的提供责任都是在市政府与下属区县间进行分配。两个层级政府的支出责任划分也是十分相似：市级政府负责宏观调控和投资的职能，以及具有较大外部性的服务提供。与地区利益紧密相关的公共服务则由下属区政府提供。以上海市的教育为例：市政府主要负责高等教育，高等教育院校都是“市属”高校；义务教育小学与初中都是由下属区政府负责；技术、职业和特殊教育院校则由教育机构的归属政府负责。结果，两个大都市的市政府与下属区政府履行职能所承担的支出大致相同。

同时，重庆市与上海市的不同值得探讨。这些不同可能与两个城市不同的人均 GDP 水平有关，也与两个城市不同的管理风格有关。首先，两个城市在使用者付费方面有着根本不同。重庆市的轻轨和公交车收费并不能完全抵掉成本，营运都要一般预算资金补贴，这与北京市交通系统类似。上海市公共交通的费用则没有一般预算资金补贴，而是以收回成本的水平收费。

基于简单的分析，可看到另一个值得指出的地方是两个大都市的市政府与下属区政府税收分享安排不同。从表 2-15 可看到，两个城市对于分享的税收选择了不同的处理方式。对主要的消费征税和所得税，重庆市政府比上海保留了更大的份额，并对大多数税种使用 60/40 的统一比例。上海市在税收分享上使用更复杂的方式，按照收入来源采用差别化的共享比例。值得注意的是上海市政府保留了所有从金融和大型企业征收的税收。



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表 2 - 15 市级/区级的收入共享

	上海市	重庆市
增值税、营业税及城市建设维护税	(35/65)	(60/40)
企业所得税	(50/50)	(60/40)
个人所得税	(45/55)	(60/40)
房地产税	(20/80)	(60/40)
城市土地使用税、耕地占用税	(50/50)	(60/40)
银行、保险的税收	(100/0)	...
超大企业税收	(100/0)	
其他	(0/100)	(0/100)

两个城市分配对下属区政府的转移支付规则都像中央给省级分配转移支付那样复杂。两个城市的专项转移支付分配都带有条件限制。对于城市地区比较重要的一般性转移支付<sup>1</sup>，其分配会按照公式和依照一些临时决定。因为税收征收会集中在某些区，而且市与区的税收共享按照来源地原则确定，这种分配会出现区政府间财政不均等问题，需要市级政府通过转移支付处理。

<sup>1</sup> 上海 90% 的转移支付来自一般性转移支付，只有 10% 是专项资金。

## 第三章 2014 年财政体制：相关问题

### 引 言

过去二十年里，中国财政体制产生了可观的收入，支撑了地方政府一系列重要的基础设施建设投资。目前，财政体制正受许多结构性问题的困扰，给经济造成损失。而且，现行财政制度可能与党的十八届三中全会所提出的经济社会发展目标已经不完全匹配。

关于中国是否需要财政体制改革问题不存在很多争议，但推进的时间节奏则是一个有争议的问题。通常，中国改革方法以渐进的方式为主。但是，中国财政体制现存的一些问题亟待解决，等待的时间越长，目前一些错误的做法就越容易潜移默化地成为规则，改革便越难以进行。

下面的内容讨论了财政体制的每个重要组成部分，发现需要改革地方，阐述问题之间的联系，说明为什么需要进行整体性的改革。

### 中国财政体制已经不适应其经济发展形势

近年来，中国财政体制出现一些问题，但这与其说是不明智的政策决策的结果，不如说是目前财政制度已经跟不上时代的步伐，不能满足当今经济发展的需要。改革开放三十年来，中国经济得到迅猛发展，经济结构发生了翻天覆地的变化。经济改革通过引入市场规则为经济发展和重组注入了活力。然而，财政体制，尤其是政府间财政体制，自 1994 年分税制改革以来就很少发生变化，甚至还留有计划经济的影子。<sup>1</sup> 从某种程度上来说，财政体制跟不上快速发展的经济和新时代人们的需求变化，给经济带来了运行成本。随着城镇化的进程，这种成

1 中央政府税收政策无疑是一个例外，特别是在引入现代增值税和强化税收征管方面。

## CHINA

本就变得越来越明显。

我们着重说明四个领域现行财政体系与新的经济形势不能很好地协调，也不能适应新一轮的城镇人口增长。

### 地方政府的角色

首先是转变地方政府在经济活动中扮演的角色。在计划经济时代，中央政府在经济中占据支配地位，地方政府扮演着中央政府代理人的角色。过去三十年，地方政府逐渐获得了一定范围征收和使用公共资金的能力。这种能力首先是通过预算外账户实现的，现在则是通过土地财政收入和债务担保来实现的。在这段时间内，地方政府变成了主动倡导基础设施投资和为支持经济增长提供公共服务的群体。地方政府在就业和税基上相互之间开展了激烈的竞争，并且竞争过程展现了他们的创造性。地方政府同时也是中国政治经济的重要组成部分。

下一步中国地方政府的改革之路是通向这样一个方向：地方政府在经济发展上的竞争会弱化，但注重以提供高质量公共服务的方式对中央和居民负责。这就意味着地方政府将会面临新的挑战。

城镇化会给不同的地方政府带来不同的成本，同时也带给他们应对成本上涨和获得收益的机遇。在全国性的市政融资监管下，地方政府应控制他们的成本和福利。这种控制的方式包括：选择他们的公共服务和福利设施的构成，集约化发展城市，选择恰当的融资方式来实现公共服务和城市发展。因此，各地地方预算的侧重点会有差别：或多或少的制造业占经济的比重、或大或小的在建房屋存货积压、或有或无的为培育创新而设立的大学以及（或增或减的）为吸引劳动力而投资福利设施等等。

现存的公共财政体系和多元的公共服务需求匹配状况不佳。现行体系提供的是单一的融资方式、相似的地方官员促进工业发展的激励以及由中央政府限制支出方向的条件转移支付。地方政府无法通过提高税率或者在金融市场直接借债来为他们想要提供更多的服务融资。更为突出的是，现行的财政体系下，低层级政府的绝大部分预算资源由省级政府拨付，省级政府决定了下级政府可用的资源总量，但绝大部分财政支出是由下级的市、县政府完成的。

财政约束并没有完全建立，也就是说，预算出现了软约束。现行的财政融资安排不承认下级政府的财政赤字，同时也留下了中央政府愿意为处于财政危机的

下级政府提供保护的印象。然而，如果一个财政体系内的地方政府争相吸引工业和迎合地方选民的偏好时，政府官员决策必须接受硬预算约束监管框架的管制。

## 投资需求

新的中国城市经济将需要大量基础设施投资来满足 2 亿新居民和容纳新居民的商业的需求。在现行财政体制下，地方政府需要为此承担绝大部分费用，融资的主要来源是他们的税收分享所得、转移支付和贷款。在过去的十年间，地方政府依赖土地出让收入投资建设了大量的基础设施，但问题在于城市土地是有限的资源，粮食安全是约束土地使用的红线，并且，土地财政导致无效率的城镇化发展方式和不公平的资本利得的分配。

现在是时候创立一个与过去不同的财政融资方式了。这种财政融资方式要整合不同的地方财政工具，包括政府借债、地方收入增收以及监管下的土地资产转让。在现行体制下，地方政府不能够举债，不能独立征税，其土地财政制度也不可持续。

## 财政差距和不平等

中国正被不期而至的不平等和差异所困扰。这些问题大部分是由发展不均所导致的（世界银行发展研究中心，2013）。高收入阶层占有的收入和财富比重过高（李实、魏众、丁赛，2005；Wu and Perloff, 2005）。地区间的财政能力差别仍过大，体现为各地财政收入分布不均衡。现行的财政和政府治理制度更加大了这种不均等的财政资源分布。形成问题的制度因素包括：社会保障融资由财政能力各异的低层级地方政府负责，以收入来源为基础的政府收入共享制以及税收返还偏爱高收入地区，全国转移支付制度里的财力均等化项目对于改变现状杯水车薪，服务移民和农村贫困人口的目标性救济政策不足，以及农村土地征用补偿政策不可持续。

## 城镇化带来的外部性

随着经济不断发展和城镇化进程加快，中国逐渐转变为一个空间联系更紧密

的经济体。在大都市地区正共同发展融合的背景下，地方性问题逐渐变为区域性  
问题，由此一个省的举措对其他省的福利影响也變得越来越大。区域性的交通运  
输网络问题、环境保护问题、自然资源的管理问题只是这些问题的冰山一角。处  
理这些问题的标准、方法有很多，从重新划定边界以内部化外部性到让区域级  
政府集中出现问题的职能，亦或是使用转移支付来解决外部性问题。世界上所有  
的大城市都尝试过上述这些方案，虽然并不总是能获得巨大的成功。另外，中  
国的规划制定者需要解决一个从来没处理过的区域性政府治理问题，即如何治理  
将拥有 1 亿人口的环北京超级区域。通常，这些问题的标准解决方案难以实施主  
要是因为行政边界很难改变，并且地方控制的地方财政和治理的权力难以移除。

目前尚不清楚中国将如何处理区域治理和区域财政问题，但可以确定的意见  
是高层级的政府需要在公共服务提供上发挥更强的作用。然而，中国现行的支  
出责任划分体系与 1980 年时相比并没有很大的差别，中央政府直接面对公众  
提供公共服务的职能依然很少。

## 税 收

所有国家的税制改革都是一个持续的过程，所以中国税制改革还没有完成并  
不奇怪。<sup>1</sup> 最重要的问题是是否提高税收征收以应对城镇化所带来的新需求和解  
决积压的历史遗留问题。一方面，目前政府的立场是税收努力不应再增加了。<sup>2</sup>  
另一方面，可以预期未来会有巨大的公共服务成本：需要给规模明显变大的城市  
人口提供基础设施和公共服务，提供可以负担的房屋，全面覆盖中央集中社会保  
障职能的成本和处理环境保护问题。还需要考虑到经济和土地出让收入增速放缓  
的影响。目前宏观税负为 23% GDP 的税制能覆盖所有这些支出成本吗？

要让中国的税制适应新经济发展和政府的公平目标的要求，还需要处理税制  
的结构性问题。个人收入所得税征收范围有限的问题需要处理，工薪税率过高，  
“营改增”需要完成，以及围绕地方征税权的问题需要明确。或许，最大问题是  
如何构建税制支持提高国内消费和促进中产阶级增长的目标。

1 关于中国税制改革的回顾可参见楼继伟（2013）和 Hussain and Stern（2008）。

2 党的十八届三中全会提出的目标是保持税负不变。尽管不是很明确，但保持税负不变基本可理解为不  
再轻易提高税收。

中国税收中直接税占比较小的现象可能被认为是一种税制优势，因为这表明税制不强调对资本征税。然而，新的实证研究发现，税制决定的征税规模和直接税一间接税之比对投资的边际效应都不显著（Martinez - Vazquez, Vulovic and Liu 2011；国际货币基金组织，2011）。

## 收入增长

与支出目标匹配的新增收入量从来没有被政府报告提及，也就是说还没有官方的目标。因为缺少这个数据，我们使用推测的方法估计保持现行财政体制未来可能产生的收入量和维持可接受的公共服务水平所需支出规模之间的差距。

### 支出需求

很多研究估计了不同部门的公共支出需要。然而，这些研究是针对特定部门的，使用了不同的方法，简单相加估计值不能得出总的支出规模需求，因此这些估计值是互相脱节的。不过，这些研究仍说明了依照现行税收体制能获得的财政收入和支出需要之间存在缺口。McKinsey（2009）的研究显示需要规模为 GDP 2.5% 的财政收入覆盖新移民迁入城市所带来的成本。一份联合国的报告（2013）<sup>1</sup> 估计中国未来二十年需要投资 41.6 万亿元人民币（大约为 80% 的 GDP），以实现 2.1 亿农村新迁移人口完全融入城镇。世界银行和发展研究中心（2013）估计，按国际标准评估，中国可能需要相当于其 GDP 7% 的资金使公共服务水平与世界标准一致。要合适地处理中国的环境问题，预计初始投资为大约 2% ~ 4% 的 GDP（世界银行和发展研究中心，2013）。

我们还应考虑增加的成本是建成基础设施的维护费用。一个重要的遗留问题是 47 中国公共资产存量的保值增值问题。过去的二十年里，中国巨额投资修建了大量基础设施，未来维护这些逐步老化的设施也会造成巨大的成本。从 1993 年到 2012 年，中国的公共投资为 95 万亿元，相当于年平均 GDP 的大约 183%。我们没有办法准确地估计这些投资导致的维护成本是多少。<sup>2</sup> 我们所能够做的是使用演示性例子说明这可能有多大。在表 3 - 1 的第一列和第三列，我们展示了 1992

1 [http://www.cn.undp.org/content/dam/china/docs/Publications/UNDP-CH\\_2013%20NHDR\\_EN.pdf](http://www.cn.undp.org/content/dam/china/docs/Publications/UNDP-CH_2013%20NHDR_EN.pdf)

2 合适的未来维护成本估计值应基于工程核算，考虑资产的年龄、基础设施工程质量、预估原料价格上涨以及其他因素。

~2012 年的公共基础设施投资，在后三列我们展示了维护费用率为每年 2% 的情况，到 2012 年时维护费用占到了 GDP 的 3.7%。当维护费用率设为 5% 的时候，所需的维护支出会超过 GDP 的 9%。注意这些例子已忽略了 1993 年之前投资的维护成本。

表 3-1 公共基础设施维护支出的预估：演示案例 单位：十亿元

年度	公共基础设施投资	累积基础设施投资	2% 的维护费用率			5% 的维护费用率		
			金额	占财政收入的比重 (%)	占 GDP 的比重 (%)	金额	占财政收入的比重 (%)	占 GDP 的比重 (%)
1993 ~ 2006	56152	56152	1123			2808		
2007	3716	59868	1197	23	4.5	2993	58	11
2008	4513	64381	1288	21	4.1	3219	52	10
2009	6367	70748	1415	21	4.2	3537	52	10
2010	7525	78273	1565	19	3.9	3914	47	10
2011	7881	86154	1723	17	3.6	4308	41	9
2012	9102	95256	1905	16	3.7	4763	41	9

资料来源：计算自《中国统计年鉴》。

## 收入潜力

目前中国财政收入的水平，剔除公共企业收入，约相当于 29% 的 GDP。最大的部分来自于一般税收收入和非税收入。这部分收入由一般公共预算账户支出 (21% 的 GDP)。近年来土地出让净收入约占 3.8% 的 GDP。第三个部分是从工资缴纳的社会保险基金 (2013 年大约是当年 GDP 的 4.5%)。

公共财政预算收入将会自动增长。我们估计税制的税收弹性是 1.32。<sup>1</sup> 这意味着，如果年经济增长率是 7%，一般税收收入将从 2012 年占 GDP 的 19.4% 增长到 2025 年占 GDP 的 25%。土地出让收入不太可能像过去一样长期维持如此高的水平，这是因为未来给予农民的补偿率很可能会提高，并且对于举债的限制可

1 使用 1994 ~ 2012 年的数据，我们运行了一个对数回归分析。该分析将总税收收入 (T) 回归于 GDP (Y)，结果是  $T = -0.713 + 1.323Y$ ，并且税收收入弹性系数在 1% 的水平上统计显著。

能会减少土地开发计划量。假设土地出让净收入占 GDP 份额会保持恒定可能是一个乐观的估计。假设工资占 GDP 一直保持不变，我们也假设工薪税一直保持不变。

从此我们可以得出，自动增长的税收占 GDP 的份额将不能满足前述提出的部门支出需求。如果这一推断是合理的，就需要提高收入增加额。实现这一点的方式可以是提高现有税种的实际有效税率，也可以是引入新税种或者增加对收费和使用者付费的依赖。

## 税制结构

相对于财政体制其他方面长期落后于经济变化，中国的税制结构是一个例外。中国曾对税制和征管作出多次结构性调整和改进。但是，如同许多国家一样，依然有许多的工作需要做。

### 所得税

除对收入免征额多次调整外，个人所得税税制自 1994 年以来没有发生过其他大变化。这造成显著的税基侵蚀问题。自 2011 年个人所得税改革之后，个人所得税纳税人数降到了全国人口的 3%。这个覆盖率为国际标准相比较低。在收入分配的另一端，累进的税率结构似乎没能阻止收入不平等不断变糟。如何让所得税的税制结构和所得税税收管理在解决收入不平等问题上发挥更大作用仍需进一步考虑（贾康、梁季，2010；刘小川、汪冲，2008）。

一些人认为个人所得税税制早就应该改革。要理性全面地看待这一议题，政府应思考以下问题。是否过低的免征额会阻碍实现扩张中产阶级可支配收入的目标？是否更有力地执行累进税制有助于处理中国日益增长的收入不平等问题？是否存在对劳动过度征税的危险？

### 对于劳动征税

中国向工资收入施加了高税率，很大程度是由于为社会保险计划（养老金、



健康和失业补助) 融资。如表 3-2 所描述, 按照缴费率规定, 社保保险各项目雇主缴纳部分的总名义税率等于 30%, 员工缴纳部分的总名义税率等于 11%。另外, 住房公积金的缴费率是 5% ~ 20%。雇主需要支付至少 5% 的员工工资, 员工再支付相等的比例。

表 3-2 中国城市社会保险缴费率

项目	工薪税率	
	雇主	雇员
养老金	20% 工资	8% 每月工资
医疗保险	≤6% 工资	2% 每月工资
失业保险	2% 工资	1% 每月工资
生育保险 <sup>a</sup>	0.5% ~ 1%	
工伤保险 <sup>b</sup>	0.5% ~ 2%	
总计	29% ~ 31% 工资	11% 每月工资
住房公积金 <sup>c</sup>	5% ~ 20%	5% ~ 20%

资料来源: 世界银行 (2013f) 和作者的整合。

注: a. 只有雇主需要支付生育保险;

b. 只有雇主需要支付工伤保险, 缴纳额度取决于工种。越危险的工作, 工伤保险缴费率越高;

c. 中国的社会保险法并不含住房公积金项目, 但这一项目具有社会保障的性质, 所以通常也被归为社会保障项目。

事实上, 这些高工薪税税率对于地方政府并没有太多的约束力, 实际税率在不同省份和同一个省内都可能发生变化。征收一般在雇主处完成, 对于自雇者征收则是本人直接缴纳。

## 房产税

在过去的三十年, 中国一直在讨论房产税是否能够成为地方政府的主要税源, 然而时至今日一直没有引入全国范围宽税基的年度房产税。这并不是说中国的房产没有税收, 而是大多数不动产征税发生在交易的时候。这种税收最好被归为一种临时的征收方式, 而不是有明确目标定义的房产税税制。

中国向房产征收的五种税是: (1) 城镇土地使用税, 根据房产面积征税; (2) 商业房地产税, 根据原值征税; (3) 土地增值税, 根据土地增值部分征税;

(4) 耕地占用税，根据面积征税；(5) 契税，根据自行申报的交易价格征税。合并计算（见表 3-3），这些向房产征收的税占全国税收的 8%，合 GDP 的 1.6%（Man, 2013）。

表 3-3 中国土地和房产相关税收

税种	施行日期	税基	税率，2007 年	征收环节	2012 年占地 方税比重(%)
城镇土地 使用税	1988. 11. 1	课税土地面积（2007 年以 前只对国内纳税人征收）	30 元/平方米至 0.6 元/ 平方米	持有时期	2. 52
商业房 地产税	1986. 10. 1	商用不动产	1.2% 原始价值或者 12% 租金收入	持有时期	2. 25
土地 增值稅	1994. 1. 1	土地增值額	累进税率（30% ~ 60% 的土地价值增加額）	交易时期	4. 45
耕地 占用稅	1987. 4. 1	土地面积	1 元 ~ 10 元/平方米 （2008 年之后 5 ~ 50 元/ 平方米）	土地交易 时期	2. 65
契稅	1997. 10. 1	土地和房屋交易的自行 申报价格	3% ~ 5%	交易时期	4. 71
总计					16. 58

资料来源：国家统计局、国家税务总局网站。

为了观察和记录引入房产税的影响，政府授权重庆市和上海市开展试点。然而，这些试点项目设计上就是在最小范围内征税。在重庆市的试点只覆盖了高端住宅，占整个城市片区不足 3%。这个项目并不对房产进行估值（税基是原始购买价格扣减按面积计算的标准抵扣额），结果仅获得 1 亿元的年税收收入。类似的，上海市的房产税试点范围也只占存量住宅的一小部分。它对新居民的住宅征税，但仅对长驻居民的二套房进行征税，同时还提供了一个慷慨的免税额。这似乎相对于城市政府预算的大小来说不能提供大量收入。试点地区既不考虑复杂的房产年度评估问题，也似乎不把房产税与其他税种或房产收益结合起来。总之，这些地区的试点并不能帮助中国向实施全国性房产税的方向大步迈进。

中国推进房产税的方式仍不清晰。问题似乎并不在于对房产是否要施加显著的有效税率存在犹豫的心态。目前房产相关的税种的实际税率相加等于向房产征收的税收可以达到 GDP 的 1.6%，这已经超过了发展中国家的水平（虽然还在工

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业化国家的 GDP 2.2% 的水平之下)。<sup>1</sup> 现行税制的问题是它是一个按照面积征税和按照交易价格征税的大杂烩，而并不是按照每年更新的房产价值征税。结果，房产税并不能帮助构建更加有效的土地使用模式，也不能获得公共投资的价值，亦或不能为地方预算提供重要的支持。

### 消费税

中国政府依靠对消费征税获得 45.8% 的收入。除去进出口消费税，对消费征税的税种包括增值税（2012 年收入的 22.5%）、营业税（13.4%）以及各种特殊的销售和消费税（6.7%）。

在过去的 10 年，增值税税基一直在稳步增长。最近，一项消费类税制的重大改革于 2012 年拉开序幕。该改革将营业税并入增值税（“营改增”）。改革依然在进行之中。现行的“营改增”仅仅纳入了 20% ~ 30% 的营业税。2013 年 8 月，改革在全国各省全面推开。从这项改革得到的最重要的好处是消除双重征税并且振兴服务业。

但就如同中国所有的税制改革一样，“营改增”将会对税收征管和税收分享产生影响。增值税的管理由中央政府进行，而营业税由地方政府进行。按照税收来源地原则，地方政府分享 25% 的增值税，并保留所有的营业税收入。

由于营业税是地方政府除共享税外的主要收入来源，完全取消营业税将会对地方政府产生一系列严重影响。而且，营业税还是地方政府最能施加影响力的税种。取消营业税的某些损失会由更强大的增值税产生的税收共享弥补，并且短期内实施维持收入格局不变的条款也能暂时保障地方政府，但是改革的净收益效应很可能是一个负值。<sup>2</sup> 迄今为止，政府并没有官方声明宣布地方营业税收入的损失会如何弥补。

1 关于房产税实践的国际比较请参见 Bahl (2009), Bahl and Martinez - Vazquez (2008), Bird and Slack (2004)。

2 上海市在 2012 年初开始实施营改增改革。税制变动据信导致上海吸引了更多的服务业投资，因此也弥补了一些短期的财政收入损失。上海的经验一定程度促使其他一些省份出于保护其税基的目的也积极加入改革。

## 环境税

众所周知，中国有严重的环境问题并且为处理这些问题出台了一系列政策（世界银行和发展研究中心，2014，63 ~ 69 页，439 ~ 535 页）。早至 21 世纪头十年中期，中国政府已经发出了污染会带来严重成本的警告，这种污染成本相当于中国 GDP 的 3%（Zhang, 2013）。尽管中国在环境保护的开支上达到了经合组织国家的水平，但是中国在此问题上的成功经验分布不平衡。大量的资源使用和污染出现在城市或者是由城市消费需求增长引起的，城市也同时承受了污染问题的巨大冲击（世界银行和发展研究中心，2014，439 ~ 535 页）。尽管正在消除许多环境不友好的补贴和其他能源生产体系的扭曲，中国并没有完全考虑能源生产和使用给健康、生态环境和气候带来的成本。某些人认为解决这些问题需要制度改革和更好的协调机制，包括需要一个中央和地方政府之间更好的安排，多数人认为环境的影响将会长期持续。

中国在其环境政策框架中使用三个工具：价格，包括税、费和使用者的付费；管制，包括排放控制；以及直接政府支出。中国对环境税，也就是所谓的“绿色税”，展现了一定的兴趣（Merk, et al., 2012）。广义地定义（OECD, 2006），环境相关的税收包括任何政府对与环境有特殊关联的税基征收的、强制性的、纳税人无直接收益的税收。税收征收的目的是增加税收收入还是保护环境都没有关系，只要是和环境影响能挂钩就行。事实上，许多经合组织国家征收的环境税来自这些国家的能源和机动车生产领域。

Man and Zheng (2013) 研究了中国环境相关的税收，发现大部分环境税来自成品油和燃油消费税。中国目前所有环境相关的税收为 GDP 的 1.5%，这低于 OECD 的平均值却高于美国和加拿大的征收水平。中国燃油消费税获得的收入大致等于机动车购置税，导致了一定的争议：如果围绕使用而不是所有权来征税，是否税收能在减少排放上更加有效率？但是，不管是按机动车所有权还是使用来征税，主要的目标公平地讲应该是增加收入而不是环境保护。

一些政策和试点项目引入了环境税和环境收费，例如，2012 年中国煤炭上市企业为每吨煤炭生产支付了大约人民币 140 元（22 美元）的税收。一个来自于中国中央财经大学 2013 年的研究发现，煤炭生产企业支付的 109 种税费中，有 25 种不同的环境资源税费（NEA 2013；世界银行与发展研究中心，2014，439 ~ 535

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页)。作为实现“十二五”规划环境目标的一个重要政策，2013年6月政府启动了排放交易系统。并且政府还引入资源税和消费税的新规则惩罚能源滥用和污染。在构建和实施激励和惩罚平衡的政策和政策集中关注资源效率（能源、水和物资）和绿色建筑方面，毕马威（2013）将中国排在第六位（KPMG, 2013）。<sup>1</sup>

### 使用者付费

更有效的公共服务定价能够显著地增加中国的财政总收入。某些部门，例如电力和天然气的收费记录要优于其他部门，例如给排水。对于城市交通，大量的政府补贴是一个惯例，尽管各地对于成本补偿的程度有显著的区别。其他一些情况下，使用者付费几乎可以忽略。例如，家庭并不用对废弃物处理付费。垃圾和废弃物处理收费如今只占大约400亿人民币运营总开支的10%。总之，各地和各行业成本补偿的情况有很大的不同。

需要对公共服务定价并合理收费不仅仅与未满足的需求存量有关。城市运输、水电煤供应、垃圾清理和其他一些可定价服务的提供成本将会在未来城镇化过程中上升。由于中国政府对未来的宏观税负设定了基本不变的上限，对这些公共服务的定价就需要上调以覆盖新增成本。中国的财政理念似乎已经习惯于使用间接税而不是直接支付，在这样的财政文化下实施公共服务价格上调的变动会比较困难。

### 行政收费

“政府部门行政收费”的问题需要进一步地强调。行政收费在中央政府不如在地方政府那么普遍，地方财政里这些收费占了收入的7%。然而这并不是有一种市场效率的政府筹资方法，因为政府部门可以利用政府的垄断地位优势来提供服务，并且提供服务的部门的收费行为不容易控制。2013年初，中央政府决定取消和放弃30种行政收费（财政部，2012）。政府未来会继续取消一些管理收费。

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<sup>1</sup> <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/green-tax/Documents/kpmg-green-tax-index-2013.pdf>

## 支出责任划分

过去三十年里，中国政府层级之间的支出责任划分一直被忽视了。甚至 1994 年分税制改革也仅仅是重申了改革前的支出责任划分，仅对中央和地方的支出责任划分给了简单的指导原则。中国自开始以市场为导向的改革以来，中央政府和地方政府之间、省以下地方政府之间支出责任划分不管是政策还是实践都基本上没有发生什么改变。现行的支出责任分配方式已经实行了非常长的时间<sup>1</sup>。

如果中国是一个城市地区很少“沟通”并且大多数外部性能够被内部化，大城市地区人口不多并且移民到城市受到限制，以及社会保障项目处于初级阶段的国家，那么过去的支出责任安排似乎是可以“起作用”的。但是在如今的中国，地方政府会发现他们依然承担着早就应该由更高一级政府承担的责任。

有许多原因解释为什么支出责任划分改变得如此之慢。习惯和官僚既定利益根深蒂固，难以改变。此外，改变支出责任将会让财政收入划分和融资模式开始发生结构性的转变，且这将导致新的行政和管理体系。也许最重要的是错误的责任划分引发的问题还没有导致可以推动这一系统改变的危机。这一系统的缺陷往往被掩藏在了经济的繁荣下面。

但是，中国目前正在成为一个城镇化的国家。经济增长和城镇化带来政府服务需求的增长，其中大量的服务需要由地方政府提供。结果就是地方政府部门承担了过多支出责任。现在超过 85% 的一般政府支出通过地方政府预算承担，而且这甚至还不包括由政府性基金支出的社会保障和基础设施建设开支，以及包括城投公司在内的地方政府企业支出的基础设施建设开支。这使中国成为一个在地方政府的政府支出占比上极高的离群值。诚然一定程度可以解释为中国太大了，但是从经济理论和国际比较所建议的水平来看，中国赋予中央政府的支出责任实在太少了。目前的城镇化进程将引起人们注意重新平衡支出责任划分。

地方政府承担了显著的支出责任划分，却没有相应的征税权。并且，地方政府支出责任与 1994 年分税制中央集中收入后给予的地方财政收入权力之间的差距在变大，甚至在最近几次调整收入共享机制后变得更大。中国的财政不平衡现

1 关于这段历史的讨论，见乔宝云、刘乐峥（2013）。

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在已经演变成为极端的纵向不平衡：大约有 85% 的支出由地方政府承担，并且几乎所有的税收权利都归中央政府。关于城镇化所带来的财政压力问题，地方政府对于提供什么样的服务有相当大的控制权，但是对于如何为这些服务融资的控制权较小。最近几年，土地出让收入被用于弥补纵向差距。

### 值得商榷的划分

支出责任的划分不正确（对于某级政府的过度分配或者分配不足），将会导致分配效率的损失。如果地方政府被分配到的支出责任不能内部化服务的外部性，或者不能获得规模经济效益，结果将是服务供应不足或者是在高成本下提供服务。如果地方政府被指派一个他无法融资的责任，那么它的市民可能会不得不勉强认可低于标准水平的服务。例如，养老金可能资金不足，不能够支付退休职工足额退休金。再如，一个负责管制当地供应全国消费的食品生产的省级政府可能选择不去实施成本昂贵的检查措施，这种决定很可能对全国的福利产生消极影响。又如，一个地方政府可能为农民工子女提供低质量的基础教育，这可能导致未来更低的劳动生产率和目前已令人不满的不平等问题<sup>1</sup>。

要让支出责任划分正好是“正确的”几乎不可能，因为公共服务有许多决定性的特征甚至不能衡量（例如，外部性、规模经济和地方偏好）（Fox and Gurlley, 2006）。但是，中国也似乎不太可能在划分给地方政府比其他国家多得多的支出责任的情况下还划分得正确。在寻找当下中国的体制可以改进的地方的时候，人们可以通过经济理论和国际比较寻求帮助。

采用这种方法研究中国的具体问题，已经让一些分析人士找到了中国支出责任划分体制应该改变的地方（楼继伟，2013；Bahl, 2011；Martinez – Vazquez and Qiao, 2011；Dollar and Hofman, 2008）。虽然人们指出了许多需要改进的职能性责任划分，但基本集中在以下三个领域：政府和私人部门应该各自做什么，哪一级政府应该负责为社会保险融资，新兴的中国经济是否应让中央集中更多支出责任。如何处理这三个问题对城镇化的成本和财政融资有极其深远的影响。

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1 20 世纪 90 年代中期，俄罗斯中央政府指定了显著的支出责任给地方政府，但并未给地方政府税收分权来满足这些新的服务要求。结果俄罗斯出现了严重的公共服务和基础设施建设维护的大倒退（Martinez – Vazquez, Timofeev, and Boex, 2006）。

## 经济发展

经济理论提出了一个听起来十分简单的方法来划定政府应当参与市场的程度：政府只有当市场失灵的时候才干涉经济。然而应用理论并不是一个简单的事情<sup>1</sup>。这个问题在中国特别复杂，原因在于：管理一个如此大的国家会产生特殊的问题；地方官员对居民的向下可问责性缺失；政府和个人的财产所有权难以分割；有政府涉足竞争性行业的文化。

还有一个问题是政府长期拥有和管理企业。国有企业依然是经济的重要组成部分，地方政府依然在竞争性领域运营着大量公司。甚至到了现在，对于如何正确划分什么是政府应该做的和什么是私人部门应该做的都还没有一致的意见。

### 国有企业

关于是什么因素决定了地方政府的商业行为增长的严谨实证研究并不充分，但普遍的认识是地方国有企业数量有所上升（田国强、夏纪军、陈旭东，2010）。到2011年底，中国有144700家国企或国有控股企业，其中只有113家是中央所有。剔除金融机构，这些国有企业拥有85.37万亿元人民币（13.55万亿美元）资产，总收入达到39.25万亿元人民币（35%的全国工商业收入），利润总额为2.58万亿元人民币（全国利润的43%）。<sup>2</sup>一份中美经济和安全评估委员会的分析表明国有经济占中国经济的40%左右（Szamosszegi, 2011）<sup>3</sup>。根据经合组织的研究，与23个OECD国家和金砖6国相比，中国在前10家企业内国有企业的销售额占比、资产占比和市值占比指标上都具有最高的加权平均值。

地方政府国有企业全部或部分由地方政府拥有。他们主要有两种形式。第一种，他们可能是公共服务企业，其主营业务有某种程度的“公益性”（例如公交和轻轨公司）。在这种情况下，企业可能直接接受财政补贴，用于补贴低价格。第二种是竞争领域国有企业。例子包括主营业务是商业租赁服务的公司、住宅建设公司、工业园区管理公司，或是直接涉及私人部门产品生产销售的公司（世界银行发展研究中心，2014，pp 81~126）。第二种企业也包括城投公司，他们是地方政府在征地、土地开发和土地转让方面的合伙人。竞争性国企和一般预算之间

1 这一点是 Stiglitz (1986, 第4章) 强调的。他阐述了支持政府介入市场运行的市场失灵的来源。

2 [http://news.xinhuanet.com/english/indepth/2012-10/24/c\\_131928023.htm](http://news.xinhuanet.com/english/indepth/2012-10/24/c_131928023.htm)

3 [http://origin.www.uscc.gov/sites/default/files/Research/10\\_26\\_11\\_CapitalTradeSOEStudy.pdf](http://origin.www.uscc.gov/sites/default/files/Research/10_26_11_CapitalTradeSOEStudy.pdf)



的联系是支持企业活动并可能直接或间接为其盈利作出贡献的转移支付。

在中国，正是这第二种形式的企业行为混淆了公共部门的角色。如果中国公共部门活动的焦点变成提供具有公共属性的产品与服务，变得更加符合传统意义上公共部门行为的定义，那么政府不应再拥有和管理第二类国有企业。

#### 产业补贴

一个相关的问题是省/市的地方政府使用补贴吸引产业投资。由省和地方政府以这种方式推动的产业分布是没有效率的。没有这些补贴，企业的区位决策主要受市场力量推动。另一个考虑是这种类型的竞争有利于拥有更多可自行支配收入的地方政府。产业补贴也会导致政府抽离一般公共服务的资金。

过去十年，土地出让和这些产业刺激携手共进，推高了城市发展的成本，造成地方政府歧视商业服务而更偏爱工业，并且刺激地方政府不公平地对待拥有城市边缘土地使用权的人（世界银行和发展研究中心，2014，81 - 126 页，187 - 262 页）。解决这一问题对于中国来说特别困难，这是因为中国地方官员仅面临有限的向下可问责机制，也因为地方官员受到的激励是促进工业和 GDP 的发展，还因为面对城镇化的高速发展地方政府需要为基础设施建设筹集资金。

经济学家很早就警告并且反对地方政府使用这样的补贴手段（Keen and Marchand, 1997; and Boadway and Shah, 2009）。传统观点认为地方政府最合适的职能属于资源配置范畴，即提供合适的公共服务（Musgrave, 1983）。如果补贴足够吸引企业到城市 A，那么结果可能缺乏市场效率，因为这只是资本从原本可以更加有生产效率的地方转移<sup>1</sup>。如果补贴并不一定是吸引一个企业的必要条件，那么补贴的结果就是牺牲了一般公共服务的开支和对没有接受补贴的企业横向不公平<sup>2</sup>。不是地方政府使用补贴手段吸引企业的行为就一定是不对的，也有例外的情况，如以补贴吸引处于科技前沿的企业和技术研发企业。然而，如果使用补贴来吸引或启动这样的产业是有必要的，那么这样的职能让中央政府承担更合适。

中国中西部二线和三线城市激进地使用了税收优惠和公共基础设施投资来吸引国际企业。2008 年，富士通科技集团——世界最大的电子承包厂商——投资

1 如果所有省份采用相同的产业补贴政策，那么所有可能获得的优势都会消失，结果只是一部分预算会被公司获得。另一方面，如果资本可以完全国际流动，补贴政策不一定在辖区内造成没有市场效率的资本分布。

2 有人可能认为长期来看，增加的税收收入会弥补这种短期的牺牲。

10 亿元人民币并且重新安排 16 万员工到它在武汉市（湖北省的省会，坐落在中国中部的最东端）的新工厂。武汉政府承诺投资 45 亿美元为富士康提供公共基础设施，包括专享的铁路连接到富士康武汉工业园<sup>1</sup>。相似的，四川省成功地吸引了英特尔公司的投资。当地政府投资 2500 万美元修建一条 10 公里长的高速公路连接英特尔工厂，并免除前 5 年的企业所得税<sup>2</sup>。

#### 社会保障

中国的社会保障指的是一揽子的项目，不仅包括退休金、医疗保险，还包括失业保险、生育保险、工伤保险以及各种各样的医疗卫生和福利项目<sup>3</sup>。社会保险项目（退休金和医疗保险）由市或县政府提供并由地方政府社会保障基金独立管理。社保资金源于工薪税缴费和政府补贴。按照全国性的指导方针，合并雇员和雇主的税负大约相当于工资的 40%。然而全国性的指导方针不具有强制约束力，省域之间存在相当大的不同。例如，根据世界银行和发展研究中心（2014，263 ~ 358 页）报告所述，指导方针对于所有城市要求最低雇主养老金缴费率为 8%，但实际比率各不相同：一些广东省珠江三角洲的城市是 10%（例如珠海市和中山市），上海市和哈尔滨市是 22%。

按照国际标准来看，合并雇员雇主的工薪税税率为 40% 是较高的（国际货币基金组织，2013）。然而这对于经济的影响与政策目标并不一致。高税率造成劳动成本增加，损害收入分配公平，并且减少家庭可支配收入。

地方政府还负责一揽子的（非保险性的）福利和医疗项目，这些项目通过地方一般公共预算管理。上述这些社会保障项目合计每年占 GDP 的约 7%（见表 2-1 和表 2-7）。

中国的养老金和其他社会保险项目分散管理和分散融资的模式与其他国家显著不同。在养老基金治理标准、管理实践、规章制度和监管上，中国养老体系的各组成部分之间和各省之间都有很大的不同（Hu, Pugh, Stewart and Yermo, OECD, 2007; Impavio, Hu and Li）<sup>4</sup>。大多数的工业化国家和发展中国家集中或大部分集中管理养老金保险融资项目。通常理由是统一福利标准和保证这些项目

1 <http://www.lawtime.cn/info/laodong/kaoheguanli/2010121585462.html>

2 <http://arts.51job.com/arts/78/357071.html>

3 关于中国社保的描述请参见 Dorfman, Holzmann, O'Keefe, Wang, Sin, and Hinz (2013), 以及世界银行和发展研究中心, 2014, 263 ~ 358 页)。

4 <http://www.oecd.org/finance/private-pensions/39604854.pdf>; <https://www.imf.org/external/pubs/ft/wp/2009/wp09246.pdf>

## CHINA

至少有最低程度的资金池符合国家利益。由于地区政府之间的收入差距太大，中国让地方政府为这些项目融资是不合适的。

### 养老金

在中国，养老金系统的融资和服务提供分权至市或县级政府。费用大部分来自工薪税缴纳（75%），余下的部分来自补贴。这个系统普遍缺乏资金，并且受到历史遗留欠账的困扰。当以前的国有企业员工的养老责任转移到地方政府的时候，短缺出现，养老金账户突然需要支付许多退休金。这给地方政府留下了很多养老金债务和无数“空头”账户。并且，中国人口老龄化将进一步恶化这一问题（世界银行和发展研究中心，2014，263 ~ 358 页）。

地方政府之间的财政不平等太大，以至于县级和一些市级政府没有办法按照国家要求的标准为这些项目形成必要的风险分担资金池。这导致一些地方在一些市级或省级构建风险分担资金池。虽然更大的资金池减少了风险，但依然有一些养老金拖欠或者违约的情况，迫使中央和省级政府不得不持续补贴（Martinez - Vazquez and Qiao, 2011）。例如，2011 年就有 14 个省份出现养老金赤字（郑功成，2012，报告于世界银行与发展研究中心，2014，263 ~ 358 页）。

### 医疗保险

在中国，医疗保险项目也由区、县政府来进行管理。实际报销比例在不同的区具有差别。这是由于各地有不同的抵扣项、共担额以及上限。例如，参与“新农合”（新型农村合作医疗保险计划）的住院病人的报销比例在不同的县可以有五倍的差距（Zhang, 等，2012）。这些比率的不同源于各地不同的缴费水平和地方政府补贴。除了不公平外，较小的风险分担池也带来了整体风险过高的担忧。另外，外来居民获得医疗保险并不容易，农村和城市的项目也还有重复注册的情况。

城镇化将与一系列社会保障项目的融资安排重构同时发生。基于下面的考虑，有必要提高中央的融资责任：提高劳动力流动性对经济增长很重要，为此需要实现福利项目可转移；这些保障项目具有全国公共品的特点；需要更重视居民实际收入的公平分配。

## 中央职能

随着中国经济的成熟，经济个体更加紧密地互相联系。资本自由流动，同时

劳动力流动也变得越来越自由，并且城市快速扩张以至于某些情况下一些城市出现融合。过去二十年里，城镇面积增长了三倍。一个大都会区域经济的成功及其生活质量的提高，受周围地区发展的影响很大。

相互之间的联系要求转变公共服务提供和融资的方式。例如，改善两个城市的互连互通会提高经济运行效率，因为这使企业能够在当地、区域和全球市场买投入品、卖出产品和交换刺激创新的想法。城市之间的相互联系也给予消费者选择的权力，许多情况下由此会带来更优惠的价格（World Bank PCFN 2013）。城市间相互的联系使人们更有可能获得工作和享受服务，也使企业更容易吸引工人和获得其他投入品，并且能更容易在当地市场卖出产品（世界银行和发展研究中心，2014，127~186页）。

经典的空间负外部性案例是空气污染。一个省产生的灰尘和颗粒物很容易漂浮到邻省的另一城市，而农业活动的排放会恶化城市的污染问题（世界银行和发展研究中心，2014，439~535页）。同样的问题也会出现在有限的水资源竞争上。

在城市公共品的提供方面也更加相互关联并且越来越需要政府之间在规划和服务提供上相互更加合作。有时，城市间互相影响的情况要求区域性或者中央政府直接参与服务的提供。需要更好的合作这一要求在交通运输方面体现最为明显。世界银行和发展研究中心（2014，127~186页）很好地阐述了该问题：每一个公共交通服务的组成部分通常质量都较高，但是使用公共交通工具进行门到门的出行却是不方便的。这是因为资源和服务的整合较差，常常体现为过长的出行距离、不匹配的时刻安排、独立的计票系统或者缺乏便利的换乘工具。深层的问题是城市机构互相割裂，不同机构负责城市交通的不同方面（地铁、公交、道路建设、交通管理、土地使用）。

其他协调问题的例子包括环境保护、城市集聚增长区域的服务协同提供、义务医疗和教育服务、消费安全和其他很多方面（楼继伟，2013；Bahl, Linn and Wetzel, 2013；Rojas, 2008）。

公共政策也变得更加内部相关。地方政府之间为新经济发展展开激烈的竞争。因为官员会因实现改革目标如经济增长、外商直接投资、就业、税收和社会稳定等而受嘉奖，地方政府互相的竞争可能非常激烈（中国2030，第5页）。竞争过程中为吸引投资项目，促进增长和就业，地方政府可采用多种工具，包括税

收优惠、电力补贴、土地和租金补贴等<sup>1</sup>。但地方政府在此体制下也是脆弱的。一个政府的政策可以影响另一个政府的成功（例如，采用以邻为壑的补贴吸引产业），所有地方政府的财政状况可被一个上级政府的政策所影响（如户口和增值税改革）。

## 不清晰的支出责任划分

许多国家分配一些支出责任给地方政府，并给出一个列表。一些国家不在中央层面明确支出责任安排，但以部门法规的形式实现划分（de Mello, 2011）。中国对中央专属或地方专属的责任并没有给出明确列表。相反，宪法给出了原则性的责任划分条款，对条款的解释有很大的弹性空间（李俊生、乔宝云、刘乐峥，2014）。实践中，责任的委托是通过行政管理体系来决定的，并且这种委托责任省份和省份之间各不相同。这就导致了缺乏对于责任划分的清晰界定。其结果可能导致昂贵的重复服务，或者某些服务的失败。更普遍的情况是，缺乏清晰的定义和责任划分将会变成政府之间相互争夺利益和相互推诿责任的温床，并且这也使得政府的可问责性变得问题重重。

世界银行在分析中国水资源管理案例时很好地抓住了这些问题的本质（世界银行和发展研究中心，2014，439 ~ 535 页）。“跨边界问题是城市水资源质量行政管理的复杂难题——许多河流本身就是行政辖区划分的边界线。这会导致‘人人有责，无人负责’的状况。除非发生风险事故，否则这种状况会一直持续下去。而当惩罚之剑高悬之时，环境之殇已铸。”前述交通碎片化的计划和管理又是另一个例证。

## 收入划分

中国地方政府几乎没有法定税收权力，也就是说设定税率或者决定法定税基大小的权力非常有限<sup>2</sup>。对于地方政府只有评估和征收权的税收，地方政府可以通过更强的行政管理来影响有效税率，当然他们也有动机来加强监管，因为地方

1 [http://news.cqnews.net/html/2014-03/11/content\\_30079786.htm](http://news.cqnews.net/html/2014-03/11/content_30079786.htm)

2 地方政府仅有的税收自主权是在法定的最大最小税率范围选择城镇土地使用税税率。

政府能够保留一部分收入。这种形式的收入在中国称之为“地方税”。地方政府可以征收使用费，但是这通常要经由上级政府批准，并且，成本回收的状况各地不一。

这种收入分配方法有一些优点。它允许中央政府设立一个总的资源上限，并由此通过公共财政预算账户来控制地方政府支出。收入集权化也有一些优点，那就是中央政府可以控制税收负担的分布并且获得税收管理的规模经济收益（Martinez - Vazquez and Timofeev, 2004）。即使在集权化的系统之中，地方政府依然有动机通过增长税基来实现更大的税收努力。为实现税基增长地方政府可以提供激励以吸引新企业，也可以运用他们对经济的影响力提高当地企业税收遵从水平。

但是这一收入分配手段也产生了一些重要的公共财政问题。首先，如果地方政府需要开展一些新的项目，而项目的资金需要超出了转移支付给予地方的资源，地方政府不能调整一般税收的法定税率和法定税率以实施这些新项目。同样，地方政府也没有能自主支配的资源进行债务抵押和弥补赤字。上述缺点以及城镇化所带来的需求，一定程度上解释了为什么近年来土地财政具有巨大的吸引力。

其次，现行体制下，税收或收入分享政策属于中央政府的自由裁量权，它的改变很容易使地方政府的收入受到影响。例如，增值税向消费型转变时会减少税收收入，减少的收入会部分地通过增值税共享传递到地方政府。对于改变个人所得税免征额、“营改增”、免除农业税等等，也是同样的道理<sup>1</sup>。这一系列的垂直安排不仅仅让地方收入预算易受影响，而且还减弱了当地选民和上级机关对于地方政府的可问责性。“对于我都无法控制的东西，我怎么能够被问责呢？”一个官员在为地方产生预算赤字的结果辩护时产生了共鸣。

最后，正是地方税收权力的缺失，鼓励了地方政府“创造性”地寻找后门融资的方法，以保证服务的提供。中央政府似乎愿意忽视这些做法，为的是让地方政府能够增加必要的支出，即使是地方政府的做法与中央的政策相去甚远，中央政府也默许这种行为。比如，相对不正规的土地出让，地方政府获得了全部收入，以及地方政府通过城投公司（UDIC）举债就是这样鲜活的例子。而非正规的税费，在 20 世纪 90 年代的预算外资金以及在 2000 年中期的义务教育遗留债

1 取消营业税这些改革中对地方财政伤害最大的。尽管有过渡期收入格局保持不变的条款，但不清楚当税收完全集中到中央后，是否会补偿地方财政长期的收入减少。

务重组又是另一些例子（Bahl, 2000；Wong, 1995，乔宝云、刘乐峥，2013）。

尽管有如此多的缺陷，收入集权体制在中国运行效果依然很好。可能有争议的原因是（这套体系运行得如此之好）一种观点认为这是因为经济增长给地方政府特别是大城市带来了相当多的收入。税收收入以及地方政府支出占 GDP 的百分比在 1994 年至 2012 年翻了至少两倍（楼继伟 2013，李俊生、乔宝云、刘乐峥，2014）<sup>1</sup>。这就解释了中央政府如何能够安全地提高收入，同时也如同上述所提及的废除和减少地方税种，而且丝毫不必担心地方政府会削减预算。

中央集权的收入分配模式在将来是否能够同样地运行良好？收入增长将随着经济增长的放缓而减少，而且城镇化的推进将会带来新的支出压力。如果地方政府没有能力通过他们自己的收入满足融资需求的缺口，那么地方服务的提供将会打折扣。在此我们需要注意四个问题。第一，经济活动分布不均导致各地居民获取基本公共服务的能力和公共服务提供的质量分布不均。因为财政收入分配基于征收来源地，地方政府的收入大量集中于经济活跃的区域，这种不平衡的财政收入分配格局偏爱富裕的地区甚于支出需要更强的贫穷省或者市。第二，当地方政府需要为一些资金需求超过转移支付承担能力的项目融资，需要为债务提供担保，或是需要弥补一些未意料到的赤字的时候，这样的体系阻碍了地方政府提高收入。第三，收入集权化迫使地方政府进行后门融资，例如土地出让（全部收入留归地方）和通过城市开发投资公司（UDIC）借债。第四，地方政府几乎不用接受当地人民的问责。反之，通过税收分权，他们其实可以变得更加向居民负责，因为这将允许居民将当地的税收负担和地方政府预算直接联系在一起。

## 政府间转移支付

中国版的政府间转移支付和主流的工业发达国家和发展中国家的实践都不一样，大部分是因为它强调的是基于来源的收入共享。尽管有不同的看法，但是，在过去三十年里，用更多资金奖励发达地区进一步投资，促进发展，被认为是一个正确的方法。邓小平提出的“让一部分人先富起来”战略是中国工业化战略

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1 作为比较，1960 年到 1975 年韩国“奇迹”期间实际 GDP 增长率均值超过 7%，同期财政收入占 GDP 比重从 12% 上升到 17%。

的重要组成部分（Wu 2004）。

1994 年分税制改革以来，政府间转移支付体系历经几次调整，但是这些调整都是头痛医头脚痛医脚，只针对特定的问题或者满足特定的目标。提高所得税中央共享比例是用来弥补中央认为需要调整的垂直平衡，弥补由于中央政府或者外部因素导致的地方政府财政损失和为低收入省份提供更多的资金。专项转移支付被引入到这个体系，是用以刺激高支出优先权的领域的政府支出。但是在中国，政府间转移支付体系的有效性不能独立于税收政策或者税收管理的变化。将营业税纳入增值税征收范围（“营改增”）可能是一个好的税收政策，但是将对地方收入预算带来显著的负面影响，并且这也将要求对政府间转移支付体系的改革。

政府间转移支付方面有几个重要的问题：（1）中央税收垂直分享体系长期以来一直支持地方政府的支出，今天是不是依然正确，特别是能不能足以应付巨大的城镇化支出。（2）政府是否产生了一个合理的平等水平，是否使用了正确的工具达到这一水平。（3）这套体系是否变得太复杂以至于不能有效率地进行管理。（4）省级以下的政府收入分享体系是否与中央的步调一致。如果中央政府决心改革政府间转移支付体系，那么有待处理的特殊问题将是巨大的。城镇化的推进以及增长的减缓，有可能迫使收入和支出的分配发生改变，并且人们会意识到环境保护支出的必要性，还会要求城市升级服务水平，所有这些因素都会促使综合性的政府间转移支付改革在不久的将来发生。

## 均等化

正如大多数中低收入国家一样，中国省际经济的差别非常大。例如，4 个直辖市（或称为省级市）的人均 GDP 大约比其他东部地区省份高三分之一，是其他省份的两倍以上。表 3-4 描述了全国区域经济的差异。但是经济的差异并不能进行简单的衡量，指标解释要慎重。GDP 指标是有缺陷的，它已经把某些转移支付算进去了，过高地反映了地区的自然禀赋。人类发展指数（Human Development Index, HDI）给出了省份发展等级描述。但是这个指数改变得很慢，同时也难以区分政府间转移支付和其他因素所带来的影响。



表 3-4 2012 年地区经济差别

地区	人均 GDP (元)	人类发展指数 (HDI)
北京市	87475	0.821
天津市	93173	0.795
河北省	36584	0.691
山西省	33628	0.693
内蒙古自治区	63886	0.722
辽宁省	56649	0.740
吉林省	43415	0.715
黑龙江省	35711	0.704
上海市	85373	0.814
江苏省	68347	0.748
浙江省	63374	0.744
安徽省	28792	0.660
福建省	52763	0.714
江西省	28800	0.662
山东省	51768	0.721
河南省	31499	0.677
湖北省	38572	0.696
湖南省	33480	0.681
广东省	54095	0.730
广西壮族自治区	27952	0.658
海南省	32377	0.680
重庆市	38914	0.689
四川省	29608	0.662
贵州省	19710	0.598
云南省	22195	0.609
西藏自治区	22936	0.569
陕西省	38564	0.695
甘肃省	21978	0.630
青海省	33181	0.638
宁夏回族自治区	36394	0.674
新疆维吾尔自治区	33796	0.667

资料来源：《中国统计年鉴》2013 年。

表 3-5 呈现的数据表明省际人均支出的分布并不比人均 GDP 分布有明显更小的离散程度，尽管人均支出分布的变异系数和取值范围比较小。这说明政府间财政转移支付有一定的均等化作用。然而，除了西藏自治区，地方政府人均支出从青海省的 17003 元到河南省的 4526 元差异不等，平均值是 6877 元。同时注意，人均 GDP 和人均支出是正相关的。也就是说，即使将税收分享和转移支付的影响考虑进去，更高的收入省份财政支出明显还是更多。

表 3-5 地方政府的财政差异：2011 年<sup>1</sup> 单位：元

人均支出	
最低	4526
最高	17033
平均	6877
变异系数 <sup>2</sup>	0.43
最高/最低 <sup>3</sup>	3.76
支出占 GDP	
最低	11
最高	58
平均	18
变异系数	0.44
最高/最低	5.25
人均 GDP	
最低	16437
最高	83449
平均	38944
变异系数	0.46
最高/最低	5.08
与人均支出的相关系数	0.59
与支出占 GDP 的百分比的相关系数	-0.47

资料来源：根据 2012 年《中国统计年鉴》数据计算得出。

<sup>1</sup> 样本不含西藏自治区。

<sup>2</sup> 变异系数。

<sup>3</sup> 最高水平/最低水平。

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这些省与省之间的财政差距并不让人吃惊。当一些地方天生比其他地方有优势的时候，总会存在很大的差距，而财政制度并不是为了大幅度地减少这些差距而设计的。正如在第二章中展现的简单的相关性分析那样，税收返还转移支付和一般税收分享部分无疑是反均等化的。税收分享是基于征税多而不是支出需要大的地方。目前，税收分享以及税收返还一共占政府转移支付的60%左右。在某种程度上，中国体制的均等化成分主要来源于特定目的的转移支付以及平衡收支差距的转移支付。

不同的分析都同样地不支持中国政府间财政转移体系有均等化结果（尹恒、康琳琳、王丽娟，2007）。早期的研究注意到税收分享转移支付的显著影响。他们认为这个体系是反均等化的（Bahl, 2000, Bahl and Wallich, 1992）。最近几年，财政体系中的转移支付部分增长了，并且一些分析人士的观点认为，这些转移支付对减少财政的差距等起到了好的作用。Herd 和 Wang（2013）发现转移支付对省内与省际之间产生均等化的效应。Persson 和 Eriksson（nd）基于1998年到2003年期间的实证研究得出了相似的发现。Hofman 和 Guerra（2007）发现在一定服务水平上，省与省之间的人均发展指数不均小于人均GDP的不平等。

### 专项转移支付的问题

政府间转移支付体系显得十分复杂。有220个中央政府专项转移支付，每一项应该被更高级的政府来进行监管来保证按章行事。然而从公平和效率的角度来看，其中一些项目并不需要更高级的政府来监管。2014年预算报告显示，有三分之一的项目将会被拿掉。弥补区域间差距的财政转移支付包含一系列非常不同的转移支付项目，从对少数民族地区的转移支付到为了消除农业税而补偿地方政府的转移支付。即使一般的基于来源地的收入共享也受到一系列复杂调整的限制，其目的是解决省际收入分配的所谓“总部问题”（乔宝云、刘乐峥，2013）。

这些复杂性带来了成本。有条件转移支付用以满足强制的资金安排，除非被恰当地设计以刺激支出来获得溢出效应的收益，否则有条件转移支付将对地方政府的自主性产生扭曲，也不会提高效率。这些专项转移支付会在中央政府层面产生管理费用，并在地方政府层面产生遵从费用。最后，专项转移支付通常会产生非常大希望维持项目的官僚体系、部门及地方利益。当这些项目不再必须时，这些利益群体会产生强大的力量反对废除这些项目（Blom - Hansen, 2010）。

## 省级以下政府的转移支付

省级政府在决定以下问题的时候有相当大的自由裁量权：（1）支出责任划分；（2）中央给予的转移支付有多少要留存自用；（3）在县和市之间如何分配这些转移支付。这些“联邦”财政方式保留了省一级层面上的自主性，也允许地方政府发挥信息优势。省级政府可以将收入放在他们认为最需要的地方或者是他们认为从全省经济策略来看最适合的地方。他们还可以选择采用地区间均等分配方式，或者他们可以选择刺激投资的策略。

中国太大了，以至于如果没有省级政府的自由裁量，效率就无从谈起。但是这种等级制度下的收入分配存在着问题。省级政府可能为自己留下至少在下级政府看来太多的部分，也可能没有根据下级政府的需求进行分配。特别是省级政府可能没有充分认识到市、县政府处理财政问题和城镇化问题的需要，也或许他们不会关注地方政府发现的问题。另一方面，底层政府在服务提供以及征税方面的信息优势可能最强。而且更普遍的是，为适应城镇化而提供服务所引起的问题以及融资问题，大部分将会落在市级政府的头上，而省级政府的均等化目标可能倾向于将资金调离城市。

这种等级制度的另一个问题是省级以下政府会曲解中央政府关于均等化财政能力或者刺激某些支出的政策目标。例如，中央政府可能会根据支出需要在各省之间分配收入，但是省级政府可能决定根据来源地方法在市或县里分配这些收入。这就产生了关于中央政府的转移支付是否应该包含更多要求，以强制把中央资金发放给下级政府的问题。

## 地方政府举债

中国中央政府心照不宣地承认，债务融资在地方政府支持城镇化建设的进程中非常重要。然而，这并不是给地方政府举债开了正门，而是允许不正规的举债方式。中国的地方政府拥有很多资源，当某些行为的目的符合国家利益时，中央政府常常愿意忽视地方政府所拥有的自由。一个相关的例子是，地方政府使用融资平台举债，支持高收益土地出让项目，为城镇基础设施建设融资。

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在 20 世纪 80 年代末，地方政府就建立了融资平台。而这些融资平台由国有企业（城投公司，UDIC）为地方政府融资。这些城投公司由地方政府注资；从农村集体中购买（或交换）土地使用权，将这些集体土地转变为国有土地<sup>1</sup>。然后城投公司用这些土地出让的预期收入作为抵押，为提升基础设施进行融资。地方政府有一半未清偿的债务都是由这些城投公司借来的（附表 3）。大约三分之二的债务由地方政府担保（另外三分之一的担保状态不确定）（Painter, 2013）。

但使用“城投公司”举债并不是地方政府获取财政资金的长久之计。有以下几个原因。首先，尽管“城投公司”是政府的一个部门，但是他们的财务运营并不完全透明。而确切估计这些公司实际使用在基础设施上的资金总量更加困难。地方政府和这些城投公司都缺少常规审计。其次，城投公司会把公共目的行为和个人目的行为混在一起。因此使用城投公司作为举债代理人存在很多问题。虽然地方政府肯定会受到信用评级以评估其偿债能力，但是这些城投公司并不会透明的信用评估。最后，城投公司的贷款由土地出让金作为保障，因此他们的资产以及财务状况（并且实际上是地方政府的财务状况）容易受到市场波动的影响。

几乎一半的地方债务由城投公司举借，实践中借新债还旧债的现象十分普遍。2010 年末，中央政府规定禁止借新债还旧债，过期债务比率以及短期债务拖欠的可能性就开始上升。2010 年，几乎有四分之一的城投公司亏损（世界银行和发展研究中心，2014，187 ~ 262 页）。2013 年政府解除了这项禁令之后，情况才有所改善，但是实践恰恰证实了这种脆弱性。

按照国际货币基金组织的估算，2012 年中国包括城投公司债务在内的地方政府债务约相当于当年 GDP 的 45%（国际货币基金组织，2013）。虽然根据实践标准来看，这不是危险的等级，但是近年来债务的增长和关于债务拖欠的不确定性值得关注。

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## 地方政府财政报告

目前预算和财政报告体系会产生问题。首先“公共管理”似乎不存在于任

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1 有时，这个资本可以通过来自地方政府预算的小额稳定收入流扩张，有时也可能通过地方政府预算的临时专项转移支付扩张。

何一个地方政府的办公室。虽然表面上看来公共财政预算占省和地方财政的大部分，但事实上政府基金和社保账户在操作上有非常强的独立性（虽然这两者都接受来自公共财政预算的转移支付）。财政计划在这种安排下非常困难。

其次，在这个框架中没有资本性预算的空间。把政府基金看作资本性预算并不正确。因为某些资本性支出也包括在公共财政预算之中，某些经常性支出例如某些教育支出，也包括在政府基金预算里面。如果正式的地方政府举债变成现实，资本支出和维持费用，以及债务偿还也可能包括在同样的公共财政预算之中。

最后，为了建立对地方政府管理其财政事务的信心，需要一个透明的公共支出制度。但是在现行体制下，地方政府似乎没有控制或者没有完全了解城投公司的资金运作。

## 土地出让和土地出让金

土地转化为城市用地的数量和转化的方式，在实践中引发了重要的经济和社会担忧：第一，土地出让很容易获得资金，并且体现了地方 GDP 增长以及地方收入增长的政治动机，可能会使地方政府将原来提供基本公共服务的注意力转向其他地方。使用补贴来吸引投资的目标可能会替代建设基础设施以提供更好公共服务的目标。某些靠出让金获利的项目可能会从公共目的中分流，更多投资到私人部门中，例如建设商业住宅大楼，开发工业园区，或者制定商业旅游发展计划。同样，对于一些产业免费基础设施的一揽子补贴，以及采用谈判而非拍卖销售的一些土地出让，必然产生收入损失<sup>1</sup>。

第二，是与对土地使用权借贷相关、潜在的严重金融风险。用新出让金还贷的做法会使得地方政府在土地价格下跌的时候特别容易受到伤害。2012 年，地方政府债务总额是其一般性总收入的两倍。尽管地方政府债务累积水平仅相当于 31% 的 GDP，但是在某些城市中总负债会更高。在 2010 年，78 个市级政府和 99 个县级政府负担的债务义务超过了其地区 GDP（国家审计署，2011）。

第三，是过程中缺乏透明性。城投公司的经营细节不是广为所知的。有时即

1 对此讨论请见世界银行和发展研究中心，2014 年。

使是当地的预算部门也没有办法知道，更不用说地方政府基金预算与城投公司之间的资金转移信息了。城投公司经营行为的细节并不属于严格保密的花畴，但是其投资资金和财务状况都不为人所知。Wong (2013, 301 页) 报告说：“只有当中国银行业监督管理委员会（简称银监会）变得开始关心银行给城投公司放款的规模和速度时，他们才发现对城投公司几乎一无所知。”

第四，当把农用地变为城市用地的时候会出现公平的问题（World Bank, 2012）。村集体与农民个人都不能把地卖给最终的使用者，农民个人对土地的使用权仅有有限的保护。地方政府使用他们的垄断权力以仅仅反映农业使用的价格来获得土地。而这个价格远远低于城市土地使用的市场价格。在许多情况下土地被强行征收，这大大提高了那些拥有农业土地使用权的人的收入不确定性。给农民的征地补偿款在土地收益中的比重持续下降，很大程度上是因为买价是农业使用的价格而卖价是城市用地价格（世界银行和发展研究中心，2014，187 ~ 262 页，Wang, 等，2011）。

第五，由土地出让项目产生的城市土地使用机制也是问题重重。经济增长以及城镇化的策略由城市边缘地块出让引领，使用重大的基础设施投资来支撑。这些基础设施建设的目的是为征地提供服务。工厂被补贴所吸引而来到这些地方，而与此同时商业的发展没有得到补贴。如此建立起了一个城市扩张机制。这个机制对经济与社会都造成了影响。它让集约型的城市增长模式变得没有吸引力。这样的城市发展战略还会增加碳排放，因为它会造成更长的通勤距离，更少地使用集约的运输方式。它还会增加人均居住空间从而导致更多由采暖引起的二氧化碳排放。而这导致了更高水平的能源消费。它还会减少基础设施的集约化使用，从而造成排放水平上升（World Bank, 2013c; Baeumler, Ijjasz - Vasquez, and Mehindiratta, 2012; and Liu and Salzberg, 2012）。

第六，获得土地以及建设基础设施的过程在某种程度上来说具有自己的生命周期，也就是说获得新土地以及基础设施建设的多少变得与公共政策无关。经合组织（2010）报告说，基于土地流转取得未来收入的动机在广东是如此的强烈，以至于地方政府不得不面对一个过度供给的土地市场。中国在过去的十年间城市建设用地的增长率是人口增长率的两倍，人口密度显著地下降（世界银行和发展研究中心，2014，127 ~ 187 页）。

## 第四章 改革的策略

### 引 言

在过去的三十年中，中国财政体系的增长远快于它的发展。当经济的繁荣、城镇化和相对积极的开放政策造就了中国经济的腾飞并让 5 亿人脱贫的时候，中国的财政体系却并没有相应地发生大变革。相反，财政体制的变化都是零碎和应急性质的。中国经济的增长掩盖了财政系统中许多由结构性所导致的问题，而这些问题削弱了经济体系。

中国的财政体系不再与中国的经济相匹配。尽管过去的二十年里进行过一些重要的改革，但是现如今的财政以及政府治理结构依然保留着一些计划经济时代的特征。在很多方面现行财政制度并不具备处理快速城镇化所带来的影响的能力，也不能支撑现政府所希望的以消费为主导的经济增长策略。政府现在面临的政策问题是如何改革财政体系，使之更适合如今日益复杂的经济形势，以及如何逐步推进这些改革。

### 零散的改革还是综合的改革？

中国改革的方式是渐进式的，也就是说，改革不能过度冲击政治和经济的平衡。在某些方面，过去的改革方法是一种响应式的改革，即当具体问题开始累积到可能触发危机的时候，选择合适的时机采取行动处理这些问题。不管怎么样，过去的三十年里财政体系一直受一些针对体制不同组成元素的零散改革影响而变动。具有里程碑意义的 1994 年财政体制改革就是一个例子。1994 年的分税制改革重新集中收入并落实了一个基于规则的收入分配体系。这个体系运行得很好，虽然它没有处理地方政府债务和支出责任的问题。在其他的年份也有使税收更加现代化的改革，并且通常这些改革也是富有成效的。



## CHINA

1994年以来，许多重要的财政体系改革主要关注于税制以及政府间财政转移支付问题。有些改革试图移除税制造成的扭曲，例如，移除增值税对资本投入的歧视。其他的改革旨在减少某些行业的税收负担，例如废除农业税以及提高个人所得税的免征额。在其他方面，改革的目的是从地方政府手中收回收入。例如提高所得税的中央分成份额。最近将营业税与中央增值税合并的改革将许多服务性领域纳入增值税税基，这将会改进增值税税制，但也会对地方政府的收入有显著的抑制效应。

在过去的三十年里，碎片化的改革在支持以投资为导向的增长策略上获得了成功，并且也可以继续成功下去。例如，给新移民到城市的人提供服务的问题可以用“户口”改革和增加专项转移支付来解决。城投公司的问题可以通过增加新的财政透明规则来处理。地方收入不足的问题可以通过分配一部分中央税给地方政府来解决。然而，如果继续以这种零碎的方式来处理问题，将推迟构建可持续财政制度的结构性改革。一个采用零散化处理方式的遗留问题是：是否这些碎片的改革能够互相很好地契合？他们是否和政府的目标保持一致？

避免政治冲击是所有国家采用渐进方式改革的主要原因。另一个原因，特别对中国而言，是财政体系的内在特点让综合性改革比较困难。中国财政和政府间财政关系的支柱——税收、税收征管、支出责任划分以及地方政府借贷——互相交织，使仅针对一方面的改革难以形成可持续的成效。综合性的改革将会覆盖所有的方面，对中国而言这是对现行体系影响巨大的一次性冲击，并且可能形成显著的政治和经济风险。

### 改革的时间和顺序

处理如此巨大的深层次问题可能永远都不会有一个所谓正确的时机，并且城镇化进程加快和中国经济增速的放缓也不会给予政府喘息的空间来实验改革的可选项。但是如果没有系统性的改变，2亿工人和他们的家人迁入城市将会导致更加严重的公平和效率问题，并会让一些现行系统下有些失控的实践更加危险。财政体制需要全面的改革，但改革的执行方式可以是渐进式的。

一个折中的办法是确定全面改革的组成元素然后逐步向正确的方向推进。某些财政系统的改革可能在短期内就可以实现。例如某些支出责任的重新分配。其

他的可以由直辖市开始改革，之后再逐步推广到其他的城市。其他方面的改革可能需要更长时间才能够实施。但是，清晰地确定最终的目的地——一揽子的综合改革方案——能够保持短期的财政系统变动向正确的方向迈进。通过这种方式，综合改革才能够逐渐完成。

## 财政理念的大转变

开始架构财政改革主要组成部分的一个好起点是明确财政大变革应该发生的领域，即使可能是财政理念受到挑战的地方。城镇化的快速发展是一种可以促成这种大变革的经济转变。

中国下一轮财政体制改革将会涉及一些这样的大变革。案例包括：下一步采取措施分离公共部门的角色与私人部门的角色，更多采用直接向个人征收的税种，以及制止地方政府非正式的财政行为并引入更正式的以规则为基础的财政行为模式。执行上述这些改革会如同设计出这些改革一样富有挑战，在政治上令人信服就更难。

将公共部门行为与私人部门行为分离在中国很早就开始了。这是伴随着拆分某些国有企业以及政府逐渐从私人部门竞争的领域撤回而进行的（世界银行和发展研究中心，2013，2014；Guo，1986）。中国下一轮财政改革的起点可能是使政府更进一步从适合私人部门活动的领域后退并且以更强势的命令要求政府部门关注公共服务的有效提供和融资。

这将会是一个重要的方向转变。地方政府不再为吸引工业企业发挥直接的作用，而是在提高公共服务质量以及构建规范的市场环境方面展开竞争。政府前进的方向将是拥有更少的提供私人物品的企业，停止提供低于市场价格的投入品（例如土地和能源价格补贴），不把公共的资金分配给私人企业以提高其利润。甚至于财政补贴的权利都收归中央。

这里最重要的是，地方政府被清晰地要求接受以公共服务提供为主要任务的角色。评估地方政府领导任命的激励系统需要改变，以反映这些地方角色重要变化。

## CHINA

### 规范地方政府融资

第二个重要的政策转变是抛弃原先地方政府融资时采用的后门途径，严格执行以规则为基础的体系。这将会付出成本，因为这将号召所有的地方政府从业已成功的激进的招商引资竞争中后退。在既没有税收权力也没有举债权力的条件下，地方政府设法建立了一个令人羡慕的基础设施储备并吸引了显著的贷款。但是，绝大部分情况下他们游离于政府间财政规则之外完成这一建设，并且中央政府出于提振经济的考虑也允许他们这么做了。

在基于规则的系统之下，情况将会改变。例如，使用城投公司举债来绕过地方政府举债限制的做法会被取缔，取而代之的是地方政府将被赋予举债权，同时接受债务管理框架的约束。规范土地出让实践的规则即使以刺激基础设施开支为理由也不会放松。中央政府应该提供一个接受这些限制的激励，比如说允许政府征税和举债，为地方政府开前门，并明确和改善支出责任划分。如果对地方官员的评价机制也相应作出调整，那么这种方法会起到更显著的作用。

### 向着可问责性前进

一个财政理念的重要变化是让公共服务的税收价格对于受益者来说变得更加明晰。这将使中国朝着地方官员在公共服务提供质量上对居民更加负责的方向迈进。消费者对于公共服务的思维定势，将从期望以零边际成本享受公共服务，转变为认识到他们需要为享受的服务付费。企业和家庭将会把这些税收价格计入他们的区位选择成本中。

现行的中国财政理念是让大多数的税负由企业承担。总体税负中只有 10% 由居民直接负担。这比大多数工业化国家少很多。类似的是，中国使用者付费的价格也比成本回收价低得多。中国收入征收体系的这种特征或多或少地隐藏了税收价格。

## 经济学理论能否提供有用的指导？

一个“好的政策”需要定义适应于财政体制改革的工具。中国的财政改革

将以自己的速度走自己的路，并且一些改革的选择受传统和文化的影 响将具有中国特色。总的来说，这是应该的。但是，决定什么是中国的“好的改革”的时候，仍然可以依靠一些好的指导性原则来帮助选择。这些原则可以从经济学理论中得出，也可以从工业化国家的改革经验中得到，通过修正他们可以适用于中国。

过去三十年，中国的经济战略受到市场原则的很大影响。到 2012 年，私人部门占了经济总量的 60%<sup>1</sup>。许多缺乏效率的国有企业被关闭了，价格形成更加依赖于市场信号，税收体系变得更加的现代化，并朝着以市场决策中立为目标征收税收的目标迈进。的确，许多中国经济政策和管理都具有中国特色。即便如此，我们依然难以否认市场原则在这段经济快速发展的时期对塑造经济政策起着重要的作用。

财政改革现在可以考虑，如果财政体制能更充分地接受一些在工业国家引领变革的关键原则，财政系统是否可以更好。有鉴于此，人们可能会想到一些领域，在这些领域传统的财政和政府间财政改革理论可能会对中国的政策制定起作用。

## 构建适应城镇化的财政体系的理论原则

对于这里提出的原则，在中国毫无疑问都可以找到例外。中国存在“例外”并不奇怪，因为这些理论形成时多半是针对西方国家的财政体制改革提出的。有时，这些原则还经过调整以适应转型国家和低收入的国家。中国是与众不同的：这是一个庞大、混合、依然处于转轨过程中的经济体，存在向上负责强于向下负责的问责机制。尽管如此，通过适当修正，用这些能够指导西方公共财政的原理形成检查清单，可以帮助中国更好地开始设计和评估不同的中国财政体制改革方案。这个清单如下：

- 政府的主要资源配置职能是纠正市场失灵。在像提供私人物品这种市场有效的情况下，政府除了履行监管和收入分配职能外，完全没必要扮演其他任何角色。Kornai（1998，第 25 页）就政府应该扮演的角色提出了一个广义的观点“一个公民的个人自由的界限可以有多远？一个国家应

1 <http://finance.people.com.cn/n/2013/0203/c1004-20414645.html>.

该在多大程度上限制这种个人自由？……”中国依然在定义政府合适角色的过程中。

- 税收体制应该集中于征收一个目标性的收入，该税收目标应与社会公平目标一致，同时最小化税收对市场决策的影响。中国中央政府的税收改革正在向此方向大力推进，如扩大增值税税基和调和中外资公司的企业所得税待遇差异。然而，增值税和所得税的政府间共享刺激了地方政府的不合理行为，例如利用补贴吸引制造业企业来获取未来更多的增值税收入，这种行为还伴随着歧视那些长期来看没有巨额税收收益的商业活动。
- 宏观经济稳定和增长调控是中央政府的责任，地方政府应该着眼于资源配置方面，也就是地方公共服务的提供以及服务资金支持方面（Musgrave, 1983）。让中国地方政府把首要关注点转移到公共服务提供上依然进展缓慢。中国的地方政府一直致力于直接刺激经济增长。正如上文所提到的，政府通过对就业创造提供补贴来吸引投资和产生收入，但是这种措施也反过来吸引了把一部分工资汇到家中并很少使用当地公共服务的外地务工人员。结果是经济增长带来的收益一部分会从当地流出。当居民对于地方公共服务的需求不能被满足和劳动力的流动性变得更强时，地方政府对于地方公共服务支持不足的问题将会变得更让人担忧。
- 中央政府应该在改善收入分配上起领导作用。就税收而言，在当前的财税体制下只有中央政府可以有所作为；就支出而言，地方政府承担了大部分社会服务和社会保险项目的支出责任，这些支出确实对实际收入分配产生着重要影响。至少在财政预算支出上，大部分居民从地方政府制定的社保服务等政策中受益。但是可供选择的政策却存在很多的限制。如果一个地方政府承担了收入分配的职责，例如加大征税力度，增加社会保险投入，给低收入家庭提供更好的公共服务等，那么贫穷的迁徙人口将会被吸引到具有更好条件的地区，更多的税收和社会保险缴费将会惩罚（或者驱赶）那些承担税负以使政府提供这些福利的相对富裕的员工。更可能的后果是公共服务的质量将会打折，因为在现有的水平下可用于提供公共服务的资源将会少于日益增多的移民的支出需求。
- 除非出于效率方面的考虑（如外部性或规模经济），或出于公平的要求需要集中，一项支出责任应该被下放到地方政府（Oates, 1972）。中国向

地方政府下放了繁重的支出责任，这说明下放任务的时候也许并没有很注重外部性和公平性的考虑。特别地，对退休金及养老保险的支出责任分配和国际标准相比有很大差异。

- 为了更好地利用地方信息优势和增强地方政府对当地群众的责任意识，地方政府应该被赋予更多税收权和自治权。当给予地方政府征税权力时，地方政府可使用的税收工具应该排除那些可以将税收负担转移到不能从当地公共服务受益的人身上的税种。同样，向用户收费是收回可定价服务的提供成本的有效手段，在很多情况下，这可以比使用一般税收筹资能更有效地进行资源配置。用户收费和地方税收还可以使公司和个人意识到他们为地方服务所支付的税收价格。
- 和上文的原则相一致，应该寻求财政分权后地方支出责任与地方税收平衡匹配。财政融资应跟随政府职能。地方“合适”的征税权力应该是多少是一个政府决策，但是大多数人都认为，地方政府支出应该用地方税和其他费用收入来提供资金支持（McClure, 1998）。政府间的转移支付可以用于弥补剩余的赤字缺口。其他情况下，使用有条件转移支付来刺激优先项目的支出，转移支付也可应用于保障每个地区有提供公共服务最低标准水平的能力。
- 地方政府借贷应该遵循公共债务的黄金规则，也就是说地方政府借债只能用于长期资本性支出。高层级的政府不应承诺救援政策，因为这会引起地方政府财政政策决策者的道德风险行为。

## 第五章 全面改革方案的政策选项

### 引 言

相对于解决单一的问题，让财政体制与经济体制相协调，以更好地推进城镇化是一个更加复杂的问题。中国体制下，税收政策与征管、支出划分、政府间财政关系互相交织，以至于试图保持其他部分不变，而仅通过修正财政体制的一部分组件来完成财政体制改革的想法难以实现。例如，改变支出责任的分配很重要，但是，这需要同时改变政府间转移支付的分配，这是因为地方政府都会面临或多或少的预算责任。转移支付分配的改革可能需要同时给予地方税权和收取使用者付费的权力，这么做的目的是为了使得地方政府在可利用的收入资源上不受损失。过去土地流转的实践经验提出了新的问题，那就是是否应该允许地方政府直接借贷。如果地方政府被赋予借贷的权力，而由于信贷需求的满足需要供给的匹配，这就会引发对金融中介机构功能的思考。问题就是如此：牵一发而动全身。仅从上述列出的几点即可看出，正确的长远之计不是去试图解决某个方面的单一问题，而是进行全面的改革。

中国采用的是渐进的和零碎的改革方式，并且这种方式在过去三十年的现代化过程中被证明很适合中国，但是，就财政改革而言，这种方式似乎没有那么有效。仅对体制的某一部分改革会突出另一方面存在的缺陷，而根本问题仍不会得到真正解决。因此，2014年财政体制改革方式的正确选择，应该是系统全面、每个组成部分紧密结合共同加强的改革方式。政策的改变可以继续采用渐进的方式，但是改革的路径一定要清晰，要根据中国的长期规划制定。这对中国财政改革的规划决策者提出了很高的要求。

## 支出责任划分

中国制定全面财政改革的日程表应该以对支出责任划分的重新思考为起点。公共财政领域有一句经典名言：“财政收入服从于职能”。除非支出责任被明确划分，否则不可能确定总的财政融资需求是多少，自然也就不可能制定出有效的财政计划（Bahl 和 Martinez - Vazquez, 2006）。例如，可以被定价的服务应该通过用户付费的方式提供资金支持；带有很大外部性的服务至少部分应由政府间转移支付来资助；对于地方区域受益的服务可以由一般的地方税收提供资金支持（Bahl 和 Linn, 1983）。

从本书的第二章我们了解到，中国的财政系统是不平衡的。超过 85% 的支出是地方政府支出，而地方政府几乎没有税收权利，直接从中央政府税收分享的收入只占总财政收入的 40%。要建立更好的权责平衡机制，就需要划分更多支出责任给中央政府，同时赋予地方政府更多税收权力。这里要说明的是从支出划分的调整入手来实现财政系统的重新平衡是十分必要的。

### 正确划分支出责任

中国目前的支出责任划分在 1994 年分税制改革之前就已经基本确定下来，并一直未发生大的变动。现在中国的经济状况与支出责任划分体制形成时所针对的经济状况已经完全不同，早就应该重新彻底全面地审视支出责任的划分了。这种审视的最终结果应是出台一部新的预算法律以明确各级政府及其机构的职能。新预算法也将具体提出那些专属于中央政府的职责和专属于地方政府的职责。

在当前的体系下，大多数不易解决的支出责任划分问题都来自于“共享”责任，也就是一些归属于多个层级政府的职责（楼继伟，2013）。<sup>1</sup> 这种情况在某种程度上难以避免，因为一些职责确实需要政府间共担责任，但改革的目标应该是最小化提供服务过程中共同承担责任的情况。

由于在中国责任分配依旧遵循着传统的行政划分方法，即政府职能责任被一

1 需要注意的重要一点是这并不是中国独有的问题。许多发展中国家、中等收入国家和转型国家都出现了支出责任划分不清晰的问题。



级级传递到基层政府，所以在中国解决支出责任不清这个问题非常困难。在这种体制框架下，中央政府和地方政府之间的权力划分自然很不清晰（楼继伟，2013；乔宝云、刘乐峥，2013）。

对任何一个国家而言，不存在使用一个神奇的公式就可以决定最优支出责任划分的好事。责任划分取决于一个国家如何权衡对地方放权带来的收益和提高技术效率及内部化外部成本与收益所带来的好处。各国在处理其支出责任划分时，倾向于考虑上述权衡以及公平来进行。事实上，国家间在最终形成的责任划分上有很多共性，当然，不是所有国家都会得出谁该做什么的相同结论。

对中国而言，想要合理地划分支出责任，需要全面分析政府的所有职能。从低原则是一个可以很好地引导这一分析的准则，该原则表明所有的功能性职责都应指定给最低层级的政府，除非出于效率的考虑不允许这么做（Oates，1972）。每一个政府的细化职能都应进行相同的检验：对该职能分权化所带来的收益（这个收益对中国而言绝大部分和信息优势有关）是否超过了从内部化外部性和规模经济中可能取得的收益？

即使遵循这个准则，对各政府职能的划分工作与其说是一门科学，还不如说是一门艺术。像个人对公共服务的偏好、外部性和规模经济等因素即使能够加以计量，这种计量的工作也绝非易事（Fox 和 Gurley，2006）。然后，还必须定义并测度公平的影响，认真思考行政问题以及执政理念所扮演的角色。并且，总是会有政治方面的因素需要考虑。

尽管可能划分不完善，所有国家都有支出责任划分工作。不论结果是变好还是变糟，一旦完成，支出责任划分都将处于一个国家财政分权策略的中心位置，财政收入也能由此更好地服从于职能划分。中国已经到了一个必须立即开始重新思考不同层级政府间支出责任划分的时点。

中国支出责任划分的改革应该有效地集中在三个方面：第一，更清晰地划分政府与私人部门的责任；第二，重新思考哪一级政府更适合管理社会保险项目和提供资金支持；第三，有必要重新梳理政府的所有职能以使责任的划分更加正式和清晰。在第一个方面，让政府更少直接参与或干预竞争领域是改革的正确方向。在第二个方面，基于收入分配和劳动力流动的考虑将要求更大程度的财政集中化。在第三个方面，由于中国经济日趋成熟和地理外部性问题日渐显现，有必要让更高层级的政府更多地参与直接服务的提供和协调。

## 政府和私人部门

中央政府应该对私有化做出承诺并且从可能会与私人部门形成竞争的领域退出。公共和私人部门之间职能划分的原则可以遵从标准的经济学理论，也就是说，除非市场因为外部性、规模经济、收入分配等方面因素而失灵，否则政府都不应该涉及其中。

一个主要的问题是是否应该阻止地方政府拥有或部分拥有提供私人物品的企业。政府对这一问题的传统立场一直是鼓励地方政府退出竞争领域的企业。新出台的支出责任划分法案可清楚地阐述对政府从事类似活动的限制。政府具有一系列可供其使用的工具，这些工具可用来改变地方政府参与竞争领域活动的财政决定。这些工具包括完全禁止公共基金为竞争性企业提供直接预算支持。另一个举措是开发一个对执政者或市长的评价系统。这个评价系统应直接反映中央偏好：提供更好的地方公共服务。

另一个更加棘手的问题涉及是否应该允许地方政府利用财政激励措施吸引工业企业。这么做会产生的问题算是尽人皆知。地方政府可能会抽取本应用于履行一般政府职能的财政资金用于对特定公司提供基础设施和补贴，从而增加公司利润。地方政府会把企业——经常无效率地——落户在城市里，并经常给予这些企业更优惠的城市公共服务待遇，导致城市蔓延扩张并占用住宅开发的土地空间。在这一过程中，拥有城市边缘耕地使用权的居民可能会受到不公平的对待。这一问题由于当地居民对政府的问责机制存在局限性而变得日益严重，导致这一问题变得严重的原因还有相对于提供公共服务来讲，地方官员受到推动工业和 GDP 增长的激励更强。

是否应该继续让地方政府对工业补贴享有支配权？尽管对竞争行业补贴存在问题人尽皆知，一些工业化国家也仍然这么做。他们这样做的原因是因为地方间的竞争可能是创新性的，从而产生好的结果。另一方面的原因是工业领域的活动可以让地方政治家更容易获得易为人感知的政绩。

一个替代性策略是将实施工业补贴作为中央政府的专有职能。也就是说，每一个刺激经济增长的补贴政策都需要中央政府的批准。在这种机制下，地方政府将继续在无需中央政府批准的领域竞争，但是他们之间竞争的重要工具将会是服务提供的质量和地方税率。如果可以证明补贴的合理性，正如科技进步或者先驱

行业的例子，那么将该职能划分给中央政府更合理，因为这样做所获得的效益可以覆盖全国范围。楼继伟（2013）讨论了中国应集中权力来实施工业补贴的想法。

中国降低地方政府在经济发展中的直接职能可采用的一般策略是：逐步取缔地方政府对竞争领域公司的所有权、管理权和特惠支持权等。地方政府将转变为扮演支持性的角色——即通过提供公共服务和制订一般性的规章制度来刺激经济发展。之后，政府要信任市场可以为经济活动的参与者提供正确的信号。这样，尽管地方政府仍应对培育经济发展的环境负责，但他们不需要直接参与经营事务或成为企业所有人。

## 为社会保障融资

中国需要集中社会保险项目融资职能有令人信服的道理。融资职能全国集中化能够降低各地区财政差异，实现收益均等化和保险跨地区转移，同时能更好地处理社会保险资金不足的问题。此外，改变社会保险项目职能划分也可以使中央和地方财政更加平衡。

社会保险基金的融资和管理的集中化还能够带来其他的财政优势。中央政府可以使用一次性支付承担历史遗留的养老金成本费用，并让相关政策与降低个人所得税结合。在不久以后，也可能利用其他税收资源为保险费用融资从而使个人所得税降低更多。<sup>1</sup>

养老金。在大多数的工业化国家提供养老金是中央政府的职能（和私人部门职能）。中国可借鉴这一模式。现有的系统下养老金的退休支付率和从工资中贡献的养老金缴费率在各省和省以下政府不尽相同，如果考虑全国居民统一标准的话，这可能需要改变。现行市级和县级政府负有养老保障职能的不合理安排已迫使许多省份将融资职能集中到了省或市级政府，并且一般来说大部分情况下现有工资缴费的额度超过了退休支付额。可是，市县级及以下政府负责的养老金体系基本上处于资金不足的状态，而且人口逐步老龄化会导致要么未来增加缴费率要么减少真实的福利水平。

医疗保险。医疗保险体系的财政短缺不像养老保险那样突出。中央政府希望

1 关于使用一般财政收入或专项收入之外的收入作为全国居民养老金来源的讨论可参见 Barr and Diamond (2010)。

所有中国公民都能享受到相同的医疗保险服务和补偿，不管他们居住在何处。市级和县级政府，甚至一些省级政府，尽管他们有降低成本的动力，并没有足够的资源来兑现这个承诺。实现劳动力的自由流动需要实现医疗保险可转移，这意味着至少需要对医疗保险的融资责任集中化。如果基于地方管理优势的考虑最终决定保留一些当地政府的管理责任，那么可以给予地方政府成本补偿性质的专项转移支付，同样转移支付的决定要根据资金要花在居民（受益人）的身上这一原则。

成本。我们没有对中央政府应该为此项目承担多少财政责任做出一个详细的预算估计。一方面，中央政府已经资助了一部分费用，尽管社会保障大部分的费用是从支付的保险费中支出的。另一方面，有一些部分需要资金弥补，包括私人账户资金短缺、显著的历史欠账和跨省区福利差距。此外，人口逐步老龄化意味着未来社会保险福利支出将增加巨大，其中养老金和医疗保险职能未来承担的成本会非常大。2013年社会保障项目的财政支出达34510亿元。目前工资缴费贡献的养老金收入可达到其支出额的75%，但可以预期随着人口不断老龄化，这种情况不会持续很长。而且，由于需要平衡各地福利差异，社会保障支出还会上升。如今社会保障支出大致相当于GDP的6%，如果该项目变成国家性的集中项目其支出还可能更高。

## 集中其他职能

要解决的另一个问题就是地方政府承担的一些责任具有显著的地区间溢出效应。由于这些职能没有在有效水平上履行，无形中增加了社会成本。如果能通过一个政府的委员会进行详细分析很可能会发现有很多可进行中央集中提供的职能选项，例如食品安全、流域管理、城市内外交通运输和环境保护都很可能是需要考虑的对象（楼继伟，2013；李俊生、乔宝云、刘乐峥，2014；世界银行和发展研究中心，2014）。

正如上面指出的，支出责任的集中化将一定程度恢复中国财政系统的平衡。但是，它也要求中央政府回收一部分分配给省里的收入分享。一个可能采取的措施是通过逐步减少25%分享来集中增值税。需要制定详细的支出计划以决定完全集中的增值税将如何使用。另一个建议是通过更高的中央分享份额建立一个全局性的分享计划，从而覆盖增加的中央支出成本。下面对此进行了讨论。

## CHINA

我们可以推测出财政责任集中化对财政预算的部分影响。

社会保险费用是：

社会保险费用相当于 GDP 的 6%，现在的情况是费用的 75% 都被工薪缴费的贡献覆盖了。中央政府需要覆盖全国统一福利标准带来的成本增加，也要覆盖所有年度的亏损，最终还需要覆盖其他的成本从而使整个系统从精算的角度看是稳固的。系统内的历史欠账成本可由中央政府一次性支付来解决。中央也要承受新系统管理所需的费用。除了由政府间转移支付解决的部分医疗费用，社会保险支出和收入都应在中央政府预算中报告。

中央政府需要拿到足够的收入来覆盖新成本和额外的费用。这可能包括：

- 现行体制下的均等化转移支付项目已资金不足，任何新的中央政府收入都可能需要为均等化转移支付项目提供资金支持。
- 如果一个新的政府间转移支付计划被采纳（见下文），一些地方政府在转型期可能收到的资金会减少。在转型期内需要额外的中央资金帮助当地政府免遭伤害。
- 中央政府可能需要承担的新职能要由新的中央收入提供资金。
- 如果中央政府决定重新考虑大城市的城市边界，并且考虑区域性的融资制度，那么可能要求中央安排对新形成实体的财政支持。

## 收入划分

城镇化导致支出需要的上升以及支出责任的重新分配，这要求收入划分也要做出相应改变。中国需要借助向中央政府转移支出责任和为地方政府提供一些收入来源，以解决省、市、县政府财政需要的方式来实现系统平衡。中央财政缺口最好可以通过提高共享税保留率的方式加以解决，地方政府的收入需求可通过增加新的地方税来满足。这些财政改革将会使中国政府间财政系统实现更好的纵向平衡。

### 地方政府收入

通过赋予地方政府一些征税权和允许其获得全部地方税收入，可以提高地方

政府的可用收入。<sup>1</sup> 在某些情况下，税权来源可以是新税种（如房产税），在其他情况下，还可以是权责的再分配（如一些消费税和车船税等）及在现存中央税上增加附加税。结果不仅是地方政府收入得以增加，还可以让中央政府腾出一些转移支付资源，用于满足均等化和其他优先考虑事项的政府间转移的需要。

### 地方政府征税的好处

在中国，地方政府征税是一个很棘手的问题。过去这一问题通常排除在中国政府间财政体制改革的范围外，不过目前是考虑这一问题的时候了。实施地方税有许多好处。地方政府有信息优势，这些信息优势可以让地方政府在征收某些类别税收时具有比较优势，从而增加税收收入。房产税和土地税是这种优势体现最为明显的例子。同时，也有关于地区性效率的论点支持实施地方税。把政府间的转移支付更换为地方税收可能导致一些地区调高税率，从而影响劳动力和资本的选址决定。中国正面临着城市快速扩张蔓延的问题。实施房产税和土地税有助于形成更加理性化的土地使用模式以及刺激紧凑发展型的投资。最后，还有一个出于均等化的考虑，也就是说，如果在高收入地区把政府间的转移支付替换为当地自己的税收，中央政府会获得更多资金分配到低收入地区。

在大多数国家，都有这样的争论：如果地方政府需要去自行征税来为一些公共服务提供资金，可以更好地形成地方政府官员向地方居民负责的问责机制（Blair, 2000; Bird 和 Slack, 2013）。目前中国向下（地方居民）负责的地方问责机制仅是间接的。尽管如此，如果在地方高税收的情况下地方服务没有得到改善，会减弱公民对现任当地领导者的支持和信任。可以采用的支持性措施是修正中央对地方的表现评价机制，让评价标准集中于地区公共服务提供的质量和预算平衡的实现状况。最后，资本市场可能的贷款方会把实施地方税视为对预算约束的硬化，从而提高地方政府的资本市场信用评级。

赋予城市地方政府制定更高或者更低税率的权力可使财政体系继续保持地方政府拥有的创新性和竞争性策略，这些策略过去有力地支持了中国的发展。最近几年土地使用权租赁以及 20 世纪 90 年代和 21 世纪初期的预算外资金使用都是这些创新策略的表现（Wong 等, 1995, 1997; Bahl, 1999）。拥有征税权的地方政府可以有一定的资金来提供一些具有强烈需求或者允许他们更好地发挥其比较优

1 关于地方税的通常意义可见 Bird（2006）的讨论。

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势的公共服务。地方政府表现出更好的债务偿还能力或者提供公共设施的能力也会改善地方政府的信用评级。总的来说，地方政府征税权将给予地方政府在竞争策略上从幕后转到台前时有可用的财政工具。

### 国际经验<sup>1</sup>

和大多数国家一样，中国现在的问题是发现好的财政工具使地方拥有更好的税收收入状况，也就是说，地方政府在征收地方税收上实现成本合理、税收收入显著和不向其他区域的居民输出财政负担。国际经验表明：大多数的工业国家和一些高、中收入国家会把一些征税的权力下放到地方，但是大部分发展中国家没有这么做。

就这里提议的改革策略来说，一个重要的标准是当地政府能够确定税率。这将限制税收工具的选择为那些不会造成税收负担转移以及不会影响征管效率的税种。尽管所有的税收都会产生管理成本，所有的税收也都不会完全没有税负输出的问题，但一些税种相对于其他税种违反这些标准的情况要轻一些，也有不少适合地方征收的税种或多或少符合这些标准。

在许多工业化国家，财政改革的一个根本目标是提高地方政府财政自给自足的能力，也就是，改善所谓的财政纵向平衡。在许多国家，这样的策略被证明是成功的，尤其对于大型市级政府来说。东京大都市地区同时拥有市和大都会（州）的双重身份，这样，它就好比日本其他的地方政府拥有更广泛的税基。大约70%的大都市政府收入来自地方税。多伦多的地方政府融资结构相对更加传统，主要使用房产税和使用者付费。多伦多大都市预算资金的60%来自于房产税和使用者付费，房产税就占到了总收入的41%（OECD，2009）。

一些北欧国家和西班牙的地方财政收入主要依赖于个人所得税。而纽约依赖于零售税、个人和企业所得税和营业（商业）税的组合。斯德哥尔摩地方政府的收入覆盖了其80%的支出，收入来源主要是劳务所得税。巴黎的地方税主要是营业税，这是一种允许工资抵扣的增值税。

一些工业化国家的大都市地方政府没有很大的税收权（Slack，2007）。大伦敦当局的收入大部分来源于中央政府拨款。斯图加特地区政府没有税务机关。大温哥华地区政府主要的资金来源是使用者付费和政府间转移支付。

1 这里讨论的案例是从 Bahl（2010）总结的。

在大多数中低收入国家，大城市政府并不主要依赖于地方税收。尽管有争论认为大城市地区的地方政府可以更广泛地征税，但大多数大城市政府仍只局限于以房产税和使用者付费作为收入的主要来源。这一情况也存在例外，特别是巴西、阿根廷、哥伦比亚的大城市主要依靠总收入税来为公共服务提供资金支持。

## 房产税

作为收入的来源，房产税在中国有很大潜力。现在是合适的时间来发挥这种潜力了。更重要的是，它能填补地方政府的财政收入不足，并且房产税在大城市区域能产生充分的税收。为了更多地理解其财政收入潜力，可以注意，工业化国家房产税收入超过 GDP 的 2%，而低收入国家平均为 GDP 的 0.6%（Bahl, 2009）。

### 国际经验（Bahl, 2010）

在英语为母语的联邦制国家房产税十分受欢迎，但一般而言，在非英语国家和单一制国家中房产税没有那么重要（Lotz, 2006）。这几乎就是一个城市税种。在多伦多、蒙特利尔、墨尔本这样的大都市区，房产税占地方政府资金来源的二分之一或以上，在纽约房产税占预算收入的比例为 34%。

对于经济合作与发展组织的其他成员国家和转型国家的大城市，地方政府房产税涌现了不同的模式。包括兰斯台德区域在内的荷兰的市级政府的房产税收入不足总收入的 5%。挪威没有地方政府房产税（OECD, 2006a, 176 页）。在哥本哈根，市政府最主要的收入来源是所得税，房产税只占很小一部分。斯德哥尔摩、东京和瑞士情况类似。房产税在马德里的市政府层级更为重要一些，但是其最主要的财政收入是由区域级政府征收的所得税。在韩国的釜山和大邱，房产税是地方财政收入的重要来源，但大多数的收入还是来源于房产交易税。

大多数发展中国家的政府似乎并不认为房产税是大城市地区地方服务资金的合适来源。尽管现实情况是在多数大都市地区财产价值在增加，很多国家的城市对财产的估值并没有完全反映这种增长的趋势。即使在许多拥有大都市地区的国家似乎情况也是这样的（Mathur 等, 2009; de Cesare, 2004）。此外，迟迟不进行重新估价也是司空见惯的事，这大大降低了房产税的收入弹性。在低收入国家，由于高税收管理成本和得不到选民的支持，房产税测试的结果常常是房产税不合作作为一个好的地方税。



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对于房产税可以在多大程度上成为大都市地区一个有意义的收入来源有很大的不确定性。在开普敦，大都市区政府收入的 20% 来源于对土地资本价值和土地改善的增值额征税。这个比例和其收到的政府间转移支付的比例大致相同。

墨西哥和伊斯坦布尔这样大都市地区的市级政府的主要收入来源是房产税。然而，这些地区的当地政府都没有权力制定税率和决定税基。印度的一些大都市地区的地方政府有一些自主权但最终结果表现也差不多。效果不理想主要是由于税收管理不合理。例如，在孟买，只有约 70% 的财产付税，而在加尔各答，财产的估价只为其价值的 20% (Mathur, 等, 2009)。

### 优势和劣势

由于不动产财富的所有者通常集中在高收入阶层，税收通常不会给低收入家庭带来太大的负担。付了高税收的不动产通常位于能够提供更好公共服务的地区，房产税一定程度上可被视为一种受益税种。最终，由于居民所付的房产税会被资本化而弥补缩减的财产价值，市场的决策将会变得更加理性，原因是财产所有者需要为地方提供的服务支付税收，同时让其不动产不进入市场交易的投机者将会面临真实的持有成本。

房产税的最大的问题是它难以管理以及不受财产拥有者欢迎。关于前者，好的管理需要对所有相关财产及其所有者进行识别、估计和重新估价，从每个所有者处征收税收，这个过程要求大量的记录和不断更新。为了保证该税种展现其所具有优势，税收管理的各方面都需要做得很到位。<sup>1</sup> 政策不受欢迎的程度看起来似乎和税负成反比，事实上是与应计收入的税负有关，而不是与已实现收入、财产估值方法的属性以及赋税的能见度有关。

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### 在中国执行的可能性

中国是世界上为数不多不对房产每年征收房产税的国家。理论上讲，中国可以通过这样的城市税种获得相当大的税收。让每年征收的房产税占 GDP 的百分之一也许是中国一个可行的改革目标。

中国显然有相当高的房产价值可以用于征收房产税。据估计，城市家庭以房产形式持有的财产大约相当于 GDP 的 200% (Li, 2013)。基于此粗略的估计，

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<sup>1</sup> McCluskey 和 Franzsen (2013) 检索和分析了发展中国家城市的房产税实践，还可见 Bahl 和 Martinez - Vazquez (2008)、Bird 和 Slack (2004)。

甚至仅对税基总值按 0.5% 的实际税率征税也会产生相当于 GDP1% 的收入。有趣的是，我们可以假想，这些房产税总额将会弥补 80% 由于放弃了增值税的 25% 分享带来的地方税收损失（表 5-1 第三栏）。

此外，房产价值有可能持续增长，即使增长率比以前低，也会产生一个很大的基础弹性。表 5-2 指出了城市房产价值指数的变化趋势。可以看到，四个省会城市房产价值从 2005 年到 2010 年增加了 1 倍以上。

表 5-1 地方税收的可用税种<sup>1</sup>

税种	提议	税收占国内增值税 共享税额的比重 (%)	税收增量占国内增值税 共享税额的比重 (%)
房产税	按 GDP 的 1% 设置按年 计征的房产税	79	79
城市建设维护税及教育附加费	按应纳税额的 12% 设置附 加税率	91	44
个人所得税上附加税	按应纳税额的 10% 设置附 加税率	9	9
燃油税	转为地方政府税种	34	34
车船税		6	0

资料来源：由中国统计年鉴数据和财政部网站数据计算得出。

表 5-2 一些城市的财产价值指数

年度	北京市	天津市	上海市	重庆市
1993	2255			
1994	2740			
1995	3227	2119	2477	1017
1996	4057		2968	1018
1997	5357		2891	1033
1998			3026	1161
1999	4787	2157	3102	1080
2000	4557	2274	3326	1077

1 我们的模拟计算基于 2012 年数据。

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续表

年度	北京市	天津市	上海市	重庆市
2001	4716	2308	3658	1133
2002	4467	2414	4007	1277
2003	4456	2393	4989	1324
2004	4972	2965	6361	1573
2005	6162	3987	6698	1901
2006	7375	4649	7039	2081
2007	10661	5576	8253	2588
2008	11648	5598	8115	2640
2009	13224	6605	12364	3266
2010	17151	7913	14212	4040
2011	15517		13448	4492

资料来源：CIEC 数据。

增加税收无疑是一个重要的目标，但是推动结构化的房产税改革还有助于形成能够降低外部性成本的土地利用模式。如果税收是基于对用户使用权的市场价值评估，那么这个税收就大致近似于年度的区位租金。这将使用户有更多积极性去集中地开发土地，同时做出更符合城市发展的紧凑使用策略。给建成地区的闲置房产实行更高的税率也会有类似的效果。同样，这不是一个直接对土地征收的税收，而是对用户使用权的市场价值征税。如果市场价值增加，那么税收也跟着增长。税负将施加在使用权拥有者身上。对于房产税而言，未使用的财产和正被使用的财产同样征税，价值用其可能的多种用途中的最高价值来衡量。

92 在实现收回公共投资成本和增加城市密度这些目标方面，另一些与房产有关的财政工具也可能有用。类似的筹资工具包括在巴西使用的 CEPACs (Wetzel, 2013)、<sup>1</sup> 特殊的估值方法、不动产增值课税、限价及税收增长额融资等 (Smolka 2013)。

如果中国继续保持对房产税征收的兴趣，可以采取的行动是着手设计对城市地区房产全面征税的计划。中国已经有一系列的房地产税在执行了——土地使用

1 巴西的 CEPAC 是一种市政政府发行并进行公开拍卖的债券。这种债券使债券持有者有权在立法机构规定的基础上扩张建筑面积，或者在建设建筑时有权背离立法机构对土地使用的预估和指导原则 (Wetzel, 336 页)。

税、契税和土地增值税。综合起来，这些收入相当于 GDP 的 1.6%（Man, 2013）。这些税种可以综合集成到一个新的房产税制度内，包括新的年度房产税、不动产转让的资本利得税以及一些关于房产增值和土地使用的税收。估价、土地清册甚至征收都可以统一起来或紧密协调，这样税收收入可能是非常可观的。新的综合房产税制度与所得税和增值税之间可以协调，以确保房地产相关收入全面覆盖，同时避免双重征税。

### 实施需要关心的问题

引入一个对于中国及其税收理念来说全新的宽税基税种总是不容易的。每当谈论到房产税这个话题时，往往会有三个问题不断出现。事实上，这三个大家关心的问题都不会成为引进房产税的严重障碍。

- 第一个关心的是如果土地的所有人是国家，是否应当征收房产税。对这一问题的解答是可以对土地的使用权征税，让拥有使用权的人承担责任。当租约到期时，使用权归还国家。这样，土地就可以被征税了，即使是非直接征税的方式。使用权的估定价值要体现财产的区位价值。
- 第二个关心的是房产税是否可以在国家级的法律规定下由地方政府征收。有两种方法可以满足这样的要求。一种是，房产税由国家法律规定并由国家级政府机构管理征收，但税率可以由地方政府制定。另一种是房产税由国家法律规定，但由地方政府管理并制定税率。两种方法的任一种均可实现地方征收房产税。
- 第三个关心的是租金支付和房产税征收是否相当于双重税收。这是两个目的不同且有差别的支付形式。租金是用来购买土地的使用权，房产税是对政府提供的公共服务的成本支付。使用权购买的金额中不包括当前或日后应负担的房产税支付。

另一个重要的执行问题是房产税的试点。总的来说，这是一个好办法。事实上，在设计试点的问题上，比在重庆和上海试点所采用的方式更好的做法是改变试点项目的设计顺序。这首先要要求中央对税收的基本结构和管理做出决定，然后，开展试点工作。这将允许我们根据试点执行的经验来有针对性地修正试验的税收结构和管理方面存在的问题。

## 车船税

依据机动车所有权和使用权征收的地方政府税收与中国应对城镇化的战略是一致的。目前在城市地区机动车的数量增长速度快于人口增长速度（见表 5-3），机动车使用增长增加了城市地方政府的基础设施费用，产生了额外的、大部分没有补偿回来的支出。将近 80% 的车辆是私有的。

与道路网络的发展相比，机动车数量的快速增长造成了交通的日益拥挤以及更长的通勤距离。其结果就是在交通堵塞和污染方面增加了大量外部成本。北京的一项研究表明机动车造成的外部成本占有外部效应形成的成本的 7.5% ~ 15% 之间（发表于世界银行和发展研究中心，2014，187 ~ 262 页）。

表 5-3 2008 年和 2011 年机动车数量和人口数

城市	2008 年			2011 年		
	民用车辆数 (万辆)	人口 (万人)	人均车 辆数 (辆)	民用车辆数 (万辆)	人口 (万人)	人均 车辆数 (辆)
北京	313.68	1695	0.19	470.53	2019	0.23
上海	132.12	2141	0.06	194.75	2347	0.08
天津	108.47	1176	0.09	190.78	1355	0.14
重庆	73.64	2839	0.03	129.68	2919	0.04

资料来源：《中国统计年鉴》2009 年和 2012 年。

鉴于这种情况，可以理解为什么中国的政策一直专注于在城市地区控制汽车的使用，并且在几个城市取得了不错的开端。实际上，给地方政府控制车船税的权力会得到更多收益。其结果是可以降低私家车的的使用，并产生新的收入用来支付相关成本。

中国城市可以继续使用税收和收费政策，增加相对于使用公共交通系统或改变住房位置来说拥有和使用汽车的费用。可以利用一些机制，例如收取更高的注册费、更高的燃油税、更高的通行费和停车费或者各种形式的交通拥堵费等，对驾驶员收取使用私人汽车的全部成本，其中包括环境和社会成本。根据需求价格弹性的不同，地方政府会得到显著收益以覆盖城镇化的总成本。想要通过优化设计这些税收来达到控制机动车使用的预想效果是特别复杂的一件事，而且这还与

房价、土地使用限制、基础设施投资模式等方面相关。尽管如此，地方政府对机动车所有权和使用权征税至少对环境会产生好的影响。

目前，中国地方政府没有通过车船税获得有效的资金。机动车辆注册费只是一个很小的收入，汽车燃油税是中央政府的税费。作为调节资源配置的工具，停车费用、通行费用和拥堵费方面的征收经验正在增长，但是他们尚未成为地方政府的主要收入来源。

和大多数国家一样，机动车登记的年度税收是基于发动机排量的。目前这个税收收入仅相当于增值税收入共享的6%（见表5-1）。机动车注册费的确符合作为地方税收的标准。考虑到机动车的数量及其增长，它将有很好的收入潜力。大多数情况下，税负（或费用）由本地承担。税收的实施由当地政府承担，这也是很明确的。注册成本的上升会刺激避税措施，例如在较低税率的辖区下注册，但是要控制这种行为可采取注册要求、定期检查和严厉处罚等措施。机动车所有权的税收潜力远大于目前所收集的程度。如果地方政府决定以高标准征收汽车所有权税（以及被授权这样做），其税收可以显著增加。

汽车燃油税是一个更有利可图的税基，并更直接针对机动车的使用。问题在于，这种税是否能在中国的大城市中实现地区管理。理想情况下，这种税应该在加油站被征收。或者，像现在一样，在出厂时给予估价，但是发货的目的地应可以被追踪。这将建立一个新的税收系统：汽车燃油税的税率可能会因地方政府而异。即使在当前中央政府消费税形式的税率下，征收汽车燃油税也将使地方政府收回丢失的大约三分之一的增值税共享收入（见表5-1）。

在大城市征收更高的汽车燃油税是否公平？中国的汽油价格已经超过了大多数发展中国家，超过了美国，但低于欧洲国家的平均水平（世界银行和发展研究中心，2014，439~535页）。另一方面，中国的燃油价格还没有高到覆盖拥挤和污染所带来的全部外部成本的程度。

在中国的大都市征收更高的汽油税会是一个有效的方法么？这至少将导致生活成本增加，也会成为影响移民决策的因素。提高汽油价格将与城市规划的其他目标一致，例如减少由于汽车的使用造成的交通堵塞和污染，并提高城市扩张的成本。然而，这其中不太清楚的是，刨除大幅度增长税率的情况，是否替代弹性高到了足以产生很大差别的程度。

需求管理也可以减少拥堵和排放。上海、北京、广州已经引入了车辆所有权或使用权控制措施。这些城市设置了限制车辆登记的制度，设立了新注册牌照的

## CHINA

配额。机动车管理机构通过车牌拍卖（上海）、摇号（北京）或综合使用（广州）来分配这些配额（世界银行和发展研究中心，2014，439 ~ 535 页）。<sup>1</sup>

世界银行（世界银行和发展研究中心，2014，439 ~ 535 页）认为，过路费和停车费是在密集城区对交通拥挤和空气污染征税最直接的方法。燃油税和牌照费可以是替代办法，但是其针对性不够。中国高速公路普遍采用过路费形式，几个城市地区被认为应该针对重度道路使用者加收过路费。停车费是另一种向道路使用者收税的方法，经实践，提高停车费是一种不错的方法。停车费具有价格弹性，有证据显示，这能有效降低汽车的使用和在各种交通方式中减少使用汽车方式所占的份额。

### 地方零售税

如果这种税收的征收点从源头（生产或分销区）转移到终点（消费区），那么地方政府销售税可成为城市政府财政的有效工具（Bird，2006；Mikesell，2007）。例如，美国地方政府零售营业税是在最终销售点征收的。相比之下，基于源头征收，就像中国的增值税那样，税收要在生产地征收并且一部分负担要由其他辖区的消费者承担。这些问题是众所周知的，但是几乎每次基于征收管理便捷性的考虑都压制了经济效率的考虑。例如，布宜诺斯艾利斯、波哥大和巴西的城市都按厂商销售总额征收营业税，尽管这不是基于目的地征收的，但是产生的税收非常丰厚。一直以来，人们呼吁布宜诺斯艾利斯废除这种流转税，但是没有合适的替代税种而无法进行改革。

如果基于目的地的税收管理可行，那么在众多消费品中挑选一些品目征收销售税就可以产生大量收入，并且对这些措施所做的关于什么是好的地方税种的一些测试也表明他们可以达到检验标准。课税商品可以有选择性地选择一些合适品目，例如高端珠宝、耐用品和进口奢侈品。但对于大多数消费品，零售税会刺激消费者选择非正式的零售商进行交易而避税，这些非正式零售商不容易被税务机关监管。

向非正式零售商收税是一个问题，这也是为什么能产生丰厚税收的消费税不能在一些城市转为对消费实施高税率的零售税的原因。否则，特别是啤酒、白酒

1 有意思的是，上海的牌照拍卖价格在配额上升后仍然上升了。

和香烟这样的商品有非常诱人的税基。还有另外一个选择：像现在一样征收所有的消费税，但是收入可以按照公式分配到城市。这将是一个转移支付，但是将不会给予当地政府任何改变税率或者设置与其他地区不同的税率的权力。事实上这等于政府间收入共享的转移支付。

中国已经开始营业税改为增值税的进程，主要是扩大了增值税基。然而，另一个改革方向是改营业税为基于生产要素成本的地方商业增值税。Bird（2013，第7页）认为，法国、意大利和日本的经验表明，基于产地的地方增值税也许不仅是让厂商为其所获取的当地服务支付成本的合理办法，而且还可以在合适地管理同时不会造成严重的经济成本。

## 附加税

一些地方税管理上的问题可以采用“附加的方法”来解决，即允许地方政府针对中央政府税基选择税率。附加税已经在中国实施，包括城市建设和维护税以及教育费附加。在这两种情形下，税基都是增值税、消费税和营业税的总额，附加税完全分配给地方政府。然而附加税税率由中央政府设置。

这里所说的附加税，可被视为一个受益税，即支付城市服务的使用费。<sup>1</sup> 经过这样的改革，现有的城市建设和维护税以及教育费附加将会被“城市服务税”所替代。然后地方政府可以选择实施超过现有水平的附加税率。如表5-1所示，如果税率从现有的9%增长到12%，那么额外的税收将足以弥补增值税共享收入损失的44%。按附加税与GDP之比计算的实际税率将从0.6%上升到0.8%左右。

个人所得税可以作为实施附加税的税种。如表5-1所示，以个人所得税为税基的10%税率的个人所得税附加产生的新收入足以弥补大约9%的增值税收入分成损失。所得税的实际税率将从GDP的1.1%增加到1.2%。使用个人所得税税基分享是一个好方法的论点之一是它降低了税收负担输出的可能性。但是劳动力已承担高税率是一个主要缺点。这个办法很可能不可行，除非社会保障缴费率降低。

附加方法在工业国家被广泛采用（Bahl，2010）。瑞士城市收入的主要来源

1 受益税的论点是合理的，因为地方商户和地方购物的居民都接受了地方政府的公共服务。但增值税和消费税是基于生产地的，所以依据企业的交易区域范围，这会造成一些税负输出到其他地区。



是个人所得税附加；罗马基于中央政府制定的税基征收附加所得税；丹麦地方政府紧随中央政府的所得税税基建立地方个人所得税。许多州的美国地方政府在州政府零售税基上征收附加税。至少三个城市——曼谷、莫斯科和首尔——在增值税上有自己的附加税（Martinez-Vazquez, 2013）。

当然这种方法存在问题：它仍然是一种来源地税种，负担会被输出，就像现在一样。另一个问题是，收入将受到中央政府税收政策调整的影响，例如提高税收征收阈值、减免或更低的税率。最后，它将取代现有的城市建设和维护税以及教育费附加。

## 使用者付费和其他非税收入

中国地方政府大约 20% 的一般预算收入来自非税收入（不含土地收入）。在工业国家，非税收入的最重要元素是使用者付费，主要根据所消费服务的质量来进行征收。供水、供电、垃圾和废弃物处理及公共交通是最常见的使用者付费项目。这个政策的目标就是合理配置资源使用和覆盖提供服务的全部成本。在工业国家，成本回收的记录都不错，但是在低收入国家这很少成功。以城市轨道交通为例，票款和运输成本之比在香港可以达到 149%（MTR），在大阪（OMTB）达到 137%，伦敦为 100%，也可能低至奥斯丁的 9%（CMTA）及米兰的 28%（Lindquist, 2009）。<sup>1</sup>

从用户费用和某些受益税上产生税收有相当大的空间，但是就历史情况看来在中国这并不理想。住宅部分附加的用户费用实现的成本回收率很低。例如，最近一项对 600 个中国城市水务的研究表明，只有 44% 拥有正的净利润率，即使水价已经在过去 5 年每年涨幅达 3.7%（世界银行，无日期）。在大多数情况下，是由持续的政府补贴提供了必要的资金。

成本回收状况不好的最常见的原因是用户对直接支付公共服务成本抵触，用户甚至对以收费形式直接支付仅一半的地方公共服务成本也是抵触的。正如 Bird 和 Slack（2013，140 页）指出的，“然而，往往地方公共服务水平低的地方存在一个恶性循环：很难收取使用者付费，结果就是进一步恶化服务水平。”

1 <http://www.wsdot.wa.gov/NR/rdonlyres/55CF12C9-9D4E-4762-A27A407A44546BE2/0/Transit-FareboxRecoveryandSubsidiesSynthesisKTaylorFINAL2.pdf>

## 行政性收费

非税收入的重要组成部分是行政性收费，即服务部门收取的服务提供费，比如对一些表格或政府部门服务的收费。行政收费大约占地方政府非税收入的三分之一（不包括土地出让金）。中央政府正在阻止这种实践，原因是某些政府服务的收费相比其他服务会被随意提高。一些部门会利用服务上的垄断地位，围绕收费形成高成本的征收体系，削弱了地方政府控制地方收费和定价体系的整体能力。一些省份遵守上级政府指令，减少了行政性收费，但也造成一定的收入损失。

非税收入的另一个重要元素是对服务收费，如学费，医疗费以及垃圾收集和处置费。这些收费本质上更像是受益税，用于回收特定服务的支出成本，但他们在中国还不是有效产生收入的财政工具。中国有时甚至不征收垃圾收集处理的费用。因为这些费用最终都归集于公共预算池，所以很难区分特殊公共服务使用者的利益和一般纳税人的利益。因此，很有必要设计能把提供的服务和其成本回收联系起来的新方案。

## 潜在收入

如表 5-1 的简单计算结果所示，一些地方政府的税收选项在弥补地方政府由于共享税收入和一般性转移支付减少带来的损失上很有潜力。表 5-1 的一二栏表述了提到的税收改革建议，栏三比较了假定放弃增值税共享前后的收入量。我们在这用于（演示性的）比较的基准是完全去除 25% 地方政府增值税共享份额后的数据。第四栏数据给出了地方政府收入量的增加值。那就是，与未改革时该税种的征收额相比，改革后该税种收入量会高出的数量。

这些数据显示出了可以通过增加附加税来增加政府收入的美好前景。例如，如果城市建设维护税实际税率达到 12%，收入量会相当于目前共享的增值税收入的 91%，或者从城市建设维护税获得的新收入相当于收入损失的 44%。这些改革（房产税、城市建设维护税上涨及车船税）带来的新收入总量会远远超过去除增值税 25% 的转移支付共享带来的损失。

## 政府间转移支付

政府间转移支付是地方政府财政的主要收入来源。政府转移支付系统过去在中国运行得较好，该体系转给了低层级政府大于其全部收入 80% 的资金，并给予了他们相应的支出权力。但是这个系统已经在过去的三十年内被零散的小幅改革改变了，目前是否存在政府间转移系统的潜在长期策略也不太清晰。特别是，不太清楚这个系统会如何响应城镇化进程。

由于许多不同目标都基于共享的税收和转移支付，所以转移支付系统的整体目标和意图不清晰也就不足为奇了。目前的系统似乎是在激励税收增长（如税收共享机制），均等化和财政赤字弥补（无条件的一般性转移支付）以及刺激特定职能的支出（专项拨款）。一些项目是均等化性质的（包括一些有条件拨款和专项拨款），但是这种效果又被税收共享和税收返还所抵消。税收共享转移支付可以刺激收入增长，但是专项拨款可能抑制收入。但整个体系就这样运行着。

当系统已经为处理新问题做出调整时，系统也同时会变得更加复杂。例如，税收共享制度允许地方政府根据征收地点保留相当大一部分收入。但对增值税和企业所得税，税收可能会提交到总部所在地；因此也许税收支付地点和税收负担所在地没有太大关联。政府引入了无条件的一般性转移支付，但又逐步加上了一些条件。同样地，由于有成百上千的项目和缺乏清晰的整体关注点，专项转移支付系统变得笨拙。伴随而来的还有监测及合规成本的增加。

改革的第一步是制定政府间转移支付体系的基本目标。例如，该体系是否将刺激地方收入增长，或改善地方均衡性，或鼓励地方对某些特定职能增加支出？是否给予地方更多的财政自主权来弱化条件转移支付的约束？还是要加强条件约束以更好地内部化外部性的成本？是否需要一个独立的权力机构处理大都市的问题？所有的目标都是有其价值的，但问题是重点在哪里？这个问题的答案将帮助政府找到发展适应现今经济发展要求的转移支付体系的策略。

也许现在是考虑基于支出需要和财政能力差异的公式化分配能够成为比税收共享更好的方法的时候了。这样一个以均等化分配为前提的转移支付体系转变，会导致某些省份得到比现在更多的转移支付，而另外一些省份会变少。收益和损失的数量则取决于所选择的公式，但是数额可能会相当大。在这种转变下利益受

损者可能是那些富裕的省份，很可能包括大都市。理论上，这些利益受损的省市将不得不更加依赖本地税收和使用者付费，并有设置更高税率的动力。某些赢家会是那些城镇化相关支出更大的省份。以上这些都会导致政府间财政体系的大变化。

## 改革要素

政府间转移支付体系的改革要与收入划分机制的改革并行。这使某些省份用增长的地方税收弥补转移支付损失成为可能。必须基于政府目标、执行约束和政治环境制定改革的架构（纵向分成的水平和横向分配的公式）。此外，改革需要一个循序渐进的过程，因为它会导致预算和政治体系的波动。不管怎么说，重要的是首先要制定改革方案的最终目标，即使需要许多年才能完全实现。

为了研究可行性和涉及的问题，下面给出一个改革政府转移支付系统的演示性政策选择。这可被解读为一个“建议”，因为我们仅建议了需要在基于公式的转移支付项目里考虑哪些要素以及如何分析其可行性。这个转移支付的系统性改革所强调的目标是简化体系，使各省之间的收入分配更好地反映支出需求，形成一个可让中央政府中立地进行酌情调整的收入共享机制。

### 纵向共享

在这个演示性的改革中，纵向共享池包括中央政府设立税率的全部税种。这几乎包括了中国的所有税收。省级及以下地方政府的纵向共享额可以是该共享池的一个百分比，而不是每种税收采用不同的共享比率。根据我们利用 2012 年的数据形成的估计，所得税的 40%、增值税 25% 的当地共享份额，以及所有其他税的共享形成了 2012 年 4.732 万亿元的地方政府收入。如果把当年所有国税和地税收入放到一起共享，产生同样的收入意味着地方的共享比例为 47%。

我们也建议把当前一些无条件转移支付集成到上述一般收入共享项目中。这一改革将增强地方支出自主性，从而更好地利用省级和地方政府的信息优势。这种情况下，地方政府纵向共享额将增加总税收的 26%。

因此，纵向共享机制会变得相对简单些。73% 的税收总额（即来自中央政府有权设置税率的税种的税收）会以无条件转移支付的方式转移到地方政府。中央政府有权调高或调低整体的收入共享率，调节依据包括保护支出和收入的平衡、城镇化的成本、指定支出项目的补偿等因素。

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这是与中国现行体制相当不同的纵向分成结构，并有截然不同的影响。其优点如下：

- 中央政府对任意税种的税制变动对地方财政预算带来的收入影响将会被隔离。这是由于共享池包括全部税种而所有税种有相同的共享率。例如，一个新的由国家制定的增值税新免税机制将会导致国税损失，不论这些省的增值税基是多大，这个损失将在各省之间（通过公式）分担。由税率提高导致的增值税增加亦会如此。
- 采用一个统一的共享率将简化系统，由此许多关于总分机构的需要单独处理的特殊情况所带来的影响将被消除。
- 吸引行业的选择不再受财政收入的不同税种来源的影响：所有的税收来源将处在一个公平的环境竞争。吸引一个能产生 100 万元所得税税收的企业与吸引一个能产生 100 万元增值税的企业，对于地方政府来说其价值没什么不同。
- 单一的比率让中央政府不能随意调整共享率。一个支出责任的调整，比如为社会保障支出提供资金，要求中央拥有更高的共享保留率。当对所有税收实施统一的纵向共享比例时，根据支出需要估计需要改变税收共享比率或多或少更容易完成。例如，它不用考虑中央政府提供服务的资金是通过增值税还是所得税来征收的。

同时该机制也存在一些弊端。一个弊端就是地方政府在税收共享上的“既得权力”特征可能会消失。这种简化的税收共享机制可能诱使中央政府经常变动一般共享比例，这种纵向共享过程中的不确定性会破坏地方政府的长期财政规划。

另一个可能的弊端就是中央政府会失去微调到地方政府的资金流量的优势。在现有体制下，中央政府可以利用的工具很多，例如，改变所得税的共享率但不改变增值税的，或者废除营业税等。在我们的建议下，收入共享的纵向变动改变手段单一，即单一的共享率。

### 横向共享

我们建议在横向维度上各省之间的收入共享可以采用另一种分配机制。这种机制基于单一公式分配共享税收，而不是像现行体制那样根据收入来源地，或像现行的一般性转移支付那样根据几个公式和临时性调整进行。

公式化转移支付是一种根据一些客观指标分配收入的转移支付方法。这种方

法具有吸引力是因为它很客观，而且取决于其构建的方式，也会被认为是一个公平的方法。它还具有的好处就是每个地方政府接受的拨款份额在短期内不会发生太大改变，例如，按照省占全国人口数份额或相对人均收入水平确定应被分配多少收入。这个方法也存在一些不好的特点。尽管一旦公式被确定本身就很客观，但决定的过程并不总是客观的，它涉及大量的判断，且易受偏好的影响。此外，公式中变量的选择还受到可得数据质量的限制。

对中国而言，这种方法有很多优点：

- 根据公式的构建方式，更多转移支付可以给经费需求大，税收能力低的省份及一些城镇化压力较大的省份。
- 将弱化地方政府利用产业补贴吸引投资来获得税基的积极性，这是因为地方政府此时用补贴得到的税基数量将与获得的收入共享额无关。这可能会使地方政府更趋向于以提高公共服务质量为形式的竞争。
- 与现在的系统相比，基于公式对全部收入共享池进行分配的机制能更好地均衡地方财富和缩小地方财政差异。
- 任何城市的特殊的税收状况将不再影响收入共享的分配，例如，对于一个出口为主的港口城市或者一个不征税的政府经济行为较突出的城市而言，收到的金额都是基于需求客观评价的。

这也存在一些缺陷：

- 它改变了政府间转移支付系统的本质。目前地方政府享有分享所筹集的收入的“特权”（尽管这种权力可以被中央政府改变）。这里建议的新系统会割裂地方筹集的收入和以政府间转移形式返还的收入之间的联系。
- 这些变化总会导致围绕公式制定的政治争议。例如，低收入的省份可能希望贫困率占大比重，大的省份可能主张更重视人口数量或土地面积，富有的省份想要多考虑必须维护的基础设施的数量。如果这些讨论的结果是带有互相抵消效果的妥协，那么会存在几乎什么目标都无法达到的风险。
- 公式化的方式会弱化地方政府增收的积极性。“你获得的”和“你征收的”之间的联系将会消失。
- 政府为实现其目标所希望使用的公式和有令人信服的数据能够支撑的公式之间可能是有差距的。

采取这种基于需求的公式化方式对各省的影响显然依赖于公式包含的变量以及他们所占权重。进入公式的变量的选择依赖于政府的目标，也取决于不会受体

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系内博弈影响数据质量的指标的可获得性。这样就有了许多选项，很多国家构建了许多不同的公式。

如果分配公式的目标是均衡收入，高支出成本人口的密度和人均 GDP 将在公式内占较大权重。如果目标是给经费需求最大的地方提供资金，那么这个公式的元素将专注于能够体现提供最低标准服务所需支出成本的指标。如果目标是奖励税基发展，那么可考虑消费和收入水平。其他因素，例如收入增长激励，可直接纳入公式。

### 国际经验

很多种方法可以被用来构造公式。各种实践情况可以被总结为大概三种通常使用的方法。第一种方法叫作标准支出标准收入差距法。这个方法的思路是根据最低服务水平所要求的支出需要与地区正常税收努力水平下的收入之间的差距确定地方政府的转移支付量。很多人认为这个方法最好。这个方法产生于澳大利亚，现在也被意大利、韩国和中国采用（被用于均等化转移支付）。

第二种方法相对更加具有临时性的意味，因为它的公式基于对财政能力指标组和支出需要指标组的主观推理判断，然后在公式中对每一个指标赋予权重。这既可以很复杂也可以很简单。通常，人口数被用作衡量支出需要的指标，尽管给它赋予的权重国与国之间可能不同（例如，西班牙为 75%，印度为 10%）。不同国家也选用其他的指标衡量支出需要，比如，韩国用老年人口比例，德国用人口密度，蒙古用能源成本，南非用没有医保的人口比例来衡量。

第三种方法是根据财政能力作出一些规定，例如，给财政能力强的地区较少的转移支付（瑞士、德国和印度）但是给税收努力高的地方更多的转移支付（西班牙）。最后，在某些情况下，当政府觉得某些因素很重要、应该包括但难以计量时，可以使用预留的方法。例如，针对巴西的国有资本及印度的“落后”州的转移支付。

### 有条件转移支付

本转移支付改革方案的最后一个要点是提供有条件转移支付，以处理外部性问题以及直接解决一些较为贫困的省份的特殊问题。在此方案下，专项补助制度会继续实施，但将被大大简化。目前中国的体制下有数百种不同的有条件转移支付项目。这太复杂了，以至于不能进行有效的监控和形成过高的遵从成本。如果

有必要保留一些有条件转移支付来保障那些具有外部效应的项目的支出水平，那么一个合理的改革方向是合并这些专项转移支付项目为一系列数目少得多的专项一次性拨款项目。这部分提议与目前国际实践的发展趋势不太一致，经合组织国家似乎更趋向于使用无条件的一般转移支付（Blochinger and Vammille, 2010）。

### 改革影响的模拟分析

为了演示转移支付分配改革的影响，这里分析了一个假想的转移支付改革方案。模拟使用 2009 年的实际数据。这个方案依据下列规则执行：

- 纵向份额是总税收收入的 63%（不包括土地出让收入），以 2009 年数据计算数额为 37 800 亿元。按照 2009 年的数据，用于有条件拨款的纵向份额是 10 990 亿元。
- 每个省份获得其 2009 年的共享税和地方税收入，加上一般性转移支付的 80%。余下的 20% 纵向共享部分：
  - 对人口数和人类发展指数赋予同等权重，30% 的比例在省份间分配。
  - 70% 按照人口分配。
- 专项转移支付按目前方式分配。

模拟结果见表 5-4。模拟是建立在收入和 2009 年的水平相比不额外增加的情形下，因此分配结果可以与当前体系的运行结果比较。

表 5-4 按人口对共享税和无条件拨款进行公式分配的影响

（基于 2009 年数据）

单位：元

省份	人均共享税和地方税以及无条件拨款收入 (a)	80% 共享税和地方税以及无条件拨款的人均收入 (b)	通过人类发展指数和人口数加权后的人均 6% 共享税、地方税以及无条件拨款 (c)	将国家作为一个整体计量的余下的 14% 税收和转移支付的人均值 (d)	总量 (e) $e = b + c + d$	差异 (f) $f = e - a$	差异所占百分比 (%)	f 项占人均 GDP 的百分比 (%)
北京市	11 781	9 425	201	397	10 023	-1 759	-14.9	-2.7
天津市	5 590	4 472	194	397	5 063	-527	-9.4	-0.9



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续表

省份	人均共享 税和地方 税以及无 条件拨款 收入 (a)	80% 共享 税和地方 税以及无 条件拨款 的人均收 入 (b)	通过人类发 展指数和人 口数加权后 的人均 6% 共享税、 地方税以 及无条件 拨款 (c)	将国家作为 一个整体计 量的余下的 14% 税收和 转移支付的 人均值 (d)	总量 (e) $e = b + c + d$	差异 (f) $f = e - a$	差异所占 百分比 (%)	f 项占人 均 GDP 的 百分比 (%)
河北省	2 043	1 634	169	397	2 200	157	7.7	0.6
山西省	2 656	2 124	169	397	2 691	35	1.3	0.2
内蒙古 自治区	4 263	3 410	176	397	3 984	-279	-6.5	-0.7
辽宁省	3 674	2 939	181	397	3 517	-157	-4.3	-0.4
吉林省	2 853	2 282	175	397	2 854	1	0.0	0.0
黑龙江省	2 597	2 077	172	397	2 646	50	1.9	0.2
上海市	10 985	8 788	199	397	9 384	-1 601	-14.6	-2.4
江苏省	3 519	2 815	183	397	3 395	-124	-3.5	-0.3
浙江省	3 814	3 051	182	397	3 630	-184	-4.8	-0.4
安徽省	1 935	1 548	161	397	2 106	171	8.9	1.0
福建省	2 492	1 993	175	397	2 565	73	2.9	0.2
江西省	2 017	1 613	162	397	2 172	155	7.7	0.9
山东省	2 144	1 715	176	397	2 288	145	6.7	0.4
河南省	1 719	1 375	165	397	1 938	219	12.7	1.1
湖北省	2 110	1 688	170	397	2 255	145	6.9	0.6
湖南省	1 838	1 470	166	397	2 034	196	10.7	1.0
广东省	3 154	2 523	178	397	3 099	-55	-1.8	-0.1
广西壮族 自治区	1 895	1 516	161	397	2 074	179	9.4	1.1
海南省	3 564	2 851	166	397	3 414	-149	-4.2	-0.8
重庆市	2 466	1 973	168	397	2 538	72	2.9	0.3
四川省	2 039	1 631	162	397	2 190	151	7.4	0.9
贵州省	2 208	1 766	146	397	2 309	102	4.6	0.9

续表

省份	人均共享税和地税以及无条件拨款收入 (a)	80% 共享税和地税以及无条件拨款的人均收入 (b)	通过人类发展指数和人口数加权后的人均 6% 共享税、地方税以及无条件拨款 (c)	将国家作为一个整体计量的余下的 14% 税收和转移支付的人均值 (d)	总量 (e) $e = b + c + d$	差异 (f) $f = e - a$	差异所占百分比 (%)	f 项占人均 GDP 的百分比 (%)
云南省	2 113	1 691	149	397	2 237	123	5.8	0.9
西藏自治区	9 138	7 310	139	397	7 846	-1 291	-14.1	-8.7
陕西省	2 622	2 098	170	397	2 665	42	1.6	0.2
甘肃省	2 187	1 750	154	397	2 301	114	5.2	0.9
青海省	5 187	4 150	156	397	4 703	-484	-9.3	-2.5
宁夏回族自治区	4 063	3 250	165	397	3 812	-251	-6.2	-1.2
新疆维吾尔自治区	3 685	2 948	163	397	3 508	-177	-4.8	-0.9
全国平均	2 836	2 269	170	397	2 836	0	0	0.0

资料来源：由《中国统计年鉴》2010 年数据和财政部数据计算得出。

表 5-4 的第一列展示了共享税加所有转移支付的人均收入现行水平。第五列展示了在改革建议计划下的人均分布。第六列显示了人均收益或损失。第七列展示了收入与损失的百分比。第九列显示差异占人均 GDP 的百分比。可以假定，如果当地政府想提高税收，那这种差异应由当地税收和使用者付费弥补。或者，它也可能由中央政府以过渡期援助的方式弥补。

从表 5-4 中举个例子来说，改革建议将导致北京每人损失 1 759 元，相当于现在收入的 14.9% 左右。这个损失将相当于本地 GDP 的 2.7%，对所有省份而言，在这个公式体系下，17 个将获得收益，但 13 个省将亏损。

通过对贫穷与富有的省份的比较，我们也可总结里面的变化。简单的相关性分析表明与人均 GDP 的相关系数改变并不明显，但变异系数在现行制度下为 0.89，而根据假想的公式分配后是 0.71。这意味着分布有更小的离散度。

从这些模拟中我们可以学到很多东西。一个启示就是因为某些省份会出现较

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大的短期损失，所以按人口分配可能是不能被接受的。例如，在这项计划中，上海市将损失相当于 GDP 的 2.4% 的资金，西藏自治区损失大于 8.7% 的 GDP。另一方面，河南省的正收益将大于 1.1%。然而，这些模式的确让我们可以乐观地认为最终可以开发出一个不会让转移支付收入如此极端变化的公式。

第二个启示就是分配效应可能对其他一些进入公式的体现政府政策意图的元素作出反应。例如，如果在共享池分配时划出一部分按照省份的贫困集中度分配，那么均等化效应将变得更强。

第三个启示是公式元素的大变化对分布引起的效应可以大到足以刺激公众给出反对意见。这可从表 5-4 中的模拟看出来。在这种情况下，新公式应该分阶段、分步骤实施，从而给地方政府调整适应的机会。在本例中，转移支付公式的逐步实施可以同时伴随着逐步增加地方政府的征税权力和变动收入划分。目标是找到一个体系，使该体系导致的每个省（表 5-4 的第五列）的收入不足可由增加地方政府收入来覆盖。还请注意，这里的演示要求对 80% 的现有分布状况没有伤害。如果用五年时间逐步迁移到新的公式，地方政府会有充裕的时间对当地税务和收费情况作出调整。

### 地方政府债务

禁止地方政府举债对中国而言并不是一个可行的公共政策。基础设施融资在很大程度上要由地方政府负责，而且地方政府必须应对源于城市化和经济发展而增加的公共设施需求。债务融资当然不能算作一个收入来源，但它是一种能有效为长期资本设备融资的方式，并且它为实现大规模公共投资提供了一种形成启动所需的必要资源的方法。地方政府借贷必然是中国城镇化战略上处理公共成本的重要手段。

#### 举债框架

在赋予地方政府举债权前，必须解决一些问题。其中包括建立地方政府信用分析、形成借款人和贷款人的独立性、地方政府能获得稳定的资金流以偿还债务以及建立一个明确地方政府举债规则的完整的举债管理框架。原则上，地方政府

可以发行用其财政收入偿还的一般义务债券，也可发行使用收费或其他专项收入资金流偿还的收益债券。

地方政府借贷需要有严格的纪律监管，包括使用法律和对举债过程的密切监控。随着上述基本问题被解决，可以适当放松这种限制性的监管。

几乎所有国家都针对监管地方政府借贷推出了相关政策。对于刚开始允许地方政府利用国内资本市场借贷的国家而言，出台合适的监管政策尤为重要。这些监管政策的目标是保护投资者和地方政府的利益，避免产生危害及时还款的财政行为。中国地方政府的公共融资应在下面几个方面作出限制：

- 只允许对长周期寿命的资本性项目设施实施债务融资。严格禁止竞争性行业国有企业使用这些资金建设资本性项目设施。
- 借款的数量应控制在高层级政府规定的举债上限以下，并应取决于债务偿还能力。
- 关闭地方政府使用借贷资金来软化经常性预算约束的渠道。

## 国际经验

各国应用监管程序来保持地方政府不背离政策目标的方式包括财政规则和市场约束。各国监管程序的结构各不相同。尽管在过去十年里这些监管程序让许多中低收入国家避免了地方债务危机，每种方法都面临一些问题，需要调整（Liu 和 Waibel, 2010）。一些拉美国家的经验具有指导意义（Bahl 和 Sethi, 2012）。

秘鲁地方政府可以借贷，但需要遵循一组旨在保护硬预算约束的严格的财政规则。这些规则包括债务偿还限额、债务规模限额、财政赤字限额和公共开支增长速度的限制。在选举年对支出也有特殊限制。违反财政规则的制裁措施包括拦截某些转移支付（即自动扣缴）和在极端的情况下直接干预当地政府的运作。大约 55% 的内部债务和所有外部债务都属于首都利马的地方政府。

墨西哥没有财政责任法律，而是依赖于一个以市场为基础的方法来控制地方政府举债。长期贷款的安全由一个信托基金安排担保，在这个安排下贷款由一般性转移支付和自有收入作抵押。墨西哥要求长期债务必须在财政部注册，并由当地议会批准。信用评级机构会对各个州和地方政府作出独立的贷款风险分析，这些评级会被用来计算银行贷款的资本风险权重。具体的惩罚规则是：银行不会贷款给没有信誉的地方政府，并且只要联邦政府无紧急援助政策，这种制裁将会一

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直持续下去。

在哥伦比亚，地方借款是由一组在 1997 年和 2003 年之间通过的法律控制的。这种方式结合了强化财经纪律的财政规则、信用评级系统和地方财政困难时的应急系统。财政规则使用的指标包括利息支付与经常性储蓄的比率、存量债务与经常性收入比。当一个政府未能达到指标目标值，就被视为进入“红灯区”，禁止借贷。这些实践的成果是，地方政府的存量债务从 2001 年占 GDP 的 9.6% 减少到 2005 年占 GDP 的 5.4%。

阿根廷在 2004 年通过了一项适用于国家和地区政府的财政责任法。它要求地方政府支出的增长（不包括债务偿还）低于国内生产总值的增长，要求债务偿还额低于经常性收入的 15%，并要求三年预估的预算保持在一定水平。2004 年的财政责任法律很少有硬性制裁规定，并且其中的一些漏洞可以被利用来逃避任何可能的处罚。

财政责任法实施后，地方债务水平或下降了，或比法律颁布以前增长更缓慢（Liu 和 Webb，2011）。我们无法估计这种情况有多少是由于经济表现，又有多少是由于监管政策引起的。另一方面，可以看到，一些地方政府利用法规存在的缺陷软化其预算约束。其中的一些缺陷源于监管框架的执行不力，一些则是由于设计上存在结构问题。这里的四个国家在处理这些问题的过程中都取得了不同程度的成功。

侵占供应商信用和累积工资和福利欠款是另一种使用借贷来弥补经常性支出不足的形式。养老基金资金不足也是这种情况。墨西哥和秘鲁的当地政府都使用过这种方式绕过黄金法则的监管。根据秘鲁的财政责任法，通过拖延支付形成欠款会被计入债务上限控制。在墨西哥却不是这样。另一个例子是，在 2009 年墨西哥一些州用短期借款支付经常性账户赤字。这些贷款没有注册到财政部，没有信托基金担保，甚至不是由当地议会批准的。

各国关于监测财政规则的遵守情况和使用制裁手段的经验有好有坏。阿根廷有很长的时间财政责任法执行不力，“……那些不能达到监管目标的政府几乎没有面对什么政治影响”（Liu 和 Webb，2011）。到 2009 年，阿根廷的财政责任法已经被终止使用。在秘鲁，也存在中央政府对财政规则监控不足和执行不力的问题，并且大量市政政府违反规则。

所有这些国家的中央政府似乎对无紧急援助政策都做了可信的承诺。可是，由于平滑经济周期的要求，这一承诺、硬预算约束和黄金法则受到的挑战都在不

断上升。事实上，秘鲁对放松地方政府在经济衰退时期的债务上限有明确规定，并且阿根廷也表现出想这样做的意愿。

墨西哥允许其州政府用借款弥补 2009 ~ 2010 年经济衰退导致的收入不足。据估计，州政府可能要面临超过 20% 的无条件拨款的削减（Revilla, 2012）。这些政府共同拥有的应急共同基金当时并没有充足的资金来弥补这些下降的收入。解决方案就是用未来的收入流作抵押为稳定基金融资<sup>1</sup>。一定意义上这个方案起作用了，因为削减关键公共服务和债务破产被避免了。然而，这些贷款是被地方政府用于弥补经常性支出赤字，并且整个过程没有形成提高州税收以偿还稳定基金的协议。

### 一个适合中国的模型

此处为中国提出的模型中，所有地方政府债务将居于一个全国的债务框架监管之下，该框架规定了地方政府举债需满足的条件。框架中最重要的两个部分就是限制借款目的和借款规模。首先，合适的做法是限制债务融资领域仅为公共部门的长期资本建设。对竞争领域资本项目筹资不能使用这些资金。第二个是当地方政府被允许借贷时，限制其举债的额度。这些限制将在框架内预先规定。理论上，地方政府可以利用三种收入来源来提供一项贷款的抵押：使用者付费、政府间转移支付拦截、来自自有资源的地方专项收入。通过信用测试的地方政府可以在无需省级或中央政府审批的情况下借款。那些信用等级低的地方政府需要获得批准。那些低于偿还能力标准的政府将会被限制或被禁止利用债务融资，并且其基础设施需求应由更高层级政府来直接满足或使用资本性转移支付提供资金。用于设置地方政府信用评级的重要指标是 GDP 的水平和结构、经常性收入的水平和稳定性、地方政府的预算状况、或有负债水平和存量债务的状况。

地方政府信用评级测试通过的证明可能最好由中央政府发出。地方政府和地方发展银行缺乏充分的独立性来监测当地政府的财务状况。要符合借款条件，地方政府必须充分披露其财务状况和使用标准化的报告系统。

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1 稳定基金的资本来源于联邦政府税收的盈余。

## 土地财政

要合适地定位土地出让收入在中国财政体系中所起的作用是复杂的，部分原因是政府是土地的垄断者。土地是会枯竭的资源，而且考虑到粮食安全问题，城市发展对土地的利用应有限制。因此，有观点认为应把土地作为资本项目融资的次要来源。否则，使用来源于土地出让的收入与使用来自地方政府预算账户的现金余额没有区别。应该表扬将政府资产转化为急需的公共基础设施的做法，特别是在数以百万计的外来人口给城市建设带来巨大压力的时候。

但是，正如上文讨论的，现行土地制度具有结构性的缺陷。对农民和拥有土地使用权的集体给予的补偿是不公平的，使用土地抵押贷款为当地提供基础设施建设融资过程不透明，并且有观点认为这导致了过度举债。此外，拥有大量土地资产财富刺激了一些地方政府作出不明智的投资决定，鼓励了城市扩张。

现在应该怎么做？禁止利用土地财政资助城市公共建设的政策当然不会是好的开始，因为土地融资方式已经变得如此重要，事实上，目前中国的土地收入已相当于三分之一的一般性预算收入或更多。此外，与城镇化相关的公共建设需求巨大，同时下一个十年据估算会有另外 3 亿外来人口流向城市。

我们可以这么说：给定粮食安全问题的约束，基本的问题不仅在于把耕地转化为生产力高的城市设施和最终更高质量的城市服务，更在于执行的过程和方式。这说明最好的途径是改革和理顺土地财政实践。而且，也的确有更好的替代性土地政策选择。但是，要意识到需要开展修改法律、转变行政管理执行方式、改革从土地流转获取收入的财政模式等工作，并把这些工作有机地拟合在一起。执行这些政策不会是一个轻松的事情而且肯定会带有政治色彩。

要处理的第一要务是解决补偿问题。一个方案是放弃用农用价值征用耕地的方法。取而代之的，政府可以允许开发商和集体/农民进行谈判以确定一个市场价值。或者，可以允许农民直接与地方政府进行谈判。这些安排都会减少从土地交易中获得的利润，进而会减少可用于公共基础建设的土地出让收入。

如果允许农民与开发商进行价格谈判（直接谈判或者通过政府），那么源于

土地出让得到的资本利得应该征税。<sup>1</sup> 地方政府可以对买方单独征收开发费用。这种操作就把政府行为放在了合适的位置上，即以合理的税率对利润征税而不是任意没收大部分利润。这意味着归于政府预算账户的土地出让收入盈余将会变少，但是这样的制度会更加体现公平并且让政府扮演合适的职能角色。

第二，如果禁止政府参与一些高收益的土地出让交易，那么作为放弃一部分土地出让收入的补偿，这些政府应该被赋予额外的征税权，让他们拥有额外税基来支持地方公共服务提供和债务偿还。房产税是一个地方税的可行备选方案，但是仅仅如此还不能完全弥补通过土地租赁交易可以得到的收入。如上所述，地方政府还拥有其他一些可以加固财政基础的备选方案。在减去拟出让土地所花费的成本之后，目前土地收入每年平均占 GDP 的 3.8%。如前文所述，实施地方税制改革的建议预计可以征收占 GDP 5% 或更多的收入。

第三，随着土地出让交易快速增长，城市扩张的问题也相应出现（世界银行和发展研究中心，2014，439 ~ 535 页）。引入房产税会增加未在市场上流转的建成区土地的持有成本，有助于让城市经济发展更集约化。这个政策至少会使一些房地产投资转向建成区。

第四，任何在土地方面的改革都需要更多关注的问题是公共资金是如何使用的，当地方政府举借的资金被限制为仅能用于公共领域项目时尤其如此。在这种限制下，土地出让得到的利润不得用于竞争性领域的投资。此外，在地方政府允许借贷的机制下，为拟出让土地的准备费用进行贷款融资与为公共基础设施投资的贷款融资形成直接竞争。在目前的体制下，大多数土地支出都是预算外的，即使仅追踪支出结果也是很复杂的工作。<sup>2</sup> 这可能是另外一个降低土地出让盈利性的驱动性因素。

最后一点是关于融资平台的疑问。这里有两个问题。第一，如果一个城投公司参与本质上是私营部门的活动（例如，管理一个工业园），地方政府的资本应被收回，城投公司可被私有化。适当的情况下这个公司可以与地方政府形成提供公共服务的公私合作关系。第二，如果允许地方政府直接借款，那么可以说地方投资公司存在的主要理由已经消失。由城投公司提供的任何专业服务可以根据需

1 如果对利润征税，可以采取资本利得税的形式，如果对售价征税，可以采取流转税的形式。

2 从技术上讲，作为地方政府预算的一部分，政府基金账户报告了基于土地的基础设施建设的政府财务活动。然而，城市建设投资公司负责了大部分土地交易活动，其账目透明度不足，而且地方政府担保了这些公司的债务。



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要由政府与私有部门订立合同，也可以把城市投资发展公司变为地方政府的一个部门。

诸如此类的改革将会产生重大且具有争议性的影响。这是否最符合中国的利益取决于它与国家目标相匹配的程度。以下是这个政策的优缺点：

- 因为地方政府收购土地的价格增加，这会降低基础建设支出的速度。在城镇化带来如此巨大的基础建设需求的这段时间里，上述改革将会是一个有风险的政策。
- 这个提议将削弱刺激城市扩张的土地利用模式的优势。边缘区的土地会相对更加昂贵，房产税会增加建成区土地的持有成本，车船税将会增加通勤成本，而基于公式的转移支付系统将会弱化地方政府为获得增值税共享收入招商引资的积极性。这些变化将使土地出让收入减少，而且将使郊区土地相较于现在的吸引力下降（与建成区土地相反）。
- 土地补偿政策的调整应该会为土地交易的利润分配带来更多的公平性。也就是说，农业土地使用权的所有者会得到与城市非居住用地使用权的所有者一样的待遇。这样的安排让地方政府更接近他们应该扮演的角色，例如，对土地收益征税，而不是用行政权力征用且以低于市价的价格购买土地。

## 第六章 改革带来的回报

### 引 言

本书的建议是开展全面的结构改革而不是对现行体制进行零碎的修正。由于中国的财税体制现状使税制改革、税收征管改革和政府间财政改革难以分开单独进行，考虑如何将改革的多种要素结合起来并考虑这些要素对经济可能有什么综合影响是更为合理的选择。可以随着时间推移逐步引入改革的要素，但是在一开始就应该制定一个使整个财政体系现代化的明确的长期计划。

上文的提议就是一个全面改革的框架。具体的细节，例如新的税率和税基、政府间转移公式、借款规则、支出责任划分等，就不在此再细述了。全面改革是一个艰巨的任务，需要一个政府授权、完全配备相应数据和充分了解政府政策目标的委员会去执行。我们也不讨论如何改变法律、法规及其他政治经济上非常困难的问题。

### 改革方案

本书描述的改革方案围绕七个关键的政策和管理转变展开：

1. 为地方政府提供更多关注优质公共服务的激励，而不是直接参与竞争领域。
2. 社会保障项目的融资责任，包括历史欠账和没有资金支持的负债偿还责任在内，转为中央政府责任。地方政府可以继续深入参与一些项目的服务提供，但是融资水平和一揽子福利的规模将不再与省级和地方政府的财政实力挂钩。
3. 授权地方政府可开征指定的税目并可在限定范围内设定税率。可以开征的税种有房地产税、车船税和城建税及教育费附加。为地方政府在使用者付费上更加注重成本回收提供动力。
4. 将现有的收入共享体制转换为一个新的体制，新体制对纵向共享池使用

单一的共享率，采用以公式为基础的转移支付分配体系，并大大简化专项转移支付体系。

5. 允许地方政府在一个限制性的监管框架下借款，监管目标包括借款目的和借款规模。

6. 土地出让继续作为一个公共基础建设融资的工具，但是要更改项目运行机制。所需的变化包括：更公平地补偿农民转让土地使用权的办法，取消融资平台或者将其转为一种公私合营的模式，土地使用权采用拍卖销售与“划拨”方式，同时更加透明地解释政府基金预算内的所有交易。

7. 将地方预算系统转变为一个功能完全透明的系统，并且允许政府更好地规划和管理其财政事务。

下面会详细阐述这个改革将会产生的影响，表 6-1 总结了这些影响。

表 6-1 全面改革的内容

项目	改革	点评/影响	对城镇化的意义
支出责任划分	中央政府承担社会保障融资责任，包括历史欠账的偿还	使各省之间的福利收益和缴费率相等；地方政府支出将会下降；社会保障的中央政府支出会上升并高于目前占 GDP 6% 的支出水平；将会改善政府间财政体制的纵向平衡	福利收益全部可转移；居民和外来人口待遇的差异会缩小；省级政府间和地方政府间的财政差异会缩小
	一些地方政府职能转变为中央职能	中央政府支出将会提高，支出提高的程度取决于会承担哪些新职能；外部性问题将被更好地处理；将会改善政府间财政体制的纵向平衡	一些服务质量将会改善，使经济更活跃。这些服务包括环境保护和城市交通
收入划分	允许当地政府对以下税种设置税率：房产税，城建税以及教育费附加，车船税。收入目标可以定为 GDP 的 5%	将提高整体收入，地方政府将有更多借债或扩展服务水平的自主权，可能会有均等化影响。高成本城市的居民将会支付更高的税收价格；将会改善政府间财政体制的纵向平衡	潜在的迁移人口和新的商业将会考虑到目标城市公共服务的成本更高；城市扩张成本提高将会部分地被提高后的税收补偿

续表

项目	改革	点评/影响	对城镇化的意义
政府间转移支付	重申政府间转移支付的纵向共享机制对所有税收采用统一共享率	中央政府对全部财政收入的占有率将会提高, 上升量取决于社会保障成本和其他中央政府新职能的成本提高程度	
	用以需求为基础的公式分享取代按照来源地共享的机制	对高收入省份的转移支付分配会减少; 激励地方政府促进地方税征收增长	地方提供工业补贴来吸引税基的动力减少; 一般公共服务支出增加
	把无条件一般性转移支付归入一般性收入共享机制。通过转换至更小数量的整笔补助拨款简化专项补助	减少遵从和监控成本, 但也消除了一些特定的支出目标领域	以外来务工人员为对象的转移支付补助可能减少
债务	给予地方政府在指定约束条件下借债的权力	将会根除地方政府使用非正式渠道借债; 融资平台将会变得多余。将会刺激债券市场的发展	可能减缓土地收入增长
土地出让收入	使用土地的市场价格补偿农民, 但对土地出让价格和农用价值的差异征税; 所有土地出让通过拍卖完成	会抑制土地出让活动, 因此会降低公用基础设施投资的可用资金。弱化地方政府对土地出让价格波动的脆弱性	与目前安排相比, 城市扩张发展比紧凑发展的吸引力会变得较小; 吸引外来务工人员和新公司的公共基础设施建设可能会减少
预算	采用新的预算机制, 分离资本性收支和经常性收支。要求所有的收入、支出、资产和负债都全部报告	将引导资本性预算的发展, 并且可以引导信用评级比较方法的发展	

## 改革的影响

政府应该对实施建议的改革方案的四大影响有所关注。第一，在中央政府和地方政府层面上，改革是否带来了更好的收支平衡。第二，通过改变支出和融资政策，经济扭曲问题能在多大程度上得到解决。第三，是否促进了公平公正。第四，提议的改革在多大程度上强化了政府宏观经济政策目标的实现。重要的一点是，这个最终目标包括如何使财政体制适应城镇化的成本以及获取城镇化的收益。

### 收支平衡

中国政府间财政体制没有达到很好的平衡。中央政府几乎征收了全部税收收入，但是中央支出仅占约 15% 的全国直接支出。剩下 85% 的直接支出属于地方预算，而这些地方政府又没有独立的征税权。如果考虑社会保障和政府基金预算，这个体系的纵向不平衡程度更加令人不满意。关于地方政府支出预算负担过重的担忧不断增加。超支的状态是不可持续的，过去是允许通过开“后门”来支撑地方政府预算。找到一个更为可持续的解决方案的时机或许已经到来。

通过移交一些支出责任给中央政府，这个拟议的改革方案将减轻地方的负担。其中最重要的是，中央政府将承担社会保险的融资责任。这个改革方案对中央政府有短期和长期的成本影响。短期内，中央政府需要在各省间平衡福利，需要弥补现有资金的赤字（相当于各种成本的 25% 左右），并且要解决由关闭一些国有企业引起的历史欠账。从长远来看，中央政府将需要处理整个体系资金不足的问题。

还有一些项目支出可能转为中央政府职能。这些项目包括一些具有显著空间外部性的职能（环境保护和自然资源管理），也包括一些有必要进行区域和全国协调的职能。现在一个表现比较突出的重要领域是超级大都市区域的管理和融资。一些地区间界限已经出现相互融合，并且一些公共服务的成本和收益也显著溢出了原有界限。一定的中央干预，也许是财政方面的干预，就在不远的将来。没有详细的支出预算分析，我们无法估计中央政府可能会承担的成本。

支出的重新划分会随着收入的重新划分。一个可能是中央政府保留收入的比重将会上升。这里列出的建议是对所有政府征收的税收设置单一共享率。为中央政府设置新的、更高的保留率反映了新的中央政府支出责任的要求。改革的结果将会是一个政府间财政平衡获得改善的体制。

最后，由于引进地方税，新财税体制会变得更加平衡。引进的地方税将包括一组修正过的房产税、对中央税的附加税和车船税。当税收征管发展到能够基于目的地原则征收销售税的时候，可以将一些消费税转为零售税。

## 效率的影响

目前的财政体制给经济运行造成了一些偏差，影响了市场决策和个人选择。这些偏差导致社会福利减少。本改革方案的一些财政政策选择将会减少这些扭曲，同时提高经济运行的效率。

第一，引入地方征税权可以让那些提供更好服务的城市政府对当地居民征收更高的税收。在一些情况下，这会自动发生，像按房产价值征收房产税的情况就是这样的。也就是说，大城市的公共服务提供成本较高，同样房产价值也较高，这样房产税也会随之上升。在其他情况下，地方政府可通过酌情调高税率来设置更高的税收价格，例如，提高附加税的税率。不管怎样，更高的税收价格会带来一系列选择的变化。在提供更高质量（更高成本）服务的城市里居民和企业将被要求为更高的边际成本买单。这将是公司和迁徙者决定区位选择要考虑的因素，这个因素至少能对形成更有效率的不同城市规模分布作出贡献，还会有利于改善商业的区位布局模式。同时，这也会激励居民团体和企业团体督促政府以更经济的方式提供有效服务。

第二，关于支出责任更合理的安排可以更好地内部化支出决策的外部成本和收益。对那些改革会带来更多责任集中化的项目，外部性可以更好地内部化，同时公共服务提供也将更加接近有效水平。这样的案例包括自然资源管理、环境保护、食品安全和区域交通。

第三，从以来源地为基础的收入共享转向一个公式体系可以减少当地政府竞争税基的动机。收到的政府间转移支付金额将取决于决定支出需求的因素，例如人口规模或者低收入家庭的集中度，而不是新征收的增值税或企业所得税的数额。教育投资和工业发展投资之间的选择将在一个更公平的竞争环境下进行。这

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应能带来更多关于招商引资策略和补贴的理性决策。

第四，向农民增加补贴（同时减少当地政府和开发商的收益）会减少土地出让收入，同时减缓城市周边基础设施投资的增加速度。在中国需要增加大量新基础设施建设情况下，这也许不是一个积极的因素。另外一方面，这也有积极的影响。一些过剩的产能可以被消化，同时预算分配可能更侧重于社会服务和基础设施维护。房产税和车船税可能进一步减缓城市边缘的发展，限制城市蔓延式扩张，同时引导地方选择更紧凑的发展模式，从而能更好地发挥经济集聚效应。但是，任意一项上述的相对价格变动是否能起作用依赖于税收水平的选择和近郊土地需求的价格弹性。

### 公平和包容性

这个改革方案也将对公平性产生积极影响。政府间转移支付向以公式为基础的体系转换至少比现行以来源地为基础的共享体系更能实现均等化。这个转移支付公式可以更直接地考虑支出需求和贫困集中度，同时也不再奖励那些税基更大的省份。均等化实现的程度取决于公式的选择。

第二个增加公平性的方面是将社会保险项目的融资责任转移到中央政府。收入较低的地方政府不再被要求应对财政能力约束和低收入居民高集中度的挑战。养老金和医疗保险将会成为一个收支不取决于居住地的全国性项目。

转换耕地为城市用地的征地和补贴政策也可以增加公平性（世界银行和发展研究中心，2014，187~262页）。这种公平性可以体现在不同的方面。农民可以获得更强的耕地和/或宅基地产权，或者中央政府可以强制要求使用更接近市值的补贴率，并且对利润征收资本利得税。

### 财政政策和经济政策

合理化地方政府财政决策，使他们与全国宏观经济政策目标更加一致，也可以获得很多好处。目前中国的政府债务并不处于危险的水平，但是以土地为支撑的城投公司债务可能让一些地方政府陷入财政危机之中，因此必须处理这个不断积压的问题。授予地方政府在监管框架管制下举债的权力，通过监管框架把他们的举债规模控制在偿还能力之内，可以消除重要的经济潜在风险。

实施地方税可以强化全国性目标的实现。激励地方政府自行筹集一部分收入可以强化地方官员的责任感和财政自律性。征收规模合理、具有合适结构设计的房产税有助于抑制房地产市场的投机活动。增加车辆注册和燃油的税负与低碳化城市的建设目标是一致的。

地方政府的关注点从私人目的的活动向公共目的的活动转变可以提高中国经济的运行效率。将城市投资建设公司纳入地方政府架构内或者归为私人部门，是一个向提高经济运行效率的方向迈进的步骤。

关于政府透明度议题，本书建议的改革方案要求重构地方预算，消除现有形式的城投公司，作为地方举债监管规则的一部分，规定地方政府完全披露其财务信息。这种财政透明度建设有助于让地方官员对地方政府行为的后果更加负责，也能让地方政府的财政规划更加有效。

本书提议的改革可以使要素市场在三个基本方面获得加强。

- 过去作为地方政府基础设施建设融资必要途径的土地流转驱动了土地市场。这些流转引起了城市蔓延扩张和污染问题。允许地方政府借债和在土地征收时进行更加公平的补偿的改革有助于理顺土地市场。
- 由于地方政府无力为外来务工人员提供社会福利以及社会保障与医疗保险不能转移，劳动力市场被扭曲了。改革政府间转移支付，让它与居民迁移带来的支出要求更加匹配，以及集中社会保险职能，会改善劳动力市场，加强社会公平，并刺激产业向服务业为导向的方向转化。
- 通过建设信誉良好的地方政府和设置有利于贷款方和借款方基础设施投融资的监管制度，资本市场将得到强化。

这里存在一个更为普遍的问题，即未来二十年中国面临的城镇化浪潮会产生财政影响，这些财政改革如何适应这种影响？可以说，这个改革方案有几个特性表明它将会使城市政府在城镇化过程中获取更多收益，同时承担相应的成本：第一，地方更好的公共服务和养老保险与医疗保险福利的可转移性可以改善劳动力的流动性和形成更加有效的市场。第二，促进地方政府收入增长和增加对贫困城市的转移支付，可以支持地方政府预算覆盖城镇化的增量成本。第三，提高地方税征收和基于公式的收入共享，连同地方土地租赁融资改革，可能使城市边缘的基础建设投资和城市扩张的速度放缓。



## 第七章 改革中国的财政体制： 结论和总结

中国过去二十年的公共收支增长值得称赞，并且这也为公共部门注入了活力。5亿人成功脱贫，城市基础建设发展迅速，并且社会服务极大地改善。但是快速发展的经济在让这些成果成为现实的同时也掩盖了财政体制存在的一些重要隐患。不能不说，传统的公共财政运行模式已经过时，中国已到了财政改革的十字路口。

### 背 景

下一个二十年，中国将会因城镇化而变得大不一样。政府的目标是让中产阶级规模扩大，调整生产和就业向高附加值服务发展，提高公平性，并且用消费而不是投资来推动下一个阶段的增长。McKinsey（2009）预计到2025年中国城市经济将产生超过90%的国内生产总值。但是，过去能有效引导投资驱动型经济增长的财政体制将会在这个更加城镇化的中国遭遇更大的障碍。现有体制的一些基本缺陷已经显现出来，并已威胁到长期公平和效率。

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### 财政问题

今天出现的财政问题并不是目光短浅或错误决策的结果，他们是中国财政体制落后于经济发展的产物。过去三十年经济快速发展，导致经济结构发生了巨大的变革。经济改革利用市场规则来推动增长和重组。然而，财政体制，特别是政府间财政体制，自从1994年分税制改革后变动很少。曾有一些有效的财政体制微调，特别是在税收领域，但总的来说现行财政体制没有回应不断变化的经济和更具流动性的人口的新需求。

财政体制的问题可以总结为以下几个方面：

- 同质性。不同地方的问题和工作重点存在差异，但是目前财政体制主要采用同质化的财政筹资体系，给予各地地方官员相似的激励去促进工业发展。在目前体制下，地方政府不能自行征税或借债来为其市民可能需要的一般公共服务筹集资金。
- 基础设施融资。城镇化驱动了公共基础建设的需求，并且地方政府创造性地成功满足了这些需求。然而，他们满足这些需求的主要融资工具——出让土地和向金融中介机构借债——并不是可持续的。
- 不公平。中国正在被不希望拥有的不公平现象所困扰，这种不公平很大程度上是增长模式的产物。收入和财富的集中度上升，财政能力的区域差异上升，大多数外来务工人员从公共服务得到的好处比有户口的居民少，而且土地政策让农民似乎处于不利的地位。目前的财政体制可能扩大了这些差距。社会保障融资的责任留给了资源极为有限的低层级地方政府，以来源地为基础的税收共享和税收返还有利于收入更高的地区；没有对针对农民工救济性服务；同时财政体系在补偿被征地农民方面没有正式的指导意见。
- 中央协调不足。大城市地区在发展中融合，地方问题已经成为区域问题，一个城市或省区的行为会对另一个城市或省区的居民福利产生很大的影响。发展面临的环境约束变得更加突出和高成本。

## 向服务业转变

中国之前从农业向工业化转变是由政府放活经济的政策引领的。但是下一个转变——从工业向服务业——将要求城市中心区发挥更多的主动性和指导。当经济结构变化和新的机遇出现时，城市需要灵活快速地适应新形势。这要求财政收入增长以满足新产业部门的基础设施需求、外来务工人员的公共服务需求和为吸引和维持高质量的劳动力所需的便利设施提供需求。

中国的财政体制已经压力重重并且与当前的公共服务需求不相匹配。随着城镇化进程加速，预计将新增2亿人到城市地区。由于下一个二十年中产阶级规模将不断扩大，政府需要扩大和改善现有服务。向服务业为主导的经济结构转变需要新的基础设施投资来提供交通、能源、水和公共服务。这些成本对地方政府预算施加了很大的压力。

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城镇化和服务业的增长也带来了财政收益。但何种程度上城镇化带来的增量收入可以弥补增量成本一定程度取决于服务业发展的速度有多快，以及地方官员在郊区促进工业发展的激励是否被抑制。如果这些激励仍然持续，不断的城市蔓延扩张会导致更高的城镇化成本并消耗掉一部分财政收益。

### 全面的财政改革

财政应该帮助外来人口和他们的家庭融入城市。但可以预期，这将不得不在经济增长放缓抑制税收收入增长并且土地流转收入可能减少的时段完成。在过渡时期，政府部门的管理特别是地方政府财政的管理将会成为主要的公共政策挑战。政府需要决定让财政政策在多大程度上是对发现的新问题进行增量改革式的修正，还是在问题出现之前就开始重要的结构性改革。

改革项目包括主要的制度变革和转变中国关于政府作用的一些基本观念。核心挑战是找到一个使财政体制能更清晰地把政府传统职能（以公平的方式提供优质的公共服务）从投资与竞争领域的生产性职能分离的路径。

设计一个前瞻性的财政体制来支持经济转型涉及的不仅仅是孤立地调整一系列政策。在中国，税收政策和税收管理、支出划分以及政府间财政关系之间相互关系太紧密以至于无法单独进行考虑。例如，重新划分支出责任是重要的，但是需要政府间转移支付相应变化实现权责匹配。转移支付分配的变化可能需要同时引入更大的地方征税权或者提高使用者付费的灵活性。土地流转的改革产生了是否应该允许地方政府直接举债的问题。如果允许地方政府借债，信贷需求要由供给满足，这就产生了关于信用评级和金融中介职能的问题。中国的长期目标不是解决一个单一问题，而是改革整个体系。改革可能是渐进的，但是道路应该由中国的长远规划决定。

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### 支出责任划分

全面改革开始的地方是反思中央和地方政府的支出责任划分。一旦解决了支出责任问题，就可估计支出缺口并构建基于经济规则的有效的财政融资计划。

## 合适的划分

从1994年分税制改革之前到现在，中国没有系统地考虑过政府职能划分。三十年前就设定的支出责任划分体制几乎肯定不适应当前中国更复杂和更城市化了的经济。应该让配备了精兵强将的跨部委高级特别委员会来研究这个问题并给出各层级政府支出责任划分的变动提议。最终的结果应该是一个对每个政府职能指定了支出责任的新预算法律，法律应指出中央政府专有的职能和地方政府专有的职能。改革的目标之一应该是使共同职能最小化，即多个层级的政府共同承担责任的职能。

支出分配的改革应该集中在三个领域：

- **政府和私人部门。**中央政府应该继续分离政府部门和私人竞争领域。决定什么应该是公共部门活动的领域和什么应该是私人部门活动的领域的原则涉及市场失灵、外部性、规模经济或收入分配。在这方面，可以设置一些新规定限制地方政府涉足与私人部门形成竞争的活动。一个相关的问题是是否允许地方政府使用财政补贴进行行业竞争，或者这种工业政策是否应该限制为中央政府的权力。在一个迅速发展的经济体中，财政体制应该鼓励劳动力和企业选择能最大化其生产力的地方，而不是去选择能得到最多来自地方政府的税收或者土地交易优惠的地方。
- **社会保险。**社会保险里有一种类型有很好的理由支持将行使其职能的责任移交给中央政府。养老金在中国目前是市级和县级政府的责任。然而，这导致在不同省和不同地方政府，养老金收益和缴费水平不尽一致，与所有公民获得统一标准待遇的目标相冲突。随着劳动力更加具有流动性，对社会保险的可转移性的需求逐步增加。如果由中央政府管理，养老金应该在全中国具有更多的一致性，从而有利于进一步提高劳动力流动性，也更可能有充分的资金全面覆盖整个体系。
- **医疗保险。**医疗保险情况更加复杂，因为地方政府在其管理上有优势，并且还有既基于成本也基于需求考虑的理由支持允许医疗服务存在地方差异。然而，医疗保险的融资可以得益于集中化，集中化可以让所有居民至少获得卫生保健最低标准的服务和报销福利。市级和县级政府，甚至是一些省级政府，并没有足够的资源来实现这个目标，即使他们确实

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有控制成本的动力。医疗保险可转移对提高劳动力流动性很关键，在中央负责融资的情况下这更容易实现。随着人口的老龄化，医疗保险由中央融资可根除一些未来的经济风险。

- 其他职能的集中化。地方政府目前承担着一些具有显著区域外部性的职能，这些职能在中央层面能得到更有效的管理。一个政府委员会的具体分析可能发现很多应属于中央政府的职能，经济增长、食品安全、水域管理、跨城市交通和环境保护都是一些候选项目。

### 收入划分

中央和地方政府的资金需求由支出责任的重新划分和支出需求驱动。目前的体制下，中央政府相对于其支出职责“筹资过多”，同时地方政府“筹资不足”，结果是中国目前存在极度的财政纵向不平衡。

#### 中央政府收入

如果中央政府担负起为社会保险职能融资的责任，可能需要提高其保留预算资源的共享率。这对覆盖目前的养老金预算赤字、历史遗留欠账、项目营运管理费用和全面支持所有保险项目的成本是很必要的。支持此项目和其他中央项目的资金可来源于中央政府提高收入共享率，降低条件转移支付的中央支出率，或者提高中央征收的收入。最终结果将是中央政府支出责任与其征税权力更加匹配。

#### 地方政府收入

地方政府可以有一定的征税自由裁量权，可以对某些税基在规定的税率范围内设置税率，并可保留从新开征的地方税得到的全部收入。这将是政府间财政体制的一个重要的变化。

税收分权化可使地方收入增长，这是因为地方政府在管理一些税收上有信息优势，特别是房地产税。税收分权也可带来区域效率。用地方税替换一些政府间转移支付可能引起大城市地区更高的税收价格，迫使劳动力和资本在做区位决定时考虑这一因素。地方政府税收可加强地方政府公共服务质量和由地方居民和企业缴纳的税收之间的联系。这会强化问责机制。此外，地方税可能被视为硬化预算约束的途径，从而强化地方政府的资本市场信用度。赋予城市地方政府设定税

率的权力可使城市财政体制继续保持其在最近几年土地使用权租赁使用以及在 20 世纪 90 年代和 21 世纪初期的预算外资金使用过程中展现出的创新性和竞争性。

中国的问题，正如大多数国家一样，是找到能保证地方收入的好财政工具。好的地方税应该能以合理的成本征收、能产生显著的收入并且不会引起对其他行政辖区居民的税负输出。国际经验表明：大多数工业化国家和一些大的中等收入国家会下放征税权，但是大部分发展中国家不这么做。

房产税。房产税可以在地方政府层面弥补收入缺口并且可能在大的城市地区产生很多税收。工业化国家征收的房产税占 GDP 的比重超过 2%，而低收入国家平均仅占 0.6%。对中国而言，一年的房产税收入达到相当于 GDP 的 1% 的水平是一个可行的改革目标。由于房产财富通常集中在富裕阶层，税收负担一般不会大量落到低收入家庭上。一定意义上房产税可以视为受益税，因为需缴纳高税负的房产通常位于提供较好公共服务的地区。最后，如果居民的房产税被资本化为房产价格的一部分，市场选择将会更加理性，因为房产所有者实质是在为所接受的地方服务支付费用，同时投机者将面临让房产不进入市场交易的持有成本。房产税也可能激励更密集的土地使用方式，并且减少城市扩张。

车船税。地方政府对车船的持有和使用征税与城镇化战略的目标相符。车船数量的增长快于城市地区人口的增长，车船的使用增加了地方政府公共基础建设的成本，同时产生了外部成本并且大多数成本没有得到补偿。

目前，中国地方政府基本不依靠车船税作为重要的财政收入来源。车辆购置税仅产生一小部分的收入流，并且车辆燃油税由中央政府征收。停车费、通行费和拥堵费作为资源配置措施的实践正在增加，但是他们也没有成为地方政府收入的重要来源。

机动车辆燃油是一个潜在的高效税基，并且可以更直接地影响车辆使用。问题在于在中国大规模城市里燃油税是否能得到有效征管。理想的情况是，税收可以在加油站征收，但是它也可以像现在这样在出厂时征收。道路收费在中国的高速公路上很普遍，并且已经有提议在一些交通压力较大的城市地区也实施道路收费通行。停车费是另外一个对道路使用者征税的方法，并且提高停车费的实践已取得好的经验。

地方零售税。如果可以从按来源地征收（生产或分销的地点）转向以目的地为基础征收（消费地），地方零售税可以成为有效的地方融资工具。这对一些

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消费品如高端珠宝和进口奢侈品是可行的。但对大多数消费品来说，零售税将会刺激消费者为了避税而向不易受到税务局管辖的非正式贸易商购买商品。

附加税。一种可以避免一些地方税征管问题的方法是使用“附加税法”，即允许地方政府选择对中央政府税基加征附加的税率。附加税法在中国被应用于城市维护建设税和教育费附加：税基是增值税、消费税和营业税的总额，并且收入分配给地方政府。然而，附加费率是由中央政府设定的。我们估计 12% 的附加率会征收现在地方增值税共享收入近一半的数额。

个人所得税也可以征收附加税。以个税所得税为税基加征 10% 的税率可以产生相当于增值税共享的 8% 的新的税收。所得税的有效税率仅会从 GDP 的 1.1% 提高到 1.2%。

### 政府间转移支付

政府间转移支付是地方政府主要收入来源。目前的财政体制将总收入的 80% 转向更低级别的政府。但是在过去三十年中它已经被逐渐改变了，不能确定它形成现在的结构是否与一种潜在的长期策略有关，也不清楚它是否还可以解决中国经济转型的主要问题。

中国政府间转移支付有很多的目标：对增收的激励（通过基于来源地的税收共享）、均等化和赤字弥补（用无条件拨款），同时在一些特殊职能上刺激支出（专项转移支付）。一些项目具有均等化效应（包括一些有条件转移支付和有指定用途的专项拨款），但是这些都被反均等化的税收共享和税收返还抵消了。税收共享方式可能刺激税收收入增长但是指定用途的专项转移支付可能抑制税收增收。由于体制已经为处理新出现的问题而调整，它已变得更加复杂。一个体制无法为所有目标服务，因此必须作出选择。改革的第一步是决定转移支付的首要目标。收入增长？均等化？特定目的支出？地方自主权？

是时候对体制作出大的改变了。这里讨论的一个政策选择是转向单一的共享率。纵向共享池应该通过基于支出需求和财力差异的公式进行分配而不是基于来源地的收入共享。这样的转变会导致一些省份得到比现在更多的转移收入，而另外一些得到更少的收入，他们之间的差距可能很大。受到损失的可能是一些富裕省份，可能包含大的中心城市和省份。可以推测，这些受损者将会更多地依赖于地方税和使用者付费，并且将有更多的动力征收新的地方税。

改革的架构（纵向共享的程度和分配的公式）制定必须基于政府目标、行政能力约束和政治需要进行。此外，改革应该是渐进式的，因为它会对预算和政治形成冲击。也就是说，将设定改革的终极目标作为开端是非常重要的，即使要很多年才能得到完全实施。

## 地方政府举债

财政原则表明，经常性支出应该用经常性收入提供资金，而长期投资应该以资产使用年限为限进行融资。债务融资允许投资成本和收益与长期现金流匹配。目前，中国地方政府不能借债，因此他们借助于迂回的融资手段为基础建设投资融资：通过金融中介借债并且用土地使用权作为抵押。这些工具是有效的，但是他们不具可持续性。

现在是考虑在先决条件已满足的条件下，地方政府是否应该拥有通过资本市场为长期资产进行债务融资的一个合适时机。这些先决条件包括透明的财务报告、地方政府信用分析、独立的借款方和贷款方之间的正常交易、用于债务偿付的稳定地方收入现金流以及包含地方举债规则的监管框架。

这些监管政策的目标是使投资者和地方政府免遭危机及时偿债的财政行为。地方政府财政应该得到管制，以达到以下目的：

- 仅允许为长期服务的公共资产进行债务融资。
- 借债的规模应该在根据偿付能力计算的限额之内。
- 应该关闭地方政府使用借贷资金来软化经常性支出预算约束的渠道。
- 债务偿还应该与使用者付费、地方自有收入或者政府间转移支付联系起来，标准的信用度测试将会是强制性的。

目前地方政府和地方开发银行没有充分独立，还不能依赖他们对地方财政状况进行监管。关于地方政府可以举债的证明可由中央政府发出。为符合举债的条件，地方政府需要用标准报告体系公开财政历史情况。随着时间的推移，由于中国发展了民营的信用评级机构和强大且独立的金融机构可以通过市场监管地方债务，中央政府的作用就会被弱化。

## 土地财政

中国依赖于土地出让金为城市公共建设融资的实践是一个可能对财政稳定性



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构成威胁的风险因素。依赖于土地收入的债务偿还在房产价值下降的时候是一个隐患。然而，土地收入现在相当于中国超过三分之一的一般性预算收入，因此这样的实践不能被突然中断。

除了与食品安全相关的考虑，土地财政的基本问题不仅在于将耕地转化为生产力高的城市设施和更高质量的城市服务，还在于执行的方式。最好的途径是改革和理顺实践。其他需要考虑的问题是是否存在可能降低政府面临的风险的任何新的方法。以下应该在考虑范围内：

- 允许农民直接或通过政府与开发商协商出让价格。政府应该对资本利得征税而农民应该将余下的部分与集体分成。这意味着归于政府的土地出让收入将会变少，但是这也带来了更多的公平性和激励更加公正的政府行为。
- 如果土地收入减少，地方政府需要弥补减少的收入（约 GDP 的 3.8%）来为基础设施建设需要融资。房产税、车船税和使用费者的结合或许足以弥补这些流失。
- 土地出让加速了市中心周边的低密度扩张。随着出让的减少，提高建成区密度的动力加大。房产税会提高未在市场上交易的建成区土地的持有成本，使土地市场更加合理化。
- 两个改革土地财政的政策问题与城投公司有关。第一，如果城投公司涉足本质上是私人领域的活动（例如，管理一个工业园），地方政府的资本应该撤回而将城投公司全面私有化。第二点，如果允许地方政府直接借债，地方投资公司主要的存在理由就不成立了。城投公司提供的任何专业服务可以根据需要与私人部门签订合同，或者他们可以并入地方政府部门。

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### 资本预算

地方政府预算目前有四个账户：（1）一般公共财政账户；（2）政府基金预算账户；（3）国有资本经营账户；（4）社会保障账户。此外还有事业单位、集体企业、国有企业和城市建设投资公司的独立账户。这样安排的原因是维持除了社会保障预算之外的所有账户收支平衡，减少或消除预算赤字。可用于支出的收入资源受制于中央转移支付、工薪税和土地出让收入，支出的规模在收入的规模以内。

这四种预算一定程度上是由不同的部门独立管理的，因此这是对形成有效公

共管理的一个挑战。特别是由于经常性支出和资本性支出在三个账户中出现，很难区分经常项目和资本项目的融资安排，而且也很难审查地方政府整体预算的健康状况。

地方政府预算的总体目标是让所有的政府支出都在其控制下，一个替代性的预算结构可能更容易实现这个目标。这个替代方案可以让所有的预算支付变得透明，使预算合并具有可行性。思路是实行一个全口径的综合预算，这个预算可以将属于地方政府账户的财政活动和地方政府其他独立账户的活动合并起来。这种类型的预算结构还会有另外两个重要的优势。第一，它将允许城市间财政健康状况的比较。这很重要，因为体现信用状况的指标是支持地方政府借贷的要素。第二，这种预算格式可以支持资本预算和资本支出中期财政计划的发展。

## 改革的回报

中国的财政体制使税制设计、税收征收管理和政府间转移支付难以分离。因此，改革开始的前提条件是应进行全面性的结构改革而不是对体制进行零碎的修正。可以随着时间推移逐步引入改革的要素，但是在一开始就应该制定一个明确的、推进整个财政体制现代化的长期计划。上述的全面改革计划包含以下要素：

- 将社会保险项目，包括历史欠账的融资职责转移到中央政府。
- 授权地方政府开征指定的税目并在限定范围内设定税率：房产税、车船税和城建税及教育费附加都是可以开征的税种。
- 将现行税收共享制度改为一个具有下列特征的制度：单一共享率的纵向共享池、一个以公式为基础的转移支付分配体系和一个简化的专项拨款资助体系。
- 在一个管制举债目的和举债规模的监管框架下允许地方政府借贷。
- 规范土地出让体制并且改变其结构，提高对农民的补偿率，并相应地撤销城投公司，土地拍卖和划拨并举，同时开征房产税以鼓励土地的高效利用。

## 财政支出责任与财力之间平衡的改变

中国目前的政府间财政体制没有达到纵向平衡，其不平衡的程度也许高于世

## CHINA

世界上任何一个国家。中央政府征收了几乎全部税收收入，但是其直接支出仅占全部支出的大约 15%。剩下 85% 的直接支出在地方预算之中，但是这些地方政府没有独立的征税权。

这里提议的改革会使财政体制向平衡的方向发展。中央政府将承担为社会保障体系融资的责任，这将涉及消除经常账户赤字问题，提高并统一福利标准和最终处理无资金来源的负债。还有一些其他支出项目是转为中央政府支出责任的备选项并且这会进一步促进纵向平衡。

支出责任重新划分后就是收入的重新划分。中央政府收入比重将会上升。一个合理的预期是中央政府的额外负担会增加，也许增加量会占到 GDP 的 2% ~ 3%。

在税收方面，所得税里的工薪税应该转换到中央政府层面，也可以通过提高共享税的共享率来提高中央税收。地方政府应该有更多独立的征税权力。

这些改变不能完全消除中国财政体制极度的纵向不平衡，但是将让中国财政体制朝着更好的收支平衡的方向发展。

### 效率的影响

财政体制的偏好扭曲了市场决策和个人选择，减少了全国的福利。这里提议的四项改革能够解决其中的一些扭曲。

第一，地方征税权将会允许提供更好服务的地方政府对其服务施加更高的税收价格。这将会影响公司和外来务工人员的区位抉择，而且至少能够让城市规模的分布更合理有效。同时也会激励居民团体和商业团体对政府施压，让政府更有效地降低成本来提供服务。

第二，关于支出责任划分的改革建议可以更好地包容支出决策的外部成本和收益。例子包括自然资源管理、环境保护、食品安全、区域交通和社会保障。

第三，从按来源地决定的收入共享转向一个以公式为基础的分享体系可以弱化当地政府利用财政补贴竞争税基的动机。地方政府相对于服务业更偏好工业的财政激励将被弱化。因为教育投资和工业发展投资的选择将在一个更公平的环境下竞争，这个改革将使吸引产业的策略和财政补贴政策决策更加合理。

第四，向农民增加土地补偿（同时减少当地政府和开发商的收益）可能减缓城市周边基础设施投资的增长。房产税和车船税可能进一步减缓郊区的发展。这会让城市扩张的边际成本上升。

## 公平和包容性

这个改革方案也将促进社会公平。政府间转移支付向以公式为基础的体系转换至少比现行以来源地为基础的体系更能促进公平。转移支付公式可以更直接地考虑支出需求，同时也不再奖励那些税基更大的省份。通过将社会保障项目融资责任移交给中央政府层面，公平性会得到提高。社会保险将会成为一个收益和成本不再取决于居住地的全国性项目。

这个改革也为耕地转为城市用地给出了更公平的补偿方案。农民可以得到更强的农业用地和/或宅基地产权，并且中央政府可以强制要求实行一个更接近市场价值的补偿率。

## 财政政策和经济政策

这一系列改革政策与宏观政策是互相协调的。中国的政府债务并不处在危险的水平上，但是以土地支撑的城投公司债务可能让许多地方政府陷入财政危机。在一个控制举债规模低于可偿还能力之内的监管框架下授予地方政府借债的权力可以消除这个重要的经济潜在风险。

地方政府税收同样将有助于实现全国性的目标，因为这将促使地方官员更加向地方负责和坚持财政自律。在合理水平和合适的结构设计下开征的房产税有助于控制房地产市场的投机活动。加重车辆注册费和燃油税的税负与城镇化的低碳目标是一致的。

即使是地方政府的关注点从私人竞争性领域向公共领域轻微转变一点也可以提高中国经济的运行效率，同时也会提高对政府服务的公共资金支持。

在政府透明度的问题上，拟议的改革方案要求重组地方预算，消除现行的融资平台模式，并规定地方政府充分披露财务信息。

最后，通过移除一些重大的扭曲，提议的改革方案将提高要素市场的运行效率。这些改变包括转变土地流转的方式，地方政府在一个规则框架下借债，同时让社会保障收益的可转移性成为可能。

这个全面的改革存在几个特性，将会使城市政府在获取更多城镇化收益的同时承担相应的成本：第一，地方更好的公共服务、户口制度约束的弱化、养老金

与医疗保险福利的可转移性可以提高劳动力的流动性。第二，促进地方财政增收和增加对贫困城市的转移支付可以支持地方政府预算更好地覆盖城镇化的增量成本。第三，提高地方税收和基于公式的收入共享，同时改革地方土地租赁融资，可能引起城市边缘的基础建设投资和城市扩张的速度放缓。

## 结 论

过去三十年中国财政体制增长迅速但是发展缓慢。繁荣的经济活动、城镇化和激进的经济改革带来了快速的经济增长，使5亿人口脱贫。但公共支出和收入体制的变革落后于经济的变化。虽然在其他经济和社会生活领域的影响力变弱，强大的中央行政控制的政治哲学继续驱动着财政体制。

是时候让政府实施再平衡的政策，从中央行政集权的机制转向分权和以市场为导向的机制了。再平衡不仅是简单地指自由化和市场化，更要求提高政府效率。

- 在政府适合管理的领域提高各级政府的行政能力——财政、社会服务、城市规划、环境维护；
- 对国家、区域和市级政府间的资源、权力和责任进行重新划分，使每一个政府机构——在每个政府层级上——有与其职能相适应的权限和能力；
- 放松政府对那些可以让市场充分发挥作用的领域的控制和介入，特别是对要素市场：土地市场、劳动力市场和资本市场。对这些要素市场的集中管制已经造成了高成本的扭曲，解决的方案不是形成新的管制方法，而是更少的管制。

解决深层次问题永远没有完全合适和正确的时机，城镇化的加速发展和经济增速的放缓将不会给政府开展改革试验的广泛自由。但是如果全面和富有远见的结构性改革，按照估计，将会让2亿工人和他们的家庭新进入城市的城镇化进程会让一些公平和效率问题进一步恶化，也会让现行体制下原本有些失控的一些财政问题更加严重。中国财政体系现在需要的是全面的改革，改革的推行可以是渐进的。

# 附录

附表 1 中国财政收入的结构：2011 年

单位：十亿元

	合计		中央		地方	
政府财政收入 <sup>a</sup>	10387.44	100.00	5132.73	100.00	5254.71	100.00
税收合计	8973.84	86.39	4863.17	94.75	4110.67	78.23
国内增值税	2426.66	23.36	1827.74	35.61	598.93	11.40
国内消费税	693.62	6.68	693.62	13.51		
进口增值税和消费税	1356.04	13.05	1356.04	26.42		
增值税与消费税出口退税	-920.48	-8.86	-920.48	-17.93		
营业税	1367.90	13.17	17.46	0.34	1350.44	25.70
企业所得税	1676.96	16.14	1002.34	19.53	674.63	12.84
个人所得税	605.41	5.83	363.31	7.08	242.10	4.61
资源税	59.59	0.57			59.59	1.13
城市建设维护税	277.93	2.68	16.94	0.33	260.99	4.97
房产税	110.24	1.06	0.00	0.00	110.24	2.10
印花税	104.22	1.00	42.53	0.83	61.69	1.17
证券交易印花税	43.85	0.42	42.53	0.83	1.32	0.03
城镇土地使用税	122.23	1.18			122.23	2.33
土地增值税	206.26	1.99			206.26	3.93
车船税	30.20	0.29			30.20	0.57
船舶吨税	2.98	0.03	2.98	0.06		
车辆购置税	204.49	1.97	204.49	3.98		
关税	255.91	2.46	255.91	4.99		
耕地占用税	107.55	1.04			107.55	2.05
契税	276.57	2.66			276.57	5.26
烟叶税	9.14	0.09			9.14	0.17
其他税收	0.42	0.00	0.30	0.01	0.12	0.00
非税收入合计	1413.60	13.61	269.57	5.25	1144.04	21.77
专项收入	305.64	2.94	36.14	0.70	269.50	5.13
行政事业性收费	403.94	3.89	40.40	0.79	363.54	6.92
罚没收入	130.14	1.25	3.88	0.08	126.26	2.40
其他非税收入	573.89	5.52	189.15	3.69	384.74	7.32

资料来源：《中国统计年鉴》，2012 年。

a. 剔除无条件和有条件拨款、政府性基金收入、社会保障收入和国有资本经营收入。

附表 2 中央到省的转移支付：2010 ~ 2011 年

单位：十亿元

类 型	2012 年		2011 年	
	金额	%	金额	%
一般性转移支付	2659.20	58.59	2337.83	58.59
税收返还	512.08	11.28	507.84	12.73
增值税和消费税返还	388.81	8.57	378.00	9.47
所得税基数返还	91.02	2.01	91.02	2.28
成品油税费改革税收返还	153.11	3.37	153.11	3.84
地方上解	-120.87	-2.66	-114.29	-2.86
均衡性转移支付	858.26	18.91	748.68	18.76
重点生态功能区转移支付	37.10	0.82	30.00	0.75
产粮大县奖励资金	27.66	0.61	23.28	0.58
县级基本财力保障机制奖补资金	107.50	2.37	77.50	1.94
革命老区、民族和边境地区转移支付	55.93	1.23	37.00	0.93
调整工资转移支付	236.16	5.20	264.70	6.63
农村税费改革转移支付	75.26	1.66	76.95	1.93
资源枯竭城市转移支付	16.00	0.35	13.50	0.34
成品油税费改革转移支付	61.00	1.34	58.10	1.46
体制结算补助	122.08	2.69	102.87	2.58
工商部门停征“两费”转移支付	8.00	0.18	8.00	0.20
基层公检法司转移支付	46.67	1.03	42.15	1.06
义务教育等转移支付	160.57	3.54	106.50	2.67
基本养老保险和低保等转移支付	376.29	8.29	275.10	6.89
新型农村合作医疗等转移支付	106.33	2.34	77.98	1.95
村级公益事业奖补等转移支付	24.56	0.54	18.47	0.46
专项转移支付	1879.15	41.41	1652.17	41.41

续表

类 型	2012 年		2011 年	
	金 额	%	金 额	%
一般公共服务	25.20	0.56	20.73	0.52
国防	2.46	0.05	0.64	0.02
公共安全	22.98	0.51	23.70	0.59
教育	107.44	2.37	118.45	2.97
科学技术	8.11	0.18	9.19	0.23
文化体育与传媒	30.11	0.66	22.72	0.57
社会保障和就业	140.51	3.10	146.23	3.66
医疗卫生	91.06	2.01	89.67	2.25
节能环保	193.48	4.26	154.88	3.88
城乡社区事务	42.72	0.94	13.13	0.33
农林水事务	524.79	11.56	418.40	10.49
交通运输	310.57	6.84	296.75	7.44
资源勘探电力信息等事务	48.43	1.07	36.28	0.91
商业服务业等事务	45.08	0.99	71.07	1.78
金融监管等事务支出	4.68	0.10	3.77	0.09
地震灾后恢复重建支出	4.69	0.10	2.16	0.05
国土资源气象等事务	17.95	0.40	20.02	0.50
住房保障支出	219.07	4.83	139.18	3.49
粮油物资储备事务	34.52	0.76	35.05	0.88
其他	5.32	0.12	30.07	0.75
合计	4538.35	100.00	3990.00	100.00

资料来源：中国财政部。



附表 3 地方政府转移支付：2009 年

转移支付	省以下		市级		县级	
	转移支付收入 (十亿元)	占转移支 付总量比	转移支付收入 (十亿元)	占转移支 付总量比	转移支付收入 (十亿元)	占转移支 付总量比
一般性转移支付	980	48	160	43	820	49
原体制补助	66	3	24	6	42	3
均衡性转移支付	251	12	26	7	225	14
革命老区、民族和边境地区转移支付	10	0	3	1	7	0
调整工资转移支付	193	9	29	8	164	10
农村税费改革转移支付	81	4	0	0	81	5
县级基本财力保障机制奖补资金	53	3	2	1	51	3
体制结算补助	78	4	10	3	68	4
化解债务补助	5	0	0	0	5	0
资源枯竭城市转移支付	8	0	4	1	3	0
企业预算补助	14	1	7	2	7	0
成品油税费改革转移支付	2	0	1	0	1	0
村级公益事业奖补	2	0	0	0	2	0
工商部门停征两费转移支付	0	0	0	0	0	0
一般公共服务转移支付	1	0	0	0	0	0
公共安全转移支付	33	2	10	3	23	1
社会保障与就业转移支付	84	4	7	2	77	5
教育转移支付	43	2	27	7	16	1
其他	56	3	9	2	47	3
专项转移支付	1062	52	213	57	849	51
合计	2042	100	372	100	1669	100

资料来源：《地方财政统计资料》，2009 年。

**附表 4 税收共享与转移支付：2004 ~ 2009 年**

单位：亿元

年度	地方合并				市级				县级			
	共享 税收	占收入 比重 (%)	转移 支付	占收入 比重 (%)	共享 税收	占收入 比重 (%)	转移 支付	占收入 比重 (%)	共享 税收	占收入 比重 (%)	转移 支付	占收入 比重 (%)
	2004	1000	45	1037	47	363	45	367	46	362	35	589
2005	1273	48	1146	43	459	49	390	42	462	36	716	55
2006	1473	46	1347	42	528	48	454	42	576	36	899	55
2007	1925	46	1810	43	658	50	513	39	783	36	1194	55
2008	2326	40	2889	50	778	49	634	40	976	34	1647	58
2009	2616	37	3859	54	861	45	852	44	1147	32	2130	60

资料来源：根据《地方财政统计资料》和财政部报告计算。

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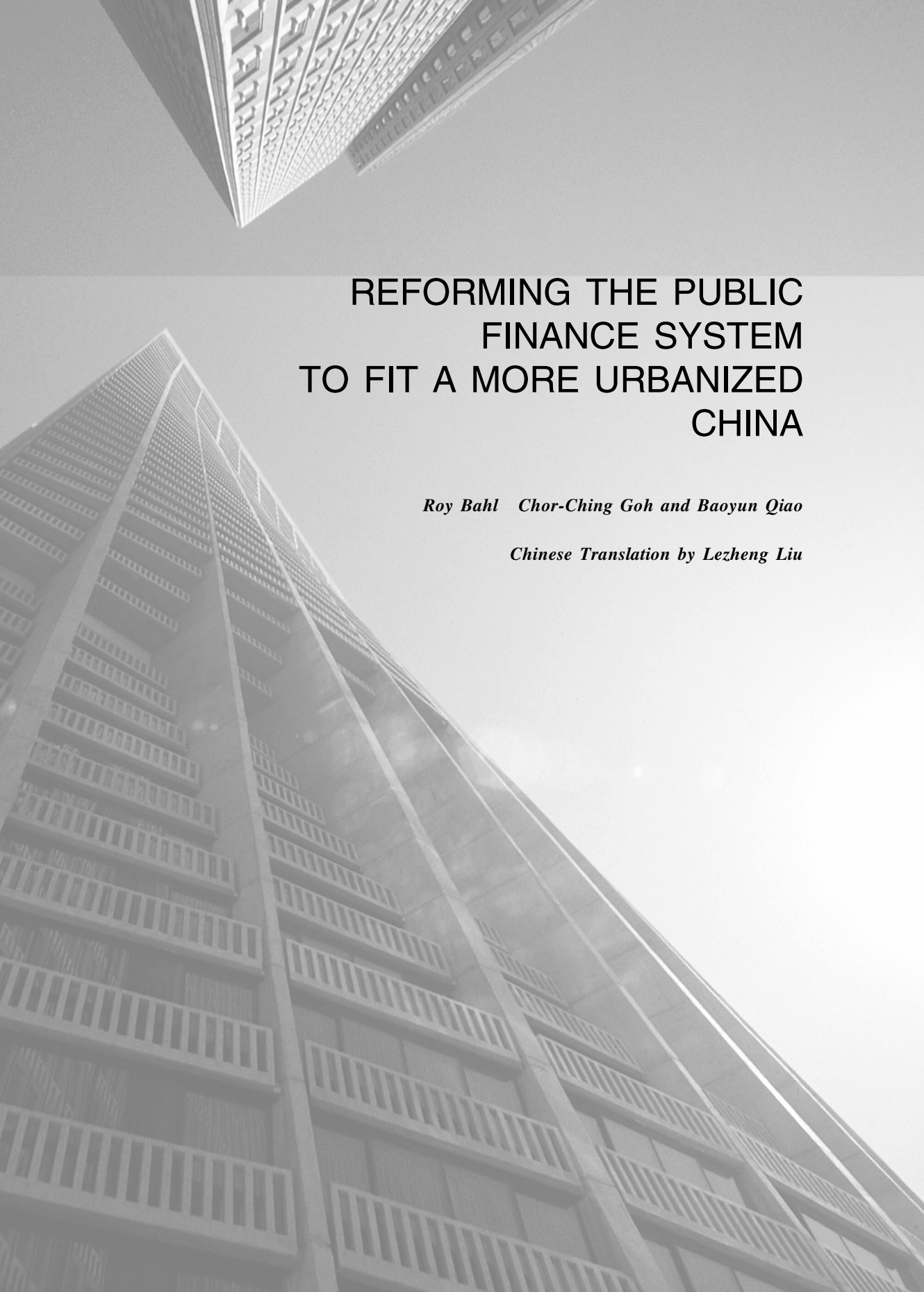
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REFORMING THE PUBLIC  
FINANCE SYSTEM  
TO FIT A MORE URBANIZED  
CHINA

*Roy Bahl Chor-Ching Goh and Baoyun Qiao*

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# CHAPTER ONE

## CHALLENGES TO THE PUBLIC FINANCE SYSTEM

### INTRODUCTION

Urbanization, and the structural changes that come with a maturing economy, will make China a different country over the next two decades. The middle class will emerge, workers will increasingly produce services, the economy eventually will be more driven by household consumption than by investment, and the population size of the largest urban areas will swell even more. The urban economy will generate over 90 percent of China's GDP by 2025 (McKinsey, 2009). But the public finance system that has worked so well in leading an investment-driven economic growth strategy will work less well in this new, more urban China. In fact, some fundamental flaws in the existing system are threatening to add significant efficiency, equity and environmental costs. If urbanization is to be the blessing to the economy that many hope for, the system of governing, spending and financing will need to change. Many experts, inside and outside government, agree that a major fiscal reform is needed (Lou, 2013; World Bank and Development Research Center, 2013, 2014; Lim, Porter, Romer and Spence, 2011).

The centerpiece of such a reform could be a stronger commitment to a fiscal system that separates the traditional function of government — the provision of equitable and efficient levels of public services — from the investment and production functions of the private sector. The underlying strategy would be to de-emphasize the direct role of government in managing the economy by discouraging ownership and operation of companies that compete with the private sector. Instead, governments would move toward a supporting role of providing the necessary infrastructure and regulatory framework to stimulate economic development and then trust the market to send the right signals to economic agents. The emphasis of subnational governments would be on the delivery of good local services, and the rewards to their leaders would depend on how well they deliver on this responsibility. In fact, this would be less a turning point in policy than it would be a recommitment to a strategy that began with China's opening up more than three decades ago.

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To move in this direction and towards a more incentive-driven public sector, government will need to take important decisions about several key features of the public financing system: the accountability issue in decision-making by subnational government officials, the proper division of expenditure and revenue responsibilities between the central and subnational governments, funding social services and the social safety net, shifting the tax base from production to consumption, assigning revenue raising powers to subnational governments, rationalizing the use of land revenues in local government financing, requiring transparency in local budgets, increasing the private sector's role in housing finance, putting in place a stronger inter-provincial and intra-provincial equalization program, and adopting a budget system that will give subnational governments the ability to effectively plan and control the allocation of fiscal resources. This would be no small reform.

Arguably an even more daunting challenge will be addressing the changes in the fiscal culture that will be called out by this reform. These include replacing informal negotiations with more transparent rule-based decision making, changing the view that public services are an entitlement to a view that public services must be purchased with tax and user charge payments, levying more taxes directly on individuals, and changing the mindset of subnational government officials about spending for economic development vs. spending to enhance the livability of cities. The time it will take to successfully implement a far-reaching public finance reform, as is discussed in this book, will depend on how easily such elements of the fiscal culture can be changed.

The economic setting in which these sweeping changes will take place will make reform even more difficult. Slowing economic growth will take away some of the revenue surpluses that have enabled high rates of government spending, but migration to urban areas will increase the demand for government services. Increased taxation of consumption will need to be fitted into the plans for increasing domestic consumption. And, the failure to change the public financing system to better match the economy has led to some fiscal “entitlements” that will be hard to dislodge. To all of this might be added the ambitious reform direction that was laid out in the plenary session of the Central Committee in 2013.

### **PUBLIC FINANCES IN TRANSITION**

China will cope with two major transitions in the next two decades and both will require adjustments in the system of public financing (World Bank and Development Research Center, 2014, pp81 – 126 and pp127 – 186). The first is urbanization. China's population will continue to move to cities in large numbers. The second is the lower rate of GDP growth that will accompany the continued maturing of the Chinese

economy. These changes will have significant impacts on the demand for public services and on the cost of providing them, on revenue mobilization, and on the way in which services are delivered. Management of the government sector during this transition period, and especially management of the finances of urban local governments, will present a major public policy challenge. The central government will need to decide on the extent to which it lets fiscal policy in the next two decades be dictated by the need to find quick fixes for the most pressing of these problems, or whether it gets ahead of the problems by undertaking a major structural reform.

## **THE FISCAL IMPACTS OF URBANIZATION**

Urbanization will challenge government budgets. The next two decades will see a growth of 240 million people living in the urban areas of China. The urban population share will increase to 70 percent by 2030, by comparison with about 53 percent at present. Some of this growth will be skilled workers newly arrived from other urban areas, and much of it will be migrant workers with less human capital than the existing resident population. Many of the migrant workers will come without their families and will live in dormitories, as they have in the past. Only 20 percent of migrants now move to cities with their entire family. But this pattern will change as adequate health and education services and affordable housing become available to them (Wang, Shen and Li, 2008). The immediate concern is with absorbing this number of new residents and workers in cities, and servicing them properly, while not harming the quality of life of the existing urban population. The questions are how to do this and to pay for it.

### ***Costs***

The costs of urbanization are difficult even to define, much less to estimate. What we can say with some certainty is that the expected increase in the urban population is more than most cities can absorb with their existing infrastructure and service delivery capacity. And, in the case of some migrant workers, there may be need for the local government to spend above existing levels to address special needs. Examples include subsidies for school supplies, the establishment of health centers that specialize in meeting the needs of the migrant population, affordable housing, and improvements in the portability of pension and health insurance benefits.

The marginal costs that migrants will impose depend on the extent to which the migrants are given access to the same services as residents with local hukou. This will vary from city to city and from one public service to another. For example, local policy determines whether migrants can participate in social insurance programs. On average, the coverage rate for migrants in social insurance programs is less than 25

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percent, by comparison with more than 85 percent for local resident employees (World Bank and Development Research Center, 2014, pp263 – 358). For most public services, a national residence-based system is now in effect but it is neither financed nor monitored by the central government. In practice, some cities offer easier access to resident worker permits, and better entitlements to public services than do others.

With respect to education, the official policy is residence-based, compulsory education for all children. In general, local governments are in compliance with this policy. A recent survey shows that about 80 percent of migrant worker children are now enrolled in public schools<sup>1</sup>. However, the practice varies and at least in some areas, the schools that serve migrant worker children are not funded at the same level as regular public schools (Yang 2012)<sup>2</sup>.

Clearly, the cost of absorbing 200 million new residents and resident workers into cities will be very great. But accurate estimates of the cost of urbanization are difficult to make, because of the need to separate the impacts of urbanization from the impacts of everything else. McKinsey (2009) estimates the public sector cost of absorbing all new in-migrants to be equivalent to about 2.5 percent of GDP.

According to the China Academy of Social Science (2013), the per capita cost of equalizing public service levels between immigrant workers and urban residents will be 131 thousand RMB on average, and 176 thousand, 104 thousand, 106 thousand for the coast region, middle region and the western region respectively. Some subnational governments forecast even larger public sector costs as a consequence of urbanization. For example, Henan province estimates, that for 6 million immigrants to become urban residents and receive normal urban services, the cost will be 1 trillion RMB in expenditure, and about 167 thousand in annual investment expenditure per capita in next three years.<sup>3</sup> To put these numbers into some perspective, note that the average annual per capita GDP in Henan is about 38 thousand Yuan.

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Industrial countries also faced the same problem of absorbing the fiscal cost of in-

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1 Wong (2013a) traces the significant progress in giving the children of migrant workers access to education services.

2 The OECD's Performance for International Student Assessment (PISA) survey ranks Shanghai above Korea, Finland, Hong Kong, and Singapore for 15-year-old students' performance in reading, mathematics, and science. but the benefits of Shanghai's public education system are beyond the reach of urban migrant families residing in the city. And early childhood education enrollment and duration—factors associated with significantly higher PISA test scores in developing and developed countries—vary widely between rural and urban areas in China (OECD 2010). In 2011 cities at the provincial level accounted for about 75 percent of all public education spending.

3 Author estimates based on material provided by Henan Provincial Government.

migration. Estimates of these costs have varied widely. A recent OECD study suggests that German fiscal costs in absorbing immigrants are 1.1 percent of GDP, partly due to a particularly large share of immigrants receiving pensions. But whether immigrants are a drain or net contributor to the public finances remains an open question. Rowthorn (2008) provided a full range of alternative estimates, including cyclical adjustments, and found that the fiscal impacts varied between  $-0.7$  and  $+0.7$  percent of GDP in the advanced economies. Ekberg (2011) projected that by 2050, the fiscal impacts of future immigration in Sweden would vary from  $-1.6$  to  $+1.3$  percent of GDP. A study on the fiscal effects of immigration to the UK shows that immigrants arriving in the UK since the early 2000s have made substantial net contributions to its public finances (Dustmann and Frattini, 2013). In Switzerland and Luxembourg, immigrants provided an estimated benefit of about 2 percent of GDP to the public purse (OECD, 2013).<sup>1</sup>

It is inevitable that social problems will arise as China eases its way out of the hukou system<sup>2</sup>. Some local residents will resent the migrant worker community because of the fear that overall service levels will deteriorate as a result of the new demands, and because of a perception that migrants receive preferential treatment (World Bank and Development Research Center, 2014, pp263 – 358.). This is similar to the resentment toward immigrants in the US and Europe. In China and elsewhere, this problem can be eased if new resources grow to match the increased demand.

The costs of urbanization are not restricted to those related to migrant workers coming from rural areas. City government budget pressures will grow with increased migration from surrounding counties and with migration from urban areas in other regions. Many of these will be professional workers and their families. This will heighten the pressures for better public services. Families living in metropolitan areas will be looking to upgrade their housing and asking for better urban amenities, and new service industries will be asking for closer-in locations and for a different package of infrastructure and social services than do manufacturing industries.

More generally, there is a needed upgrade in service levels and in maintenance expenditure on public facilities. Much remains to be done to bring environmental protection to the standards that have been set by the central government (World Bank and Development Research Center, 2014, pp439 – 535.). As the income of resident

<sup>1</sup> <http://www.oecd-ilibrary.org/docserver/download/8113141ec006.pdf?expires=1400208841&id=id&accname=ocid195670&checksum=BEB2D99C6358F7B1ADA32B1E1BB0967F>

<sup>2</sup> In 1958, China started the hukou system which divided residents into “rural” and “urban” and strictly controlled the migration of residents by limiting their entitlements to public services provided in the destination city. Now China is on the way to improving institutions and mechanisms for promoting integrated urban and rural development, including a further easing of the hukou system.

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workers rises, so too will the demand for better services.

### *Benefits*

Urbanization and in-migration also will generate fiscal benefits in China, as it has in Europe (see the discussion above). Migrants from other urban areas can bring new skills, and the maturing urban universities can help improve productivity. Migrant workers can reduce or remove the labor shortage constraint to the expansion of private sector output, and so can indirectly lead to more capital inflow and to a better capturing of agglomeration effects and economies of scale. This should lead to an increase in value added, higher corporate profit and higher payroll tax revenues to the government sector, as compared to what would have been the case with less urbanization. Migrant workers also can add directly to the revenue benefits with their taxable consumption, and their contributions to social security taxes.<sup>1</sup>

Urban growth and migration could also lead to a reduction in the pressure on local expenditure budgets if new migrants were able to absorb some of the excess capacity in public and private infrastructure and in housing. The current stock of social housing is not reaching the intended beneficiaries. Programs that aim to support homeownership have primarily benefited middle-income households. But there has been a mismatch between the housing needs of low wage migrant workers in urban areas and excess housing supply in second and third tier cities.

The extent to which the incremental revenues from urbanization will cover the incremental costs will depend in part on how fast the development of the service sector materializes, and on whether the incentives to local officials to promote industrial development on the urban fringe are dampened (World Bank and Development Research Center, 2014, pp81 – 126). If these incentives remain as they are, continued urban sprawl will lead to higher costs of urbanization, and this will use up some of the fiscal benefits. Based on available evidence, it would seem reasonable to assume that urbanization will place a net additional claim on available public resources, at least in the short run.

Even if the national fiscal dividend from urbanization turns out to be large enough to cover the incremental cost of providing basic services in urban areas, it will not be large enough for every urban area. The budgetary impacts of urbanization will be anything but uniform across cities. Residents and businesses in some cities will demand higher levels of service, the cost of service provision will be greater in others, and the backlog of infrastructure needs will be larger in yet others. Residents and

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<sup>1</sup> It was reported that 1 million of 4 million migrant workers in Liaoning province made social security contributions.

businesses also will ask for a different package of services in some cities than others, in part reflecting the change in economic structure (e. g. , manufacturing to services) and in part reflecting the degree to which migrants are a part of the urban growth. On top of all of this, the province and city economies that get the most growth from urbanization will be rewarded most by a greater revenue return through the derivation-based revenue sharing system.

### ***Reform Directions***

To accommodate the impacts of urbanization, adjustments in the fiscal system will be necessary. Intergovernmental transfer distributions will need to recognize some of the resulting disparities in needs and capacity to finance. The problems of accommodating different preferences and expenditure needs also can be addressed by giving sub national governments more control over the amount of revenues that they can raise to meet their expenditure responsibilities.

The problem is not just disparities in costs and resources, but also differences in the mix of services that are needed and in the types of taxes and charges that might be imposed. Some urban areas will attract more service sector firms while others will attract more industrial firms, some will attract more low wage workers than others, and some will attract more new residents while other will attract more temporary workers. This diversity means that local governments need more flexibility in deciding what services to deliver and how to deliver these services. Part of the necessary reform will be to redesign the decision calculus of the local cadre system to include a longer-time horizon, and to place more weight on the success with providing the particular bundle of services that the local economy needs ( demands) for efficient, inclusive and sustainable growth. <sup>1</sup>

## **THE FISCAL CHALLENGE OF SLOWER ECONOMIC GROWTH**

The growth rate in the Chinese economy is projected to decline to about 6 percent by 2020 ( World Bank and Development Research Center, 2014, pp81 – 126). Even though this is a healthy economic growth by world standards, it will not generate the fiscal surpluses that were seen in the past two decades. This might be illustrated with the simple computation shown in Table 1 – 1. Assuming that the rate of revenue mobilization does not change from its 2012 level ( 23 percent of GDP), the gap between general revenues raised annually in an 8 percent economy and that in a 5

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<sup>1</sup> The evaluation system for local government leaders is a difficult proposition to research, because of the problems of identifying the actual determinants of “successful” performance. See Zhou (2007) Li and Li-an Zhou(2005).

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percent economy, will be 25 percent in 2020 and 66 percent in 2030. <sup>1</sup>

These are illustrative extrapolations rather than the result of a formal modeling exercise, but they are suggestive of some important public financing issues. A significantly lower level of revenues means that the nominal growth in some expenditure programs of central and subnational governments will need to be slowed, or new discretionary increases in revenues will need to be implemented. If tax increases are ruled out, the government still has many ways to cope with the limited revenue scenario, including, expenditure programs retrenchment, increased user charges, or offloading some budgetary items to the private sector.

Expenditure management in this setting will present challenges. One particularly important issue is that an aging population will put pressure on pension and health outlays. The share of population aged 60 years and over will rise quickly in coming decades, from around 12 percent in 2010 to almost 25 percent by 2030 and to more than 33 percent by 2050. This will not only place greater strain on family support networks but also will challenge social programs, pensions, and, in particular, health care (World Bank and Development Research Center, 2014, pp263 – 358).

**Table 1 – 1: Projected GDP and Revenue<sup>d</sup>**

Year	Real GDP Growth Rate (Percent)	Real GDP (million Yuan) <sup>c</sup>	Revenue as a Share of GDP <sup>c</sup> (percent)	Real Revenue (million Yuan)	Real per Capita Revenue (unit RMB)
1990	3.8	10269	13	1357	119
2000	8.4	27702	11	3086	244
2010	10.4	75055	21	15501	1156
2011	9.3	82031	22	18385	1365
2012 <sup>a</sup>	7.7	88313	23	20227	1494
2020 <sup>b</sup>	5.0	130478	23	29884	2207
	6.5	140757	23	32238	2381
	8.0	163461	23	37438	2765
2030 <sup>b</sup>	5.0	212535	23	48678	3595
	6.5	252074	23	57734	4264
	8.0	352899	23	80826	5969

Sources: calculated from data in China Statistical Yearbook (2012).

a. Base year.

b. Projected.

c. GDP index and CPI, 1978 = 100.

d. Includes only public finance budget revenue.

<sup>1</sup> This illustrative projection does not consider the Government Fund of subnational governments, where land leasing revenues are reported, or social security taxes.



If the growth rate in real wages increases and the hoped-for growth in middle class consumption come to pass, the composition of public services demanded could be pushed in the direction of better social services, a better natural environment, and better amenities. Changes in expenditure demand also could come from the business sector because of a shift away from manufacturing and toward a growth in the service sector.<sup>1</sup> Pressures on the government expenditure budgets will come from a need to address backlogs of unmet expenditure needs, debt and pension fund payments, and congestion and pollution problems. Other costs to be addressed include the maintenance costs of the increased public capital stock that has been built over the past decade and the higher cost associated with the urban sprawl that has come to characterize many Chinese metropolitan areas (World Bank and Development Research Center, 2014, pp127 – 186).

Not all of the budget impacts of slower economic growth will be negative. For example, the growth rates of compensation of public sector workers may adjust downward to keep in step with the growth in private sector wages and GDP growth.<sup>2</sup> If a new framework for subnational government borrowing is put in place, and if it includes formal limits, the increase in government debt and debt service costs might be slowed. But to the extent that prices of public sector inputs (e. g. , materials) do not adjust downward with the slower growth in GDP, reduction in the unit cost of service provision will not provide relief for this financing gap. Likewise, the compensation of public sector workers might not adjust downward to keep in step with the slower growth in private sector wages.

On the revenue side, the high elasticity should keep growth buoyant because taxation is driven mostly by consumption and by payrolls. The individual income tax has a progressive rate structure but the coverage is very limited. Slower growth could be felt most in taxes derived from the sale of land leases.

This discussion, and that in the previous section, suggests that the determinants of public expenditure growth are complicated and vary widely from country to country, as is discussed below. This is discussed in Chapter Two. The impacts of China's slower economic growth might be partially or even fully offset by a new awareness of the need to upgrade the quality of the living environment.

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<sup>1</sup> For a discussion of how the changing economic base changes the demand for government expenditures, see Yusuf (2013).

<sup>2</sup> The wage compensation of public sector is 13.48 percent higher than that of the non-public sector based on the data from 2000 to 2006, and the gap is increasing over time (Yin and Gan, 2009).

## OUTLINE OF THIS BOOK

In the next chapter, we take up a description and analysis of the Chinese fiscal system<sup>1</sup>. We focus on how the system works, how it has evolved in recent years, and how it measures up against the structure used by other countries around the world. We also study the determinants of public expenditure growth in China and how this differs from other countries. In Chapter Three, the problems and issues with the fiscal system that now confront the government are examined. The subject in Chapter Four is reform strategies. Here we take up the questions of whether the fixes for the current fiscal problems should be comprehensive or piecemeal, and whether reform directions drawn from economic theory can be a useful input for Chinese thinking. Chapter Five lays out the options for a comprehensive reform package. Chapter Six considers the impacts from such a reform, i. e., the equity and efficiency effects, and the administrative requirements for making the reform work. In Chapter Seven, we conclude by asking how such a fiscal reform would fit the strategy for the Chinese economic and social development that has been laid out by the People's Congress.

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<sup>1</sup> Parts of this paper draw from our earlier analysis (Bahl and Qiao 2013). See also, World Bank and Development Research Center (2014, pp362 – 438).

## **CHAPTER TWO**

# **THE STRUCTURE OF CHINESE PUBLIC FINANCE**

### **INTRODUCTION**

The fiscal system in China is different from that in most countries outside the former Soviet Union ( Lou, 2013, Bahl, 1999 ). China's approach features heavy decentralization on the expenditure side of the budget but almost complete centralization of revenue-raising powers, and fiscal planning is weakened by a budget system that is not fully transparent and by the absence of a capital budget at the subnational government level. It is important to understand where this system has succeeded and failed, and how it needs to change to match the new economy.

### **THE SIZE AND GROWTH OF GOVERNMENT**

There is a lot of talk about the size of government in China. Is it large or small, and with what group of countries should it be compared? How should the size of government in China be measured? Is there room for the government sector in China to grow, or should government policy be thinking about a limit? Can we learn something from an analysis of the determinants of growth in government size in China during the modernization period?

We measure the size of government in China as the sum of total expenditures made by the central government and the subnational governments, net of any double-counting due to intergovernmental transfers. The index of government size that is used here, spending as a percent of GDP, can be thought of as governments' share of total national output.

Chinese statistical reporting generally captures all recurrent and capital expenditures to provide government services ( MoF, 1997, 2001, 2006 ). Subsidies to public service companies are included but operating expenditures by these companies are not included, even though there may be partial government ownership. Also, operating expenditures of state owned enterprises in the competitive sector are not included in the government budget, but transfers to SOEs are included. Expenditures for payment of

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social insurance benefits are covered in a separate budget but are counted here as part of total expenditures.

## DOES CHINA HAVE A LARGE GOVERNMENT?

The size of government in China, when measured to include only expenditures in the general (public finance) fund, is about 25 percent of GDP (Table 2 – 1). If social insurance programs (pensions and health insurance) are counted, the size of government is equivalent to about 30 percent of GDP. Either of these measures of the size of government is above the average level in developing countries, but roughly in line with the size of government in upper middle income countries such as Argentina but below that in Brazil (Table 2 – 2).

**Table 2 – 1: Government Expenditure as Percentage of GDP** (Unit: billion RMB)

Selected years	GDP	Public Finance Expenditure <sup>a b</sup>		Government Fund Expenditure		Social Security Expenditure <sup>c</sup>		SOE Operation Expenditure		Total
		Amount	Percent of GDP	Amount	Percent of GDP	Amount	Percent of GDP	Amount	Percent of GDP	Percent of GDP
2008	31603	6259	19.81	1498	4.7	993	3.1			27.61
2009	34032	7630	22.42	1612	4.7	1230	3.6			30.72
2010	39976	8987	22.48	3395	8.5	1482	3.7			34.68
2011	47212	10925	23.14	3995	8.5	1888	4.0			35.64
2012	51932	12571	24.21	3633	7.0	2390	4.6	140	0.27	36.07
2013	56885	13974	24.57	5012	8.8	3451	6.0			

Data sources: China statistical yearbooks various years, Financial Statistical Yearbook of City and County governments in China various years.

a. Gross expenditure, i. e., includes the purchase cost and the cost of property titles for lease sales.

b. Includes some transfers to the social security budget.

c. Includes some transfers from the public budget.

**Table 2 – 2: Government Expenditures as a Percent of GDP in Selected Countries: Various Years**

Country	Government Expenditure as a Percent of GDP <sup>a</sup>	Per Capita GDP (Constant 2005 US dollar)	Population (in million)
China (2012)	30	3348	1351
Canada (2011)	41	35794	34
US (2011)	40	42447	312

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Country	Government Expenditure as a Percent of GDP <sup>a</sup>	Per Capita GDP (Constant 2005 US dollar)	Population (in million)
Germany (2011)	45	37271	82
Argentina (2004)	29	4380	38
Korea (2012)	36	21562	50
Poland(2011)	43	10387	39
Brazil (2011)	39	5721	197
India (2009)	25	948	1190
Russia (2011)	42	6633	143

Source: Government expenditure data from China Statistical Yearbook; IMF/GFS dataset. Per capita GDP and Population series are obtained from WDI, the World Bank.

a. After netting out estimated inter-budget transfer.

China’s government is smaller than that in the average industrial country, mostly because of its lower spending on health and social protection services. However, comparisons with industrial countries are difficult because there is so much variation—from 52 percent of GDP to 35 percent in 30 OECD countries (IMF, 2011).

China differs from the pattern of government spending in industrial countries in two important respects: the larger amount that it spends for private sector economic activities, including subsidies to firms, and the degree to which expenditures are made by subnational governments. A comparison of Tables 2 – 3 and 2 – 4 shows that about 85 percent of government expenditures in China are made by subnational governments. If expenditures in the Government Fund (where most infrastructure spending is separated) and the social security fund were included here, the decentralized share would be even larger. No other country in the world matches this degree of expenditure decentralization.

**Table 2 – 3: Expenditures Made by Subnational Governments<sup>a</sup>**

Selected Years	As a Percent of GDP	As a Percent of Total Government-Expenditures	As a Percent of Total Government Expenditures (Provincial)	As a Percent of Total Government Expenditures (City)	As a Percent of Total Government Expenditures (county)
1994	8.38	69.70			
1995	7.94	70.80			
1996	8.13	72.90			
1997	8.49	72.60	23.04	23.65	25.88
1998	9.09	71.10	22.41	24.10	24.55

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Selected Years	As a Percent of GDP	As a Percent of Total Government-Expenditures	As a Percent of Total Government Expenditures (Provincial)	As a Percent of Total Government Expenditures (City)	As a Percent of Total Government Expenditures (county)
1999	10.08	68.50			
2000	10.45	65.30			
2001	11.98	69.50	20.71	20.98	27.79
2002	12.70	69.30	19.64	21.03	28.63
2003	12.69	69.90			
2004	12.88	72.30	18.75	22.20	31.35
2005	13.60	74.10	18.88	22.67	32.58
2006	14.07	75.30	18.33	22.54	34.41
2007	14.42	77.00	17.72	22.20	37.09
2008	15.68	78.70	18.45	21.10	39.13
2009	17.91	80.00	19.20	22.10	38.71
2010	18.40	82.20			
2011	19.61	84.90			
2012	20.98	85.19			

Sources: *China Statistical Yearbook: various years; Financial Statistical Yearbook of City and County governments in China: various years; Subnational Government Financial Data on Revenue and Expenditures in 2006.*

a. The expenditure reported here includes only the expenditure in Public Finance Budget, and it does not include the expenditure in Government Fund Budget, SOE operating Budget, or Social Security Budget.

**Table 2 – 4: Growth of Public Finance Budget Expenditures by all Levels of Government in China<sup>a</sup>**

Selected Years	Government Expenditures as a Percent of GDP	Real per Capita Government Expenditures (in Yuan)	Real per Capita Government Expenditures (in \$ US)
1994	12.02	593	69
1995	11.22	608	73
1996	11.15	658	79
1997	11.69	746	90
1998	12.79	872	105
1999	14.71	1070	129
2000	16.01	1253	151
2001	17.24	1451	175
2002	18.33	1673	202
2003	18.15	1811	219

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Selected Years	Government Expenditures as a Percent of GDP	Real per Capita Government Expenditures (in Yuan)	Real per Capita Government Expenditures (in \$ US)
2004	17.82	1946	235
2005	18.35	2217	271
2006	18.69	2532	318
2007	18.73	2883	379
2008	19.93	3345	482
2009	22.38	4082	598
2010	22.38	4486	663
2011	23.10	5034	779
2012	23.94	5529	876
2013	24.57	7426.34	1199.11

Sources: calculated from data in China Statistical Yearbook and the World Bank.

a. Includes only public finance budget expenditures. Base year = 2000.

## GROWTH IN GOVERNMENT

The size of general government expenditure has grown at twice the rate of GDP since 1994 (Table 2 – 4). Perhaps a telling trend about the role that government has played in contributing to the growth in the Chinese economy and to the real income of households is the increase in the level of real per capita government expenditures. Even if the social security fund and the infrastructure expenditures financed from land leases are not included, the results show a steady growth in this index since 1994 (Tables 2 – 1 and 2 – 3). Between 2000 and 2012, the real increase in government spending per person increased by US \$ 725, a fivefold increase, while the real increase of government spending per person of United States, for example, grew by only about 16 percent for the same time period. This suggests the considerable room that Chinese governments had for real budget expansion.

What factors were responsible for this rapid expenditure growth? Research on industrial countries has offered several explanations of the determinants of expenditure growth. Adolph Wagner, writing at the turn of the century, used data on the expenditures of European countries to argue that the normal course of things is for government expenditures to rise proportionately faster than total output.<sup>1</sup> The “right” growth of course will depend on the long run income and price elasticity of demand for

<sup>1</sup> For a discussion of “Wagner’s Law”, which in fact was not very precisely described by Wagner, see Peacock and Wiseman (1961).

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government expenditures, but Wagner's guess, based on the performance of European countries, was that this will surely be greater than unity. Wagner's "law" does square with the increasing tax ratio and expenditure ratio observed in most industrial countries since the 1950s (Pryor, 1985, Tanzi, 2011).

We test the Wagner hypothesis for China with a regression analysis of per capita government expenditures against per capita GDP, with results shown in Table 2 – 5. The results, for a time series of total government expenditures (Column 1) and for a pooled cross-section and time series for subnational government expenditures (Column 5), show that expenditures grew faster than total output over this period. The expenditure-GDP elasticity was on the order of 1.3 – 1.5, depending on the time period studied. We also tested for displacement effects that might have come with a change in political leadership but could find no significant impact.<sup>1</sup> We did find, however, that the growth in expenditures was dampened by the 1994 reform, as is explained below.

**Table 2 – 5: Determinants of the Growth of per Capita Government Expenditures in China<sup>a</sup>**

	All Levels of Governments				Subnational Governments <sup>b</sup>			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Years	1994 – 2012	1983 – 2012	1983 – 2012	1994 – 2012	1994 – 2012	1983 – 2012	1983 – 2012	1994 – 2012
Constant	-6.36 (-19.47)	-4.31 (-6.09)	4.72 (9.12)	-5.85 (-17.39)	-5.84 (-13.37)	-4.57 (-12.79)	-3.31 (-6.00)	-5.49 (-13.26)
Per Capita GDP	1.49 (44.56)	1.32 (15.31)	0.21 (3.35)	1.39 (31.85)	1.42 (30.46)	1.32 (31.19)	1.17 (17.38)	1.34 (27.59)
Dummy 94 <sup>c</sup>	-	-0.47 (-3.18)	-11.07 (-18.02)	-	-	-0.39 (-9.00)	-1.78 (-3.62)	-
Per capita GDP – Dummy Interaction	-	-	1.28 (17.97)	-	-	-	0.17 (2.88)	-
Wage Ratio <sup>d</sup>	-	-	-	0.04 (3.24)	-	-	-	0.03 (4.15)
R <sup>2</sup>	0.99	0.95	0.99	0.99	-	-	-	-
N	19	30	30	19	586/31	914/31	914/31	586/31

a. Social insurance and Government Fund Budget expenditures are not included; t-values shown in parentheses below regression coefficients; OLS estimates, all level variables in logarithms.

b. Panel data, fixed effects;

c. Dummy variable = 1 since 1994;

d. Wage paid to employees of government and party administration, and social groups as a percentage of total wage payments.

<sup>1</sup> We introduced dummy variables for the first year of new governments over the sample period, but none were significant.



Another explanation of expenditure growth in industrial countries comes from the work of Peacock and Wiseman (1961), who thought that government expenditures reached new plateaus in response to major external shocks such as wars or major swings in economic performance. They reasoned that after the shock ended, public expenditures would continue on at the new higher rate. Some research on European countries (the second world war as a displacement) and the US (the depression as a displacement) has validated this argument (Castles, 1998, Tussing and Henning, 1991).

We examined this displacement hypothesis for China with interesting results. First we studied a long time series (1983 to 2012) and introduced a dummy variable to account for the effects of the landmark fiscal reform that was enacted in 1994. The results of this analysis show that total government expenditures and subnational government expenditures were displaced downward as a result of the 1994 reform. Apparently, closing the door on the use of extrabudgetary funds by local governments, and reducing the tax share entitlements of local governments had the desired effects (Bahl, 1999). But, an interaction dummy with per capita GDP showed a significantly higher income elasticity in the post – 1994 period. Apparently, the 1994 reform put both the central and the subnational government sectors on a new higher growth path.

Why did this happen? One answer is that the rate of national government revenue mobilization nearly doubled after 1994. This resulted from tax structure and tax administration improvements. The other is that the tax sharing agreements of 1994 gave subnational governments a guaranteed share of these tax revenues, and a new set of incentives to stimulate the growth in the tax base.

We also studied a longer time series (1979 – 2012), and introduced a dummy variable for the post – 1998 period when the Asian economic crisis began. The hypothesis is that government expenditure would be forced up by expansionary economic policy in the aftermath of the crisis. The results of this analysis (Table 2 – 6) show that total government expenditures and subnational government expenditures were displaced upward.

An interesting question is whether the present Chinese urbanization will turn out to be another such episode of displacement. In some ways it may, because the greater concentration of people in cities will make apparent some new expenditure demands. For example, government will face greater demands for dealing with environmental protection, congestion, housing, infrastructure, basic public services, and infrastructure. This is also a visibility factor, the general population might become more aware of income disparities and the need for better pro poor services. If so, and if China follows the path of industrial countries, the size of government will grow to a new level, and at a new, higher rate.

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**Table 2 – 6: Impacts of the Asian Crisis on per Capita Government Expenditures in China: Dependent Variable is per Capita Central and per Capital Subnational Government Expenditures**

Variables	National Data 1979 – 2012		Subnational Data 1979 – 2012	
	(1)	(2)	(3)	(4)
Per Capita GDP	0.955 *** (0.0555)	0.733 *** (0.123)	1.096 *** (0.0229)	1.007 *** (0.0265)
Dummy 1998		0.436 ** (0.198)		0.197 *** (0.0275)
Constant	-1.320 ** (0.494)	0.435 (1.004)	-2.769 *** (0.199)	-2.081 *** (0.223)
Observations	34	34	1,030	1,030
R-squared	0.907	0.925	0.942	0.945
Number of id			31	31

Robust standard errors in parentheses

\*\*\* p < 0.01, \*\* p < 0.05, \* p < 0.1

Another theory of expenditure growth observes that if labor in the productive sector is paid according to its (higher) marginal productivity, and if parity is kept between public and private sector wages, then the government sector will take an increasingly higher proportion of national output (Baumol, 1967). The Baumol hypothesis may not fit the China situation very well, for two reasons. First, public sector wages have grown at a faster rate than private sector wages over most of this period (Yin and Gan, 2009). Second, the compensation of workers may include a number of nonwage perquisites, as well as subsidized general public services. The relative public-private sector wage was included in the long time series analysis reported in Table 2 – 5 with results consistent with the Baumol hypothesis, but we are not able to specify the equation so as to offer a proper test of the Baumol hypothesis.

Finally, there is the theory that expenditure increases are driven by the availability of revenues, i. e., the demand for public services is so great that expenditures will grow to use up any additional amount of revenue mobilization. This is a quite plausible explanation for China. The tax share of GDP grew from 15 percent in 2000 to about 19 percent in 2013, and relatively little of this increase was due to discretionary action.

## TAXATION

General tax revenues in China are equivalent to about 19 percent of GDP (Table 2 –

7). Adding the payroll tax contributions that finance social insurance programs brings this tax ratio to about 23 percent.<sup>1</sup> These tax shares are above the average 17 percent level in developing countries, and double the 10 percent raised in China before the 1994 reforms. However, this level of taxation is still well below the average for industrial countries.

**Table 2 – 7: Growth and Structure of Taxation in China<sup>a</sup>**

Year	Tax Revenue as a Percent of GDP	Percent Distribution of Total Tax Revenue					
		VAT <sup>b</sup>	Consumption Tax <sup>c</sup>	Business Tax	Corporate Income Tax <sup>d</sup>	Individual Income Tax	Others <sup>e</sup>
1994	10.64	45.02	9.51	13.07	13.82		18.58
1995	9.93	43.10	8.97	14.34	14.55		19.05
1996	9.71	42.88	8.98	15.23	14.02		18.90
1997	10.43	39.88	8.24	16.08	11.70		24.09
1998	10.97	39.17	8.80	17.00	9.99		25.03
1999	11.91	36.34	7.68	15.62	7.60	3.87	28.89
2000	12.68	36.19	6.82	14.85	7.95	5.24	28.95
2001	13.95	35.01	6.08	13.49	17.19	6.50	21.72
2002	14.66	35.03	5.93	13.89	17.48	6.87	20.79
2003	14.74	36.15	5.91	14.21	14.58	7.08	22.06
2004	15.12	37.32	6.22	14.82	16.38	7.19	18.08
2005	15.56	37.50	5.68	14.71	18.57	7.28	16.27
2006	16.09	36.73	5.42	14.74	20.23	7.05	15.84
2007	17.16	33.91	4.84	14.43	19.24	6.98	20.60
2008	17.27	33.19	4.74	14.06	20.61	6.86	20.53
2009	17.46	31.05	8.00	15.14	19.38	6.64	19.79
2010	18.23	28.81	8.29	15.24	17.54	6.61	23.50
2011	18.98	27.04	7.73	15.24	18.69	6.75	24.55
2012	19.37	26.25	7.83	15.65	19.53	5.78	24.96
2013	19.42	26.07	7.45	15.58	20.29	5.91	24.71

Sources: calculated from data in the China Statistical Yearbook 2012.

a. Includes only public finance budget revenues.

b. Domestic value-added tax does not include value-added tax from imports.

c. Domestic consumption tax does not include consumption tax from imports.

d. Before 2001, the corporate income tax only included stated-owned and collective-owned enterprises income tax. Since 2001, the corporate income tax also includes the income tax levied on other enterprises except for stated-owned and collective-owned enterprises, the figures are not comparable with the previous years.

e. The last column "others" in the table includes tax revenues like real estate tax, deed tax, land value increment tax, resource tax and so on. And the land leasing revenue(which most take it as land revenue) is not included because it is not considered tax.

<sup>1</sup> Land revenues not included in these calculations.

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## TAX STRUCTURE

Tax revenues in China are dominated by consumption taxes. About half of all tax revenues are raised by VAT, excises and the business tax (Table 2 – 6, and Appendix Table 1). The direct to indirect tax ratio in China (0.36) is comparatively low. For example in 2005, the direct to indirect tax ratio in Asian countries was 0.91, the world average was 1.49, and the OECD average was 2.27 (Martinez-Vazquez, Vulovic and Liu, 2011). The other big difference between the revenue structure in China and that in the rest of the world is the heavy reliance on non-tax revenues, particularly revenue from the sale of land leases which now account for about 7 percent of GDP.<sup>1</sup>

The Chinese tax structure has been modernized since 1994. The changes have been gradual rather than the result of a large one-time tax reform, but they have been effective. The general direction has been toward a more simplified taxation system with broader tax bases, lower tax rates, better horizontal equity and improved collection practices. The value added tax was converted from a production to a consumption basis beginning in 2004, the differential rates of enterprise income tax between domestic and foreign companies were removed in 2008, the coverage of the excise tax has been expanded in recent years, resource taxes have been shifted to an ad valorem basis, and most recently, the business tax is being absorbed into the VAT in order to better cover the service sector and provide relief to companies that make heavy use of service inputs.

In the area of sub national government taxation, the government has been less aggressive on the policy front. The business tax is the major source of dedicated local revenue, but it is now being phased out or significantly diminished, and no replacement source has been announced. The property tax has been long discussed but there has not been enacted.

### *Tax Effort*

One way to estimate China's space for additional taxation is with comparative analysis. The goal in such analysis is to determine whether China uses its taxable capacity to the same extent than do other countries. To do this we carry out a comparative analysis of the level of taxation in 54 countries in 2010.

We use a traditional approach to estimate China's tax effort. The idea in this approach

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<sup>1</sup> The net profit after compensation and preparation of the land was 56 percent of this amount, or about 3.8 percent of GDP between 2008 – 2010 (World Bank, and Development Center, 2014, pp187 – 262).

is to estimate a country's taxable capacity by considering its level of GDP and other factors that make the expected collection of tax from this base easier or more difficult. For example, earlier studies showed that countries with a higher per capita GDP, a larger foreign trade sector and a smaller share of GDP originating in agriculture tended to have a higher taxable capacity. Studies identified with the traditional approach include Lotz and Morss (1967), Bahl (1971) and Bird, Martinez-Vazquez and Torgler (2008). In this analysis, we restate the taxable capacity approach in a more modern setting.

The model we use is:

$$(1) T_c = f(x_i)$$

$$(2) E = T/\hat{T}_c$$

Where  $\hat{T}_c$  = estimated taxable capacity

$x_i$  = the determinants of taxable capacity

$T$  = actual tax collections

$E$  = index of tax effort

Three exogenous variables ( $x_i$ ) are used in this model as indicators of taxable capacity. Per capita GDP in \$ US is the broadest indicator of a country's ability to tax. Most tax effort studies include this with success in their explanatory models. The export share of GDP is included here to indicate the size and formality of the production sector in a country. This measure is hypothesized to reflect the competitiveness of the country in international markets and to be associated with more formal sector wages, higher profits and consumption and growing property values in the tax base. Finally, we include a dummy variable for industrial countries to reflect a general development effect on taxable capacity, over and above that related to the level of GDP and the level of exports. Industrial countries are associated with modern approaches to doing business (e. g. , recordkeeping that enables easier compliance and audit), and modern approaches to tax policy and tax administration (e. g. , identification and taxation of capital gains, self-assessment, property taxation), and international agreements that lock them into more full exploitation of tax bases.<sup>1</sup>

The dependent variable in this analysis is the ratio of tax revenue to GDP in 2010, as reported in IMF(2011). Social security contributions are included in the dependent

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<sup>1</sup> Industrial countries are as defined by the World Bank. Per Capita GDP and the export ratio are from IMF GFS.

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variable. The sample includes 54 developing and industrial countries, but does not include China. Estimation is by OLS and all variables are in log form. The expectation is that all three exogenous variables will have a positive effect on the level of the tax ratio.

The results of this analysis, reported in Table 2 – 8, show that all three explanatory variables are significant and with the correct sign. The cross section estimates of the GDP and export elasticities are well below unity but significant. All else the same, industrial countries have nearly a 10 percent higher level of taxation than other countries. Over 70 percent of the cross-country variation can be explained.

**Table 2 – 8: Tax Effort Regression analysis of 54 Countries**

Dependent Variable	Tax/GDP
Per Capita GDP	0.37 *** (0.107)
Export/GDP	0.15 * (0.083)
Dummy variable = 1 if industrial country	9.91 *** (2.812)
Cons tant	8.34 *** (2.704)
Number of obs	54
R Square	0.72

Notes: \* indicates significance at 0.1 level, \*\* at 0.5 level, and \*\*\* at 0.1 level.

We may use these results to make an estimate of China's unused tax capacity. If China is viewed as a low income country, its estimated taxable capacity is 15.3 percent of GDP which is well below its actual level of taxation of 24 percent (including social security taxes). Under this view, China is already a high taxing country and would appear to have little space for increased taxation. If China is compared with industrial countries, its estimated taxable capacity of 25.2 percent is above its actual level of taxation of 24 percent (including social security taxes). The implication here is that China has some unused tax capacity. This raises the interesting question of whether China sees its peer group as industrial or low income countries.

## FISCAL DECENTRALIZATION

China makes a greater percent of general government expenditures through its

subnational governments than does any other country in the world. As may be seen in Table 2 – 3, and is described in the discussion above, the subnational government share of government expenditures is more than 85 percent in 2012. By comparison, the subnational government shares of expenditures in such decentralized countries as Canada and Germany are respectively 66 percent and 39 percent, and in the US is 48 percent. If decentralized infrastructure spending from the Government Fund and social security are taken into account, the reported decentralized share in China will be considerably larger.

Even more revealing about the commitment to expenditure decentralization in China is that the largest share of subnational government spending is at the lowest levels of local government. Nearly two-thirds of total government expenditures is made by cities and counties (Table 2 – 3). The growing expenditure share of the sub provincial governments in China emphasizes the commitment to expenditure decentralization as a key component of the country’s development strategy. Because of the prominent role of sub-provincial governments in service delivery, China’s intergovernmental structure should position it well to manage the expenditure response urbanization.

In stark contrast, the government has made little commitment to devolution of general taxing powers. The legislative power of taxation in China is centralized. The current system does not give sub-national governments any autonomy to define the tax base or to set the tax rate.<sup>1</sup> If the definition of local taxes requires that local governments have an ability to set the tax rate, then the subnational government share is negligible. On the other hand, the central government in China does designate some taxes as “local revenues”. These are collected by the subnational governments and all of the revenues are retained at the local level.<sup>2</sup> Using the Chinese definition for “local taxation”, the subnational government share is about 25 percent.

The calculus of this intergovernmental arrangement tells an interesting story about vertical imbalance in the China intergovernmental fiscal system: The central government raises or authorizes raising nearly 100 percent of all general taxes, uses about 15 percent of this for its own programs of direct expenditure, and allocates the rest (about 85 percent) to subnational governments through various shared taxes and grants. Germany takes a similar approach to vertical balance in centralizing most tax rate and base decisions, as do Mexico and Indonesia among the large developing

1 The only elements of sub – national tax autonomy are the choice of the selection of tax rates of the urban and township land use tax within maximum and minimum legislated rates.

2 This list includes the business Tax, Resource Tax, City Maintenance and Construction Tax, House Property Tax, Stamp Tax, Urban Land Use Tax, Land Appreciation Tax, Motor Vehicles and Boat Tax, Vehicle Purchase Tax, Farm Land Occupation Tax, Deed Tax, Tobacco Leaf Tax and others.

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countries. On average, the share of subnational government taxes is about 23 percent in the industrial countries and about 11 percent in the developing countries (Bahl and Sethi, 2012).

There are two very important qualifiers to this description of revenue centralization in China. First, the payroll contributions to financing social insurance are in the subnational government budgets, and there is provision for the rates of contribution to vary across provinces, at the discretion of the subnational governments. The second important qualifier is the decentralized responsibility for administering the sale of land leases. This currently includes the right to set the purchase price of the farmland, the right to set the price of the land lease, and the right to retain the revenues. Gross land revenues were equivalent to about 7 percent of GDP in 2012, almost 30 percent of general government revenues, and exceeded the revenue yield of social security contributions.

The broadest definition of subnational government taxation would include “local government taxes” as the term is typically used in China, social insurance taxes, and land lease revenues. By this counting, subnational governments control or are entitled to more than one-third of all revenues raised. To the extent that some intergovernmental transfers are also viewed as an entitlement, the subnational government share is even higher. Subnational governments in China may not have much discretion in setting the formal structure for general taxes, but they have a great deal of discretion in steering resources within their expenditure budgets. The budgetary response to urbanization is to a great extent in their hands.

### **EXPENDITURE ASSIGNMENT**

24 Expenditure assignment, which refers to the division of functional responsibility between levels of government, is arguably the most important pillar of the fiscal decentralization system. Once the assignments are fixed, it is possible to develop a revenue system to finance these responsibilities and establish a fiscal balance for each level of government. But expenditure assignment is a far more difficult matter than just the division of responsibility for service delivery. It also involves the discretion that is given to each level in delivering these services.

### **PUBLIC SERVICE RESPONSIBILITIES**

In China, there is no schedule of the responsibilities of each level of government in a budget law. Rather, *the Budget Law* confers substantial autonomy to each level of sub-national governments and quite broad expenditure responsibilities. However,



expenditure assignments are far from being transparent and clear, mostly because of the presence of extensive concurrent expenditure responsibilities among different levels of government.

*The State Council Regulations on the Implementation of the TSS* defines expenditure responsibilities of central and local governments as follows<sup>1</sup> :

*Central budgets are mainly responsible for national security, international affairs, the running costs of the central government, the needs for adjusting the structure of national economy, coordinating regional development, adjusting and controlling the macro economy, and others. Detail items include: national defense, cost of military police, international affairs and foreign aid, administration costs of the central government, central financed capital investments, the technical renovation of central enterprises and new product development costs, the costs of support to agriculture, debt, and the costs of central culture, education, and health, price subsidies and other expenditures.*

*Local budgets are mainly responsible for the running costs of local government, and the needs for local social economic development. Detail items include: running costs of local government, the needs of local economic development, a part of the running costs of the military police and militia, locally financed capital investments, the technical renovation of local enterprises and new product development costs, the costs of support to agriculture, urban maintenance and construction, and the costs of local culture, education, and health, price subsidies and other expenditures.*

These guidelines illustrate quite well that subnational governments have broad responsibilities for revenue delivery, but that these responsibilities are not defined in great detail and that they overlap with those of the central Government. The actual expenditures made by each level of government is shown in Table 2 – 9. As may be seen from this compilation, many of the public services that are associated with urbanization, and many public services where demand increases with economic growth, are delivered by subnational governments. Education, health care, social security, environmental protection, transportation, and community affairs together are nearly one-half of all government spending and in every case subnational governments account for more than 90 percent of the total. Education (94 percent local) and health (95 percent local) are the most rapidly growing public expenditure categories.

<sup>1</sup> The State Council Regulations on the Implementation of the TSS, State Council [1993] article 85.

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**Table 2 – 9: Percent Composition of Government Expenditures by Level of Government in 2007 to 2012<sup>a</sup>**

Function		2007	2008	2009	2010	2011	2012
General Public Services	Functional shares (total government)	17	16	12	10	10	10
	Division by level of Government (central)	25	24	12	9	8	8
	Division by level of Government (subnational)	75	76	88	91	92	92
Defense	Functional shares (total government)	7	7	6	6	6	5
	Division by level of Government (central)	98	98	97	97	97	97
	Division by level of Government (subnational)	2	2	3	3	3	3
Public Order and Security	Functional shares (total government)	7	6	6	6	6	6
	Division by level of Government (central)	17	16	18	16	16	17
	Division by level of Government (subnational)	83	84	82	84	84	83
Education	Functional shares (total government)	14	14	14	14	15	17
	Division by level of Government (central)	6	5	5	6	6	5
	Division by level of Government (subnational)	94	95	95	94	94	93
Science and Technology	Functional shares (total government)	4	3	4	4	4	4
	Division by level of Government (central)	52	51	52	51	51	50
	Division by level of Government (subnational)	48	49	48	49	49	50
Culture, Sports and Media	Functional shares (total government)	2	2	2	2	2	2
	Division by level of Government (central)	14	13	11	10	10	9
	Division by level of Government (subnational)	86	87	89	90	90	91

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Function		2007	2008	2009	2010	2011	2012
Social Security and Employment	Functional shares (total government)	11	11	10	10	10	10
	Division by level of Government (central)	6	5	6	5	5	5
	Division by level of Government (subnational)	94	95	94	95	95	95
Medical and Health Care	Functional shares (total government)	4	4	5	5	6	6
	Division by level of Government (central)	2	2	2	2	1	1
	Division by level of Government (subnational)	98	98	98	98	99	99
Energy Saving and Environment Protection	Functional shares (total government)	2	2	3	3	2	2
	Division by level of Government (central)	3	5	2	3	3	2
	Division by level of Government (subnational)	97	95	98	97	97	98
Urban and Rural Community Affairs	Functional shares (total government)	7	7	7	7	7	7
	Division by level of Government (central)	0	0	0	0	0	0
	Division by level of Government (subnational)	100	100	100	100	100	100
Agriculture, Forestry and Water Conservancy	Functional shares (total government)	7	7	9	9	9	10
	Division by level of Government (central)	9	7	5	5	4	4
	Division by level of Government (subnational)	91	93	95	95	96	96
Transportation	Functional shares (total government)	4	4	6	6	7	7
	Division by level of Government (central)	41	39	23	27	4	11
	Division by level of Government (subnational)	59	61	77	73	96	89
Other Expenditure	Functional shares (total government)	15	16	17	18	17	15
	Division by level of Government (central)	28	26	35	24	21	23
	Division by level of Government (subnational)	72	74	65	76	79	77

Source: China Statistical Yearbook, various years. Website of Ministry of Finance.

a. Includes only public finance budget.

## EXPENDITURE DISCRETION

Effective expenditure decentralization requires that the subnational governments have some degree of autonomy in deciding how the budget money will be spent. Chinese local governments do have discretion, but they also are limited in important ways. The instruments the central government uses to circumscribe subnational government spending are mandates, regulations and conditional grants.

Funded mandates are not necessarily bad public policy. They can be instituted to correct for externalities, or for equity purposes, or to move subnational government spending into closer conformity with central or provincial government objectives. But funded mandates have a cost: they must be monitored and so they require additional administrative costs, for both the government imposing the mandate and for the recipient. Mandates distort the expenditure choices of subnational governments and in that sense may in some cases impose an efficiency cost.

Unfunded mandates are simply orders for subnational governments to carry out certain actions, but no resources are provided to support this. The requirement of a more aggressive maintenance schedule for public assets, but without any assistance on the cost implied, would be an example. Usually, unfunded mandates are an attempt by the higher level government to control the distribution of expenditures by the subnational government.

Finally, there are non-monetary mandates, i. e., regulations calling for the subnational governments to allocate their budget resources in certain ways or to manage facilities in certain ways. In some cases these mandates do not impose new costs on the subnational governments, but they do restrict budgetary discretion.

Among the mandates faced by subnational governments in China are

- The base compensation of public employees is fixed by the central government.
- Conditional grants and some unconditional grants carry requirements as to how the money must be spent.
- Minimum or maximum shares of the budget or GDP must be spent on specific functions, such as four percent of GDP on education.
- Other expenditures involving education, science and technology, agriculture, culture, health care, social security, and one-child policy are mandated to link to the growth of fiscal revenue or expenditure or GDP. The minister of finance, Lou Jiwei, indicated in an interview that these functions represented 48 percent total

fiscal expenditure in 2012.<sup>1</sup>

## INTERGOVERNMENTAL TRANSFERS

Intergovernmental transfers finance most subnational government expenditures in China and play an important role in shaping inter-regional equity. Two types of transfers are used. The first is a direct sharing of total central government tax collections with subnational governments. This transfer accounted for about 46 percent of all subnational government revenues in 2009 (excluding land revenues and social insurance contributions, Table 2 – 10). The second, unconditional and conditional grants, accounted for 25 percent and 15 percent of subnational government revenues, respectively. Neither source of revenues can be viewed as a firm, long term entitlement, because the vertical sharing arrangements can be changed by central government policy actions. The extent to which subnational government budgets are decentralized is described in Table 2 – 10. At least in terms of public finance budget revenues, provinces retain 25 percent for their own direct expenditures and pass the remaining 75 percent down. The counties and townships spend roughly twice as much as the cities.

**Table 2 – 10: Consolidated Income Statement for Subnational Government Sector in 2009<sup>a</sup>**  
(amounts in billion RMB)

Items	All Subnational		Provincial Gov.		Prefecture Gov.		County and Below Gov.	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total Revenue	7119	100	1740	100	1918	100	3559	100
Shared Tax Revenue	3260	46	765	44	1066	56	1429	40
Grants	2858	40	406	23	565	29	1888	53
General	1759	25	368	21	352	18	1039	29
Conditional	1099	15	37	2	213	11	849	24
Debt	200	3	193	11	7	0	0	0
Other Revenue	801	11	376	22	281	15	242	7
Total Expenditure	6230		1331		1672		3325	
Balance	889		409		246		234	

Source: Local Statistical Yearbook, 2009.

a. includes only public finance budget.

<sup>1</sup> [www. ce. cn/xwzx/ghsz/gdxw/201311/21/t20131121\\_ 1782314. shtml](http://www.ce.cn/xwzx/ghsz/gdxw/201311/21/t20131121_1782314.shtml)

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## SHARED TAXES

The 1994 TSS reform established a new framework for the intergovernmental transfer system in China, replacing the ad hoc, negotiated transfers of the past with a rules-based system (Bahl, 1999; Qiao and Liu, 2013)<sup>1</sup>. This system of revenue sharing gave subnational governments a well-defined entitlement to the total tax revenues raised. The present sharing arrangements (a 25 percent claim on VAT collections and a 40 percent claim on income tax collections) provide subnational governments with an income elastic revenue base, and a basis for financing the growing expenditure demands that will come with urbanization. Revenues from other central taxes are retained by the central government, earmarked for the subnational governments, or shared by some arrangement (Qiao and Liu, 2013). The question is whether this revenue base is large enough to cover the considerable fiscal needs of subnational governments. Moreover, even though the entitlement of subnational governments is clearly stated and honored in annual budget allocations by the central government, it is subject to change by central government actions.

Where the Chinese system differs markedly from that used in most other countries is the method of distributing this revenue sharing across provinces. The entitlements for each province are based on derivation, i. e., on origin of collections<sup>2</sup>. The higher income provinces, where most taxes are collected, will be favored under such a system. The simple correlation between per capita revenue sharing transfers and per capita GDP is 0.91, indicating a strong, systematic favoring of higher income provinces (See Table 2 – 11).<sup>3</sup> We find a significant positive relationship between the

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- <sup>1</sup> Under the tax sharing system implemented in 1994, all taxes are classified into three types. Central taxes include excise (consumption), custom duties, vehicle purchase tax. Shared taxes include value – added tax (75/25 for central and local respectively), corporate income tax (60/40), personal income tax (60/40), and securities trading tax (97/3). Local taxes include business tax, property tax, urban land use tax, vehicle use tax, vehicle purchase tax, deed tax, urban maintenance and construction tax, and land value – added tax. In 2002 the central government further implemented income tax – sharing reforms which increased the share of corporate income tax allocated to the central to 60 percent over two years.
  - <sup>2</sup> This system was used by many countries in the former Soviet bloc. More typical for developing countries is to define the vertical share to be a fixed percent of central taxes and for the distribution across local governments to be done by formula. This approach is taken, for example, in both Indonesia and the Philippines.
  - <sup>3</sup> Strictly speaking, simple correlations do not provide strong evidence about equalization, and they provide no information at all about causation. The results can be influenced by outliers, e. g., Shanghai, Beijing and Tibet in the case of China.

per capita amount of revenue sharing received and the HDI index. <sup>1</sup>

**Table 2 – 11: Simple Correlations Among per Capita GDP, HDI Index and per Capita Transfer: by Type of Transfer in 2009**

	GDP	HDI Index
Total Transfer	0.48 ***	0.20
Shared Taxes	0.91 ***	0.79 ***
Total Grants	-0.28	-0.51 ***
Tax Relates	0.72 ***	0.61 ***
Unconditional Grants	-0.35 *	-0.56 ***
Equalization Grants	-0.41 **	-0.61 ***
Conditional Grants	-0.35 *	-0.56 ***

Sources: calculated from data in the Fiscal Data of Local Governments and China Statistical Yearbook.

Notes: ‘\*\*\*’, ‘\*\*’, ‘\*’ indicate the correlation coefficient is significant at the level of 1%, 5%, and 10%, respectively.

## GRANTS

The other type of intergovernmental transfer used in China is grants, including both unconditional grants and hundreds of special programs of conditional assistance for subnational governments (Martinez-Vazquez, Qiao and Zhang, 2008; Qiao and Liu, 2013). At present, unconditional grants account for about 60 percent of total grants. <sup>2</sup> The trend is in conformity with that in industrial countries where the growing relative importance of unconditional transfers reflects a desire to give more budget autonomy to subnational governments (Blochinger and Vammalle, 2010).

The sample correlation between per capita total grants and per capita GDP is -0.35, indicating that lower income provinces in China tend to be more favored in the distribution of grants than in the case of shared taxes.

### *Unconditional grants*

The term “unconditional” is misleading in the case of China, because 70 percent of these grants are earmarked for certain program activities. The supported programs range widely, e. g. , from grants to compensate for the loss of the agricultural tax to compulsory education grants (See Annex Table 2). The inter-province distribution of

<sup>1</sup> The Human Development index (HDI) measures social and economic development by combining indicators of life expectancy, educational attainment and income into a composite human development index. The index takes on a value between 0 and 1 with higher levels indicating a higher rate of social and economic development. The HDI is described in United Nations Development Programme (various years).

<sup>2</sup> A partially disaggregated distribution of grants by type is presented in Annex table 2.

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these grants and in many cases the final use of these grants is affected by these earmarks.

China's unconditional grants might be grouped into three categories. The *equalization transfer*, introduced in 1995, is designed to reduce fiscal disparities among provinces. The distribution is based on a formula that incorporates objective measurements of fiscal capacity and expenditure needs for the provinces. The actual amount distributed is calculated on the basis of the gap between standard current expenditures and standard current needs, adjusted for coefficients that take into account the size of the gap. Fiscal capacity is measured using estimates of the tax bases and standard tax rates. Expenditure needs are calculated using a myriad of categories including spending on administration services, public safety, education, urban maintenance, social assistance, and heating.<sup>1</sup>

The simple correlation between per capita equalization grants and per capita GDP is  $-0.41$ , suggesting that, on average, lower income provinces receive larger equalization grants. There is an even stronger relationship with the HDI index, suggesting that the equalization grant is well targeted. However, the equalization grant represents only 18 percent of all intergovernmental transfers, and therefore has not been effective in significantly reducing fiscal disparities across provinces. There is no fixed vertical share for equalization grants, and the relatively low level of funding may in part be due to the growth in earmarked grants and in other unconditional grants (Zhang and Martinez-Vazquez, 2003). In OECD countries, by contrast, regional disparities in fiscal capacity were reduced by as much as two-thirds in the mid-2000s (OECD, 2007).

The second category of unconditional grants is the “*tax rebates*” to the transfer system. Originally, this program was a return of some additional share of tax collections to richer provinces in order to smooth out resistance to the TSS reform. In practice, the tax rebates are highly counter-equalizing and act as an offset to the equalization grant. The simple correlation between the per capita rebate transfer and per capita GDP is  $0.72$ . An interesting aspect of the tax rebate transfer is that the initial provincial shares were stated in terms of nominal tax collections in a base year, therefore its relative importance in the grant system has decreased over time. The tax

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<sup>1</sup> The calculation method can be found in “The methods of the central to local equalization transfer in 2012”, see [http://yss.mof.gov.cn/zhengwuxinxi/zhengceguizhang/201207/t20120725\\_669218.html](http://yss.mof.gov.cn/zhengwuxinxi/zhengceguizhang/201207/t20120725_669218.html). For example, for the case of education, expenditure needs are calculated as follows: The standard education expenditure = the number of students \* per student average expenditure \* coefficient of expenditure cost, where the “per student average expenditure” is computed as national total education expenditure divided by the total number of students. The calculation of the coefficients of expenditure costs for different regions is quite complex involving nine additional coefficients. Other standard expenditures are calculated in similar ways.



rebate now represents about one-third of the share that it accounted for in 1994 – 95.

Third, the vertical imbalance at the sub-national level is addressed with unconditional *gap filling transfers* to local governments. The major categories of gap-filling grants are:

- Revenue return grants that are designed to hold provinces harmless by ensuring that every province would have total nominal revenues that are no lower than that in 1993.
- Transfers to minority regions.
- Transfers for increasing wage expenditure of public employees. These are designed to support central and western provinces to meet the requirements of the central government to increase the wages of public employees.
- Transfers for rural fee-to-tax reform and a transfer to compensate for elimination of the agriculture tax.
- Other general transfers that address the financing gap of provinces include the transfer for resource exhausting cities<sup>1</sup>; the transfers for the replacement of the local market place management fee and individual industry and commercial entity fee; the transfers supporting the “Oil Tax and Fee Reform,” and the transfer for “regions with important ecological functions.”

### ***Conditional Grants***

The earmarked transfers ( see Annex Table 2) direct grants to special needs, where the central government wants to stimulate local spending. Hundreds of specific purpose grants are associated with a variety of programs at the central level. An example is the “compulsory education transfer” introduced by the central government in support of the rural compulsory education program.<sup>2</sup> Another example is the transfer introduced to subsidize the issuing of state bonds. Among the most important targets of specific transfers are transportation, affordable housing and education. Many of the earmarked transfers were introduced to address specific, immediate needs. All require that the money be spent for a specific purpose.

Most of these transfers are monitored by a controlling central line ministry or their

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<sup>1</sup> This transfer was established in 2007 specifically for cities that were rich in natural resources at some point but because of the exhaustion of the natural resources now need additional revenues to support the continued provision of local public services.

<sup>2</sup> For a discussion of the compulsory education program, see Wong, 2013a.

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provincial counterpart. The earmarked grants carry conditions about the purposes for which the funds will be used but in some cases about the standards of service to be provided.<sup>1</sup>

### TRANSFERS TO SUB PROVINCIAL GOVERNMENTS

Transfers from provincial government to sub-provincial governments are at the discretion of the provincial government, in terms of both the aggregate shares allocated to the cities and counties, and the distribution of transfers among individual local units. In this respect, the Chinese system has taken on one of the important features of a federal system.

It should come as no surprise that this approach leads to a wide variation across provinces in terms of how the allocations are made to the lower level city and county governments. In some cases, taxes are shared with lower level governments on a derivation basis. Formula allocations, specific purpose grants and mandated pass-through of the funds also are used in the distribution of revenue among lower level governments. In addition, provinces have the authority to issue special grants on a project-by-project basis. While the 1994 reform did bring about a significant change in how central transfers were allocated among provincial governments, the sub provincial allocation methods did not all follow the national changes, and in some cases there was no change at all.

To learn more about sub provincial allocations, we have aggregated the flow of funds based on destinations of the transfers. On average, county governments account for about half of all subnational government spending. Counties are financed more heavily by grants than by shared taxes (Table 2 – 10, Annex Table 3 and Annex Table 4). For example, in 2009, grants represented 53 percent of all revenues of county level governments and below, as compared to prefectures (29 percent) and provinces (23 percent).

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### GOVERNMENT BORROWING

China restricts borrowing by subnational governments. Article 28 of the budget law of the People's Republic of China stipulates that: "the local budgets at various levels should be compiled according to the principles of keeping expenditures within the limits of revenues and maintaining a balance between revenues and expenditures, and should not have deficits. The subnational government may not issue bonds except as

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<sup>1</sup> Such programs are used in other countries. For example, the "centrally sponsored schemes" in India.

prescribed by laws or by the State Council.” Formal provincial and local government direct borrowing in China is quite small, equivalent to about 7 percent of GDP.

This limitation creates a serious public financing problem because responsibility for financing infrastructure rests largely with subnational governments, and they must respond to the increase in demand for public facilities that results from urbanization and economic development.

To meet their capital financing needs, local governments turned to agents who would borrow on their behalf, known variously as urban development investment companies (UDICs), special purpose finance vehicles or financing platforms. The UDICs are capitalized by the local governments; mostly with user rights to land that were purchased from rural collectives (farmers) and converted to State-owned status.<sup>1</sup> The UDICs then borrowed to finance the infrastructure improvements necessary to lease the land, using the expected revenue stream from the land leases as collateral. Half of the debt outstanding of subnational governments is borrowing by UDICs (Annex Table 4). About two-thirds of this debt is guaranteed by the local governments (the guarantee status on the other one third is uncertain).<sup>2</sup>

Local government borrowing has risen sharply in recent years. According to the National Audit Office, the total debt of the government was 30.27 trillion RMB (about 4.9 trillion USD) at the end of June 2013, an increase of 73.27 percent from 2010. This total made up 53 percent of GDP in 2013, of which central government debt accounted for 12.38 trillion RMB (22 percent of GDP) and local governments, 17.89 trillion RMB (31 percent GDP), underscoring the risks to the financial system. For the year 2012, direct debt was 36.74 percent of GDP; external debt was less than one percent; and the combined total debt to GDP ratio was 39.43 percent, well below the 60 percent warning threshold, by international standards.<sup>3</sup>

The land leasing program has been very successful in terms of the amount of revenue that has been raised, and this is largely due to the amount of new debt financing that it has supported. The total debt of the local governments has increased significantly in the past decade. The total government direct debt represented about 37 percent of GDP by the end of 2012 (National Audit Office, 2013). At least in terms of average levels of debt outstanding, Chinese local governments would not appear to have reached dangerous territory.

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<sup>1</sup> In some cases, this capitalization would be augmented by a dedicated revenue stream from the local government budget, and in some cases by ad hoc transfers from the subnational government budget.

<sup>2</sup> Reported by Painter (2013).

<sup>3</sup> [http://www.gov.cn/gzdt/2013-12/30/content\\_2557203.htm](http://www.gov.cn/gzdt/2013-12/30/content_2557203.htm)

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The description of subnational government debt structure and liability presented in table 2 – 12 may help understand the potential for future problems. First, note that only about 25 percent of debt was directly issued by subnational governments. Nearly 60 percent of debt was issued by UDICs and SOEs. An important question is where does the liability for this debt lie.

The Ministry of Finance divides the subnational government liabilities into three categories according to the responsibility assumed by the subnational governments: Direct Liabilities, contingent liabilities to guarantee, and other types of contingent liabilities to others.

- The Explicit Liabilities are those that carry hard repayment guarantees by the subnational governments. These include subnational government bonds such as those issued by the Ministry of Finance in 2009, transfer loans from higher level governments<sup>1</sup>, arrears of subnational governments such as in wages or creditor payments, and loans of subnational financing platforms where repayment by subnational governments is explicitly stipulated in the contract. About 61 percent of subnational government debt is explicitly guaranteed.
- Contingent Liabilities to Guarantee. This includes the part of the transfer loans from upper level government that is invested in profitable competitive projects. If the profit of the project is not enough to pay off the loan, the upper level government withholds the remaining amount due from the lower-level government. Therefore, the liability for repayment belongs to the local government. Another contingent liability is the direct liability of the financing platform, government affiliated institutions and public institutions that are guaranteed by the government (except for the direct debt paid by the direct financial fund).
- Other Contingent Liabilities. This includes the loans for infrastructure construction projects that are not guaranteed by the government. The lenders include government affiliated institutions (e. g. university and hospital etc.); public institutions (for water service, heating, gas supply, sewage disposal, garbage collection, etc.); and financing platforms.

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<sup>1</sup> Transfer loans from higher level governments would include the lending for nonprofit public (infrastructural) projects, where all repayment depends on fiscal funds. For example, this would include the funds of a treasury bond that are lent to subnational governments by the ministry of finance for some local construction projects supervised by the institutions of central government.

**Table 2 – 12: Subnational Debt by Borrowing Units by end of June, 2013** unit: Billion

	Total		Direct Liabilities		Contingent Liabilities: Guarantees		Other Contingent Liabilities	
	Volume	Percent	Volume	Percent	Volume	Percent	Volume	Percent
UDICs	6970.4	39	4075.6	37	883.3	33	2011.6	46
Subnational Government	4058.9	23	3091.3	28	968.4	36	0	0
Fiscal Compensated Public Service Units	2395.1	13	1776.2	16	103.2	4	515.7	12
Wholly State Owned Enterprises and Partly State Owned Enterprises	3135.6	18	1156.3	11	575.4	22	1403.9	32
Own Revenue and Expenditure Public Service Units	602.5	3	346.3	3	37.8	1	218.5	5
Utilities	328.1	2	124	1	14.4	1	189.6	4
Others	394.4	2	316.3	3	83.1	3	0	0
Total	17890.9	100	10885.9	100	2665.6	100	4339.4	100

Source: National Governmental Debt Audit Report 2013.

## LAND REVENUES AND LAND LEASING

The financing of urban infrastructure with the sale of land leases is not a new approach. <sup>1</sup>What is new is the scale of infrastructure investments financed by land leases in China over the past decade, and the leadership of this program by local governments. The practice of selling leases on the user rights began modestly in China, in Shenzhen in 1987 (Peterson, 2007). But over the past two decades, the practice has taken hold and is now used throughout China. The program has very great advantages and has offered local governments a way to finance the infrastructure and public services necessary to support urbanization. The funding for public facilities raised from this program has been nothing short of astounding, and the infrastructure created has smoothed out many of the roadblocks to migration to urban areas in the past two decades.

Infrastructure needs and the robust revenues from land lease sales have made the program an important component of local public finance in China. It has become too valuable to abandon. On the other hand, a number of problems have arisen, ranging from concerns about the rate of increase in land-based debt that is presumably guaranteed by local governments, poor investment choices made by some local

<sup>1</sup> The successful experience with land leasing in Hong Kong was, perhaps, the model for China (Hong, 2003).

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governments, overinvestment in infrastructure vs. other urban services, urban sprawl, the challenge to food security, and social and equity issues surrounding the practices in transferring farmland to urban use.<sup>1</sup> Reform of the structure of the program to address some of these problems is now a priority in China. These reforms almost certainly will lead to a reduction in the net revenue realized by local governments.

The process of getting to a more sustainable land policy will not be easy. The appeal of selling land leases has been irresistible to many local governments. Land leasing offers local governments a major source of revenue which they can control without central oversight. Moreover, the revenue from land leases need not be shared with the central government.<sup>2</sup> There has been a ready market for the land user rights, often involving buyers from outside the region. Local residents (other than the farmers) did not perceive that they were bearing any costs of this infrastructure development. Once it became clear that the central government would accept the use of local investment companies (UDICs) to issue debt on behalf of municipalities, and to use the expected revenues from land leases as collateral for these loans, the problem of finding long term financing for capital projects was essentially solved. This was aided by what appears to be a closer-than-arms-length relationship between the local governments who would guarantee the loans, and the banks that would make the loans. It is no surprise that the use of land leases to finance infrastructure development and industrial development simply took off.

Land lease revenue rose from 3.3 percent of GDP in 2008 to its present level of about 7 percent (See Table 2 – 13). Land revenues accounted for an amount equivalent to nearly one-third of total subnational government revenues in 2013, but with variations across the regions. The revenue shares in 2009 and 2010, for example, were 28 percent of revenue in Guangzhou and 20 percent in Shanghai(Wong, 2013).

In general, the conversion of local government assets into public facilities and services that will yield a higher return is a good economic decision. Most would applaud a government that sells a commercial venture and uses the proceeds to upgrade the school system, and most would decry the practice of local governments carrying excessively large cash balances while basic public services go unmet. On the other hand, disposing of unnecessarily large cash deposits is one thing, but selling leases on land assets is more difficult to endorse without qualifications. This is especially the case in China where local governments have a monopoly position on urban land

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<sup>1</sup> For a comprehensive analysis of the issues, see World Bank and Development Research Center (2014), pp81 – 186.

<sup>2</sup> Previously, land revenues were shared with the central government but after the 1994 reform the local governments were allowed to retain the full amount.

**Table 2 – 13: Land-leasing Fees: 2004 – 2013**

Year	Land-leasing Fees (billion Yuan)	As a Percent of GDP	As a Percent of Public Finance Revenue
2004	77	0.48	2.91
2005	109	0.59	3.44
2006	165	0.76	4.25
2007	694	2.61	13.52
2008	1038	3.30	16.92
2009	1397	4.10	20.38
2010	2820	7.02	33.93
2011	3114	6.59	29.98
2012	2665	5.13	22.73
2013	4125	7.25	31.94

Sources: calculated from data in China Statistical Yearbook and the Websites of Ministry of Finance.

ownership and where the conversion to urban land use involves dispossessing current users of the land.<sup>1</sup>

## SUBNATIONAL GOVERNMENT BUDGETING

Subnational government budgets in China are made up of four accounts, or sub-budgets: the public finance budget, the government fund, the social security budget, and the SOE operating account. There is not a consolidated budget that fully reconciles all of these accounts<sup>2</sup>.

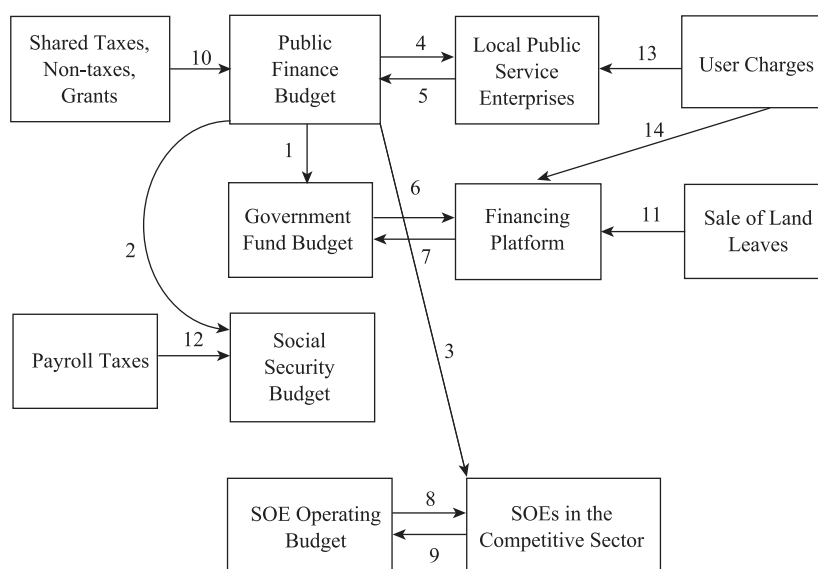
In addition, separate off-budget accounts are kept for public service units, public enterprises, state owned enterprises, and for UDICs (financing platform). The Department of Finance at the subnational government level does not directly control any of these external budgets, but does link to them with various types of transfer.

This budget structure and the transfers among the various accounts are described in Figure 2 – 1.

<sup>1</sup> A similar set of issues has arisen in the case of dividing the returns from exhaustible natural resources between different levels of government and indigenous peoples. Canada and Russia are examples of different solutions to this problem.

<sup>2</sup> In theory, the four sub – budgets are independent and managed separately, but MOF is now researching possibilities for linking these in a more formal way to enable better fiscal planning.

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**Figure 2 – 1: Subnational Government Budget Flows**

TRANSFERS: key to Figure 2 – 1

1. Subsidy for capital construction purposes. May be earmarked.
2. Subsidy to cover deficit in social security budget
3. Transfer to cover deficits in competitive SOE sector
4. Subsidies to cover deficit of public service companies
5. Transfer of general surplus of public service companies to PFB
6. Transfer from Government Fund Budget to Financing Platform
7. Transfer of profits of Financing Platform to Government Fund Budget
8. Transfer of funds from SOE operating budget to SOEs in Competitive sector
9. Transfer of SOE profits or dividend payments to SOE operating budget
10. Flow of intergovernmental transfers to Public Finance Budget
11. Flow of land lease sales revenues to financing Platform
12. Flow of payroll tax revenues to Social Security budget
13. Flow of user charges to local public service enterprises
14. Flow of user charges to financing platform

## PUBLIC FINANCE BUDGET

The public finance budget is the general account of the government, and includes nearly all general recurrent expenditures and some capital expenditures. All local taxes and most intergovernmental transfers flow to this account. Expenditures from the public finance budget are what is reported in most statistical compilations as “total government expenditures” (e. g., see the China Statistical Yearbook 2012). The Public Finance Budget is managed by the Finance Bureau of the subnational



government.

Transfers are made from the public finance budget to other budgets, for a variety of purposes.

- To public service companies to cover operating losses, e. g., to cover losses incurred by the bus company because fares are set too low to cover costs.
- To the Government Fund to cover some infrastructure investment costs, or to cover supporting expenditures for capital investments.
- To the social security account to cover shortfalls between premiums paid into the program and benefits paid out.
- To the SOE budgets in the competitive sector (directly or indirectly) to assist distressed companies, to address bankruptcy and reorganization, or to address concerns about negative externalities.

### **THE GOVERNMENT FUND BUDGET**

The Government Fund (GF) is a special account for economic development projects (mostly infrastructure). This sub-budget includes most of the capital expenditures made by local governments. The main financing source for this budget is land revenues. Outlays for capital facility construction may be made directly from the Government Fund budget, or indirectly through transfers to UDICs that are responsible for arranging the construction and the finance. Transfers are made between the UDIC and the Government Fund budget, but are not always transparent. The arrangements for transfers from the Government Fund Budget and the Public Finance Budget are now under study at MOF.

### **SOCIAL SECURITY BUDGET**

The Social security budget includes the benefit payments for insurance programs that cover pensions, health and worker protection, it also includes the payroll contributions and subsidies that finance these programs.

### **SOE OPERATING FUND BUDGET**

The SOE operating fund budget (not yet operative in all local governments) was set up to account separately for the relationship between the general government at the subnational level, and their enterprises in the competitive sector. Generally, two activities are shown in this account: (a) Transfer of dividends from SOEs to general

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government to reflect a return to ownership; and (b) Subsidies to the SOEs to cover costs, including policy subsidies.

### IS THERE A HARD BUDGET CONSTRAINT?

Chinese subnational governments cannot run a deficit. But in fact the concept of a deficit is defined loosely in the law, and there is not full transparency in the accounts. Some would argue that at least some local government budgets are not in balance.

There is a reasonably clear understanding of the meaning of a hard budget constraint in the industrial countries. A hard budget constraint forces a balance in government budgets. Recurrent expenditures are at least matched by recurrent revenues and existing cash balances, and there are no current account deficits.<sup>1</sup> Ex ante proposed deficits would not be allowed under such a regime. On the capital side of the budget, the sources of finance are current surplus, capital grants, sale of assets, and borrowing. With respect to debt, the idea is to balance the (monetary) flow of annual benefits from a long-lived investment with the annual payment for these benefits. If finance is by borrowing, the life of the asset (and its benefit flow) should match the life of the loan (and the repayment flow). All of this is well known and widely discussed in the literature on local public finance.

Chinese officials insist that all four subnational government budgets are in balance. In fact, this may not be the case, as is suggested by the following:

- Payroll taxes cover only about 75 percent of the cost of social insurance benefit payments, and so a subsidy is required.
- Transparency is limited, and so transfers to and from enterprises (including UDICs) are not fully known. This makes it difficult to know if the normal budget balance tests have been passed.<sup>2</sup>
- Some local governments have rolled over their loan repayments (financed with new borrowing).
- Budget deficits might also be hidden by non-monetized transfers to SOEs or public service companies. These might include interest rate subsidies, or transferring the right to collateralize debt with expected land lease revenue flows.

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<sup>1</sup> Of course there are always exceptions, for example, natural catastrophes that call for unbudgeted and sometimes quite large relief spending, and short term cash flow problems that result from lumpy expenditures and uneven revenue flows from grants or local taxes.

<sup>2</sup> For a discussion of this, see Wong(2013).

- Local governments can game the system by moving expenditure outlays and revenue receipts forward or back by a fiscal year. In this way, deficit budgets can be made to appear like balanced budgets.
- Arrears in wage and benefit payments, unpaid suppliers and underfunded pension and health insurance funds are also forms of budget deficits.

## METROPOLITAN AREA FINANCES

China's four largest metropolitan areas are governed by city-provinces, i. e. the local governments have both city and provincial status. Beijing (20.7 million population), *Chongqing* (29.5 million), Shanghai (23.8 million), and Tianjin (14.1 million) are metropolitan governments that share responsibility for public service delivery with underlying districts. Together, the provincial cities account for 6.5 percent of the national population, 11 percent of GDP, and 12 percent of expenditures made by all provincial and local governments.

### ECONOMIC IMPORTANCE

The city-provinces play an important role in driving the Chinese economy. Their comparative advantages enable them to compete effectively in international markets. These advantages include a strong infrastructure and a skilled labor force that has been drawn to the big cities. Size allows them to capture important agglomeration effects, and they are hubs of innovation (Yusuf, 2013). They have gained important advantages from specialization (e. g., Shanghai as a financial center, Beijing as a government center) and have become regional economic centers (e. g., Chongqing). They generate important external benefits to the rest of China.

There also are special costs that come with this comparative advantage. Public service levels and amenities must be upgraded to attract and hold skilled labor, and transport and IT services must be continuously improved to attract industry. There also are the urban problems that inevitably come with size, such as congestion and environmental degradation, and these must be addressed in order to hold on to comparative advantages. The fiscal costs facing metropolitan cities are formidable. This is all complicated by the fact that these cities have outgrown their boundaries and now find that their economic regions and their public service areas intrude on those of surrounding jurisdictions.

### PUBLIC FINANCES

Based on the data presented in Table 2 – 14, we might comment on two patterns of

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fiscal behavior and outcomes. First, the per capita expenditures in metropolitan cities is different from that in other local government areas, and the differences are dramatic. Shanghai and Beijing both spend nearly three times as much on a per capita basis as do the average provincial-local governments in China. Shanghai and Beijing are richer than Tianjin and Chongqing, and have a larger VAT base. Substantially more is spent per person on general services in the large metropolitan cities. But most general revenues are derived from shared taxes which are levied across China at uniform rates and bases, and shared with each province (including the metropolitan provinces) according to point of collection.

Second, metropolitan cities have more fiscal resources than do other local governments in China, but they do not use this larger capacity in the same way. Beijing and Shanghai show greater emphasis on social security expenditures budgets than does the average subnational government in China. However, there does not seem to be much difference between the metros and the rest of China in terms of the percent of GDP they allocate to spending for health and education. Chongqing and Tianjin show considerably greater emphasize on infrastructure spending expenditures in the Government Fund budget.

### *Fiscal Balance*

The Chinese intergovernmental fiscal system is uniform. All subnational governments are subject to the same regime in terms of shared taxes, grants, land lease revenues and borrowing. The only difference is that these four metropolitan areas have both provincial and city status.

There is discretion within these large metropolitan areas to pursue different intergovernmental fiscal policies, as might be illustrated by a comparison of some features of the approach to fiscal policy taken in Shanghai and Chongqing. In fact, some features of the two systems are alike. Service delivery in both cities is divided between the metropolitan government and its underlying districts. The general framework of expenditure assignment to the two levels is much the same: the municipal level is assigned the macro and investment functions, and the service delivery responsibility for functions characterized by large externalities. Goods with a more localized benefit pattern are assigned to the underlying districts. For example, in the case of education in Shanghai: Higher education is the responsibility of the municipal level in the case of all universities “affiliated” with the Municipality; Compulsory primary and secondary education is the responsibility of the district level; technical, vocational, and special education depends on the “affiliation” of the educational institution. In both metropolitan cities the result is a more or less equal division of budgetary responsibilities between the upper and the lower levels.

At the same time, there are interesting differences. These may owe to different levels of per capita GDP but they also reflect differences management style. An important difference in approach is in the area of user charges. In Chongqing, lighter rail and bus services are subsidized from the general budget, i. e. , fares do not cover costs. Much the same case holds for the Beijing transit system. In Shanghai, however, fares are kept at a cost recovery level and there is not a general fund subsidy for transport.

Another difference to remark on, based on this preliminary analysis, is in the area of revenue sharing between the municipality and the districts. As may be seen from Table 2 – 14, different choices were made with respect to shared taxes. For the major consumption and income taxes, Chongqing municipality retains a greater share of collections than does Shanghai, and holds to a uniform 60/40 division for most taxes. Shanghai takes a more engineered approach to revenue sharing, and differentiates the sharing rate by revenue source. Note that Shanghai retains all revenue collections from the financial sector and from the largest enterprises.

**Table 2 – 14: Provincial Cities: Selected Fiscal Indicators, 2012<sup>1</sup>**

	All Subnational Govts in China	Beijing	Shanghai	Tianjin	Chongqing
Per Capita Expenditure (Yuan)	12904	31492	32329	27871	17525
Education and Health Exp as Percent of GDP	4.74	4.95	4.19	3.76	5.60
Social Security Fund Exp as Percent of GDP	5.65	9.62	10.60	5.89	5.70
Government Fund Exp as Percent of GDP	5.92	6.21	6.80	8.03	12.84
Per Capita Shared Tax Revenue(Yuan)	3511	15103	14398	7824	3294
VAT as Percent of GDP	1.17	1.76	3.31	1.16	0.76
Retained Revenue as Percent of GDP	10.59	18.54	18.55	13.65	14.93
Distribution of Revenue					
Public Finance Budget	45.94	49.51	49.60	50.14	42.64
Government Fund Budget	25.73	17.89	17.10	27.01	35.90
Social Security Fund Budget	28.33	32.60	33.30	22.85	21.46
Distribution of Expenditure					
Public Finance Budget	61.63	56.56	54.38	54.42	59.03
Government Fund Budget	19.64	17.05	17.83	26.28	28.38
Social Security Fund Budget	18.73	26.39	27.80	19.30	12.59

Sources: calculated by authors based on China Statistical Yearbooks, and the data provided by the Ministry of Finance.

<sup>1</sup> Data of social security fund is based on 2014 budget.

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In both cities the methods of distributing grants to underlying districts is complicated, in the same way that the central government grants to the provinces is complicated. Both cities reflect the conditionalities in their allocation of earmarked central grants. For unconditional grants, which dominate in the urban areas, <sup>1</sup> the allocation is done some with some combination of formula and ad hoc distributions. Because revenue collections are concentrated in some districts, and because sharing with districts is done on a derivation basis, fiscal disparities emerge in the allocations and must be addressed by transfers from the municipal level.

**Table 2 – 15: Municipal/District Allocations**

	Shanghai	Chongqing
VAT, Business tax, UCMT	(35/65)	(60/40)
CIT	(50/50)	(60/40)
PIT	(45/55)	(60/40)
Property and Land Taxes	(20/80)	(60/40)
Land Use Tax, Farmland Tax	(50/50)	(60/40)
Bank/Insurance Tax	(100/0)	...
Very Large Enterprise	(100/0)	
Other	(0/100)	(0/100)

<sup>1</sup> In Shanghai, about 90 percent of grants come from unconditional transfers and only 10 percent are earmarked.

## **CHAPTER THREE**

# **THE FISCAL SYSTEM IN 2014: PROBLEMS AND ISSUES**

### **INTRODUCTION**

The Chinese fiscal system has been revenue productive over the past two decades, and has enabled subnational governments to finance a significant amount of infrastructure investment. But the fiscal system is beset with major structural problems and these have imposed real costs on the economy. Moreover, the present approach to public financing may not be fully in step with the goals for economic and social development as laid out in China's Third Plenary Session of the 18th CPC Central Committee.

There does not seem to be much disagreement about the need for fiscal reform, but timing is an issue. Typically, the Chinese approach to policy reform is gradual. But, resolving some of the problems with the Chinese fiscal system has become a pressing matter. The longer the wait for reform, the more the current practices will become institutionalized and the harder they will be to change.

The following review of the issues surrounding each component of the fiscal system identifies these reforms, describes how they are inter-related and suggests the need for a comprehensive approach to change.

### **CHINA OUTGREW ITS PUBLIC FINANCE SYSTEM**

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Today's fiscal problems in China are less the result of unwise policy decisions than they are the result of China simply outgrowing its approach to public finance. The rate of economic growth was high over the past 30 years, and the structure of the economy changed dramatically. Economic reforms drew on market principles to fuel this growth and restructuring. However, the public finance system, particularly the intergovernmental fiscal system, has been little changed since the major 1994 reforms and has even held on to some of the features of the pre-reform system.<sup>1</sup> To the extent

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<sup>1</sup> Central government tax policy is certainly one exception to this, particularly the modernization of the value added tax and the strengthened tax administration.

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that the public finance system has not responded to the needs of the changing economy, and to the new demands of the population, it has imposed costs. Many of these costs have been made more apparent by the urbanization of China.

We might point to four areas where the present public financing system is not as good a fit with the new economy as it should be, and where it may not be efficient in accommodating the next round of urban population growth.

### **THE ROLE OF SUBNATIONAL GOVERNMENTS**

The first is the changing role of subnational governments in the economy. The central government played the dominant role in the planned economy, and local governments acted as agents of the central government. Over the past three decades local governments have been given the latitude to raise and spend public monies, first through extra budgetary accounts, and now with land revenues and borrowing guarantees. During this time they have grown into units that have taken the initiative to steer infrastructure investment and in general to deliver a public service package that would support economic growth. Local governments compete with one another, aggressively, for jobs and tax base, and they have shown innovation in doing this. They also are an important part of the political economy in China.

The next step in the changing role for local governments in China is to move toward a model where local governments have less latitude in how they compete for economic development but are more accountable to their populations and to the central government for the quality of service delivered. This means local governments will take on some new challenges.

Urbanization imposes different costs on different subnational governments and presents them with different opportunities to cope with increased costs and to capture benefits. Within the confines of national regulations governing municipal financing, subnational governments should be in a position to control their costs and benefits by choosing their package of public services and amenities, the compactness of their urban growth, and the way they finance all of this. The resulting differential emphasis in local budgets might be driven by more or less heavy manufacturing in the economic base, a larger vs. a smaller backlog in the housing stock, the presence or absence of a university that might better nurture innovation, investment in amenities that would attract the target labor force, etc.

The existing public finance system does not match up very well with this need for diversity. The present system offers uniformity in financing, similar incentives for local officials to promote industrial development, and conditional grants that carry central



government restrictions on how revenues may be spent. Under the present system, local governments cannot raise taxes or borrow directly to finance any additional services that they want to deliver. Moreover, the present fiscal system delivers most resources through provincial governments who largely determine the resource envelope available to the cities and counties where most of the spending takes place.

Fiscal discipline has not been fully built into the system, i. e., budget constraints appear to be soft. The present public financing arrangements do not acknowledge fiscal deficits at the subnational level, and leave an impression of a central government willingness to protect subnational governments from financial failure. But under a system where local governments compete to attract industry and to please constituents, officials must make decisions in the framework of a hard budget constraint.

### **INVESTMENT NEEDS**

Second, the new Chinese urban economy will require a huge investment to cover the infrastructure needs of 200 million new residents and the new businesses that will support them. Under the present system, subnational governments are charged with finding most of the resources needed to do this from their entitlements to revenue sharing and from grants they receive and loans that they can access. The amount of infrastructure that has been built with land lease revenues in the last decade has been remarkable, but urban land is an exhaustible resource, food security is a competing claim on land use, and land-based finance has led to inefficient patterns of urbanization and inequitable distributions of the capital gains.

It may now be time to institute a different approach that involves a combination of several instruments of local government financing, including borrowing, local revenue mobilization, and a more constrained version of the leasing of land assets. Under the present system, subnational governments cannot borrow, they cannot tax, and their regime for land lease sales is under challenge.

### **FISCAL DISPARITIES AND INEQUALITY**

Third, China is beset with inequalities and disparities that it does not want, and these are largely a consequence of the uneven pattern of growth that has developed (World Bank and Development Research Center, 2013). The concentration of income and wealth in the higher income classes has increased (Li, Wei, and Ding 2005, Wu and Perloff 2005). Regional variations in fiscal capacity remain large and this shows up in uneven revenue levels. The present public finance and governance system has contributed to widening these disparities. Social security financing is the responsibility

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of lower levels of subnational governments where fiscal capacity varies widely, derivation-based revenue sharing and tax rebates favor higher income regions, the equalization program under the national grant system is too small to make a big difference, there is not enough targeted relief for servicing migrant workers and the rural poor, and the fiscal system does not make provision for a sustainable policy on the compensation of farmers for expropriated farmland.

### **EXTERNALITIES FROM URBANIZATION**

A consequence of economic growth and urban development is that China has become a more spatially inter-related economy. Metropolitan areas are growing together, local problems have become regional problems, and the actions of one province increasingly impact the well-being in other provinces. Regional transportation networks, environmental protection, and natural resource management are just some examples. The standard solutions to addressing this problem would vary from internalizing the externalities by redrawing boundaries to allow regional delivery of the functions in question, or allocating grants to address the external effects. Various metropolitan areas around the world have tried these approaches, though not always with great success.

It is not clear how the regional governance, regional finance issue will be worked out in China. But it does seem clear that there is a need for a stronger role of higher level governments in delivering services. Yet the expenditure assignment system in China is not much different today than it was in the 1980s, and the central government's direct service delivery responsibility remains small.

### **TAXATION**

50 Tax reform is a continuing process in all countries, and so it is no surprise that there is still unfinished business in China. <sup>1</sup> The over-riding question is whether or not there will be an increase in the rate of revenue mobilization to meet the new needs brought by urbanization and to deal with existing backlogs. On the one hand, the present position of government is that tax effort should not be increased. <sup>2</sup> On the other hand, there are the prospective costs of providing the infrastructure and public services required for a significantly larger urban population, providing affordable housing,

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<sup>1</sup> Among the reviews of the tax structure in China are Lou (2013) and Hussain and Stern (2008).

<sup>2</sup> The goal given in China's Third Plenary Session Of 18th CPC Central Committee is to hold tax burden constant. Though not exactly defined a constant tax burden could be taken to mean that there will be no discretionary tax increases.

meeting the costs of fully funding a centralized social security program, and addressing environmental protection issues. The slowdown in the rate of economic growth and in the use of land lease financing are other contributing factors to be considered. Can all of these costs be covered with a tax system that raises the equivalent of 23 percent of GDP?

There also are structural issues to be addressed to keep taxation in China in step with the new economy and with the equity goals of the government. The limited coverage of the individual income tax needs to be addressed, payroll tax rates are inordinately high, the merger of the business tax into the VAT needs to be completed, and the issues surrounding local government taxation need to be decided. Perhaps the biggest question of all is how to structure the tax system to support the goals of increasing domestic consumption and growing the middle class.

China's low share of direct taxes would be seen by some as an advantage since there is less emphasis on the taxation of capital. However, recent empirical research has suggested that neither the level of taxation nor the direct/indirect mix of taxes has a significant marginal impact on investment (Martinez-Vazquez, Vulovic and Liu 2011; IMF, 2011).

## REVENUE MOBILIZATION

The amount of new revenues needed to meet expenditure targets has not been reported by government, i. e. , there is no official target. Short of this, we can speculate about the prospective gap between the amount of revenue that the present system will produce and the government expenditure that will be required to keep public resources at acceptable levels.

### *Expenditure Needs*

Various studies have produced estimates of public expenditure needs in various sectors. However, these efforts are disjointed in that they are for particular sectors, use different methodologies, and cannot be added up to give an overall estimate of expenditure needs. Still they suggest that there will be a gap between expenditure needs and the revenues that can be generated by the present tax structure. The McKinsey study (2009) estimates that 2.5 percent of GDP will be required to cover the cost of new in-migrants to urban areas. A United Nations report (2013)<sup>1</sup> estimated that China will need to invest RMB 41.6 trillion (about 80 percent of GDP) over the next two decades to fully realize the integration of 210 million rural in-migrants to

<sup>1</sup> [http://www.cn.undp.org/content/dam/china/docs/Publications/UNDP-CH\\_2013%20NHDR\\_EN.pdf](http://www.cn.undp.org/content/dam/china/docs/Publications/UNDP-CH_2013%20NHDR_EN.pdf)

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cities and towns. The World Bank and Development Research Center (2013) used international benchmarks to conclude that China might need as much as 7 percent of GDP to raise public service levels to international standards. Required initial spending to adequately address China's environmental problems is estimated at 2 to 4 percent of GDP (World Bank and Development Research Center, 2014, pp 439 – 535.)

To this we might add the cost of upkeep for China's infrastructure. A significant legacy cost could be building in the area of maintaining China's stock of public capital. The huge investment that China made in its infrastructure over the past two decades will in time become a huge cost of maintaining an aging infrastructure. Between 1993 and 2012, 95 trillion Yuan was invested in the public capital stock. This works out to an average annual amount of about 183 percent of GDP. We have no good way to estimate the size of this maintenance cost that is implied by this investment<sup>1</sup>. What we can do is to use an empirical illustration to suggest how large it might become. In columns (1) and (2) of Table 3 – 1, we show investment in public infrastructure for the 1992 – 2012 period. In the next three columns we show that at a maintenance expenditure rate of 2 percent per year, the claim of maintenance would reach 3.7 percent of GDP by 2012. At a 5 percent maintenance cost rate, required expenditures could exceed 9 percent of GDP. Note that this illustration ignores the maintenance cost for the pre-1993 investments.

### *Revenue Potential*

The present level of revenue mobilization in China, excluding that generated by public service enterprises, is equivalent to about 29 percent of GDP. The largest component is the general tax and non-tax revenues that are spent through the (general account) public finance budget (21 percent of GDP). Land revenues have accounted for a net amount of about 3.8 percent of GDP in recent years. The third component is payroll taxes which are earmarked for social insurance funds (about 4.5 percent of GDP in 2013).

The public finance budget revenues will grow automatically. Our estimate of the income elasticity of the tax system is 1.32<sup>2</sup>. This implies that general taxes will increase from 19.4 percent of GDP in 2012 to 25 percent of GDP in 2025 if the annual economic growth rate is 7 percent. Land revenues are not likely to remain at so high a

1 A proper estimate of future maintenance costs would be based on engineering studies, and would take account of the age of assets, the quality of infrastructure construction, projected increased costs of materials, and a host of other factors.

2 Based on data for the 1994 – 2012 period, we estimate a logarithmic regression of total taxes (T) against total GDP (Y), with the result  $T = -0.713 + 1.323Y$ , with the elasticity coefficient significant at the  $p < 1\%$  level.

level as in the past, in part because the compensation rates paid to farmers likely will rise, and limits on borrowing might reduce the number of land development projects. An assumption that the net land revenues will remain a constant share of GDP might be an optimistic projection. Assuming that the share of wage compensation in GDP will remain constant, we can also assume that the payroll taxes will remain constant.

From this we might conclude that the automatic increase in the tax share of GDP could well fall short of satisfying the kinds of sector-based expenditure needs outlined above. If this impression is reasonable, discretionary increases in revenue mobilization might be required. This could be done with discretionary increases in the effective tax rate for existing taxes, the introduction of new taxes, or increased reliance on benefit or user charges.

**Table 3 – 1: Projected Maintenance Expenditures on Public Infrastructure: an Illustration**

Year	Investment of Public Infrastructure	Accumulated Infrastructure	Two Percent Maintenance-Expenditures			Five Percent Maintenance-Expenditures		
			Volume	As a Percent of Finance Revenue	As Percent of GDP	Volume	As a Percent of Finance Revenue	As Percent of GDP
1993 – 2006	56152	56152	1123			2808		
2007	3716	59868	1197	23	4.5	2993	58	11
2008	4513	64381	1288	21	4.1	3219	52	10
2009	6367	70748	1415	21	4.2	3537	52	10
2010	7525	78273	1565	19	3.9	3914	47	10
2011	7881	86154	1723	17	3.6	4308	41	9
2012	9102	95256	1905	16	3.7	4763	41	9

Sources: calculated from China Statistical Yearbook.

## TAX STRUCTURE

China’s tax structure is an exception to the point that the fiscal system has not remained in step with the changing economy. There have been numerous structural changes and administrative improvements, especially with respect to the value added tax. But, like in nearly all countries, there is still work to be done.

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## INCOME TAXATION

The general structure of the *individual income tax* has not been changed since 1994, except for the threshold for payment, which has been continuously increased. This has resulted in a significant erosion of the tax base. The number of income taxpayers decreased to 3 percent of the total population after the 2011 reform. This is a relatively low rate of coverage by international standards. At the other end of the income distribution, the progressive rate structure seems not to have contained the growing income inequality. The extent to which the income tax structure and the income tax administration will play the major role in solving this problem remains to be worked out (Jia and Liang, 2010, Liu and Wang, 2008).

Some would see structural reform of the individual income tax as being long overdue. In thinking through the wisdom of this, the government would need to think through several issues. These would include whether a lower threshold would harm the goal of building disposable incomes for a middle class, whether the growing income inequality in China could be helped by a stronger enforcement of a progressive tax, and whether there is a danger of overtaxing labor.

## TAXING LABOR

China imposes a high tax rate on wage income, largely to finance the social insurance schemes (pensions, health and unemployment compensation). The guidelines<sup>1</sup> for payroll tax rates, described in Table 3 – 2, call for a total nominal rate equivalent to about 30 percent in employer contributions and 11 percent in employee contributions, to finance the social insurance programs. In addition, payroll tax contributions for the Housing provident fund range from 5 to 20 percent. Employers are required to pay at least 5 percent of a worker's salary and this is usually matched by an equal contribution from employees.

In fact, these high payroll tax rates are not binding on local governments and actual rates vary across and within provinces. Collections are from employers or are contributed directly in the case of certain workers in the self-employed sector.

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1 Social Insurance Law of the People's Republic of China, 2010.

**Table 3 – 2: Social Insurance Contribution Rates in Urban China**

Items	Payroll Tax Rate	
	Employer	Employee
Pension	20% of payroll	8% of monthly wage
Medical insurance	≤6% of payroll	2% of monthly wage
Unemployment insurance	2% of payroll	1% of monthly wage
Maternity insurance <sup>a</sup>	0.5% – 1%	
Occupational injury insurance <sup>b</sup>	0.5% – 2%	
Total	29% – 31% of payroll	11% of monthly wage
Housing Fund <sup>c</sup>	5% – 20%	5% – 20%

Source: World Bank (2013f) and authors' compilation.

- a. Only employers contribute to maternity insurance.
- b. Only the employer contributes to the occupational injury fund and the amount of the contribution depends on what form of work the employee is carrying out. The more dangerous the work, the higher the percentage of salary contribution will be.
- c. The social insurance law of China doesn't cover the housing fund but it is often grouped with other social insurance programs since it functions in a similar manner.

## PROPERTY TAX

For three decades, *property taxation* has been discussed as a possibility for a major local government tax in China, but to date a broad-based annual property tax has not been introduced on a nationwide basis. This is not to say that real property is not taxed in China, but most of the existing taxes on real estate take place at the time of transfer and are better described as an ad hoc group of levies rather than a property tax system with clearly defined objectives.

China's five taxes on property are (a) the urban land use tax, which is levied on the physical area of the property, (b) the real estate tax for business use, which is levied on original value, (c) the land value added tax, which is levied on appreciation in land value, (d) the farmland occupation tax which is levied on area, and (e) the deed tax, which is levied on the self-reported value of property at the time of transfer (Table 3 – 3). Together, these taxes on real property account for about 8 percent of national tax revenues, and 1.6 percent of GDP (Man, 2013).

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**Table 3 – 3: Taxes on Land and Property in China**

Type of Taxes	Date of Implementation	Tax Base	Tax Rate, 2007	Collection Stage	Percent of Local Tax Revenue in 2012
<i>Urban Land Use Tax</i>	1988. 11. 1	Taxable land size(only on domestic taxpayers before 2007)	30RMB/m <sup>2</sup> to 0. 6RMB/m <sup>2</sup>	Possession	2. 52
<i>Real Estate Tax</i>	1986. 10. 1	Real Estate for Business Use	1. 2% on original value or 12% of rental income	Possession	2. 25
<i>Land Value Added Tax (LVAT)</i>	1994. 1. 1	Land Appreciation Value	Progressive tax rate (30% – 60% on the LAV)	Transaction	4. 45
<i>Farmland Occupation Tax</i>	1987. 4. 1	Farmland Size	1 to 10 RMB/m <sup>2</sup> (5 – 50RMB/m <sup>2</sup> (after 2008))	Land Transfer	2. 65
<i>Deed Tax</i>	1997. 10. 1	Self-reported value of Land and House Transfer	3% to 5%	Transaction	4. 71
Total					16. 58

Sources: Statistical Bureau of China, and the State Administration of Taxation of China Website.

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To chart the way for an introduction of a real property tax, the government has authorized pilots in Chongqing and Shanghai. The pilots, however, have been designed as levies with minimal coverage. The Chongqing experiment covers only very high income residential housing and less than 3 percent of all parcels in the city. It involves no valuation (the tax base is original purchase price less a standard deduction for area) and yields annual revenue of only about 100 million Yuan per year. The Shanghai experiment is similarly restricted to a small segment of the residential housing stock. It provides for taxation of residential housing for new residents, but only second homes of longtime residents, and provides for generous exemption levels. It does not seem that it will generate much revenue relative to the size of the city budget. Neither pilot takes on the difficult question of annual valuation of real property, nor does either attempt to integrate the property tax with the other forms of taxes or value capture on property. In general, these pilots do not move China significantly closer to implementation of a national property tax.



The way forward with property taxation in China is not clear. The problem does not seem to be a hesitation to tax property at a significant effective rate. The existing level of taxes on property, 1.6 percent of GDP, is well above the rate for developing countries (though below the average rate of 2.2 percent for industrial countries).<sup>1</sup> The problem with the present structure is that it is a hodgepodge of taxes on the physical area and transaction values of properties with no provision for taxing updated values on an annual basis. As a result, the property tax is not used to help shape a more efficient land use, to capture value created by public investments, or to provide significant support to local government budgets.

### CONSUMPTION TAXES

China relies on consumption taxes for 45.8 percent of revenues. Excluding the import and export consumption tax, the consumption tax package includes the value added tax (22.5 percent of revenue in 2012), the business tax (13.4 percent) and various special sales and excise taxes (6.7 percent).

During the past decade there has been steady progress with improving the value added tax base. Most recently, a major reform in consumption taxes began in 2012 with the first steps in merging the business tax into the VAT. The reform is still underway. The current business-for-VAT swap includes only 20 to 30 percent of the business tax base. The reform expanded to all provinces at the beginning of August of 2013. The important benefit to be realized from this change is the elimination of double taxation and the promotion of the service industry.

But like all structural reforms of the tax system in China, this will have effects on tax administration and on revenue sharing. The VAT is administered by the central government and the business tax by the local government. Subnational governments share in 25 percent of VAT collections but retain all revenues from business tax collections, on a derivation basis.

The complete elimination of the business tax would have serious consequences for subnational governments, since it is their main source of revenue outside the shared tax transfers. It is also the tax over which they have the most influence. Some of the loss will be recouped by the stronger VAT that will emerge, and some short term losses are protected by a temporary hold-harmless arrangement, but the net revenue

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<sup>1</sup> Comparative property tax practices are discussed in Bahl (2009), Bahl and Martinez-Vazquez (2008), and Bird and Slack (2004).

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effect is likely to be negative.<sup>1</sup> To date, the government has not announced how the lost revenues from the business tax will be replaced.

### ENVIRONMENTAL TAXES

China's serious environmental problems are well documented as are its policies to address this problem (World Bank and Development Research Center, 2014, pp 63 – 69, and 439 – 535). As early as the mid – 2000s, the Chinese government was warning about the costs of pollution, which it estimated to be the equivalent of 3 percent of GDP (Zhang, 2013). Despite spending at an OECD rate for environmental protection, China's record of success has been uneven. Most of its resource use and pollution occurs in cities or is caused by demand from cities, which also bear some of the greatest impacts (World Bank and Development Research Center, 2014, pp 439 – 535). While China has removed many environmentally harmful subsidies and other distortions in the system of producing energy, it is some distance from fully accounting for the costs imposed on health, ecosystems and the climate that results from resource production and use. Some have argued that the problem to be resolved involves institutional reforms and better coordination, including a better intergovernmental arrangement between center and local, but most agree that environmental impacts will be a long term proposition.

China uses three instruments in its environmental policy framework: pricing, including taxes, fees and user charges, regulations including emission controls, and direct government expenditures. There is interest in environmental levies, the so called “green taxation” approach (Merk, et al., 2012). Environmentally related taxes are defined broadly (OECD, 2006) to include any compulsory, unrequited payment to a general government levied on taxes bases deemed to be of particular environmental relevance”. It does not matter if the tax was levied for revenue purposes or for environmental protection, as long as the tax base can be linked to an environmental impact. In fact, most environmental levies in OECD countries are in the area of energy products and motor vehicles.

Man and Zheng (2013) have studied environmental related taxes in China and find that they are dominated by consumption taxes on refined oil and motor vehicles. In total, environment-related taxes account for about 1.5 percent of GDP, which is below the OECD average but above the levels imposed in the US and Canada. The

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<sup>1</sup> The Shanghai government began merging the business tax into the VAT at the beginning of 2012. The tax change is believed to have led to Shanghai attracting more business investment in the service industry, therefore recouping some of the short run revenue losses. This experience in Shanghai is alleged to have caused other provincial governments to participate in the reform to protect their economic base.

revenue derived from taxation on motor fuels in China is about the same as that on consumption of motor vehicles, raising some questions about the whether the taxes could be more effective in reducing emissions if they were structured around use rather than ownership. But, insofar as taxes on motor vehicle ownership and use, it would be fair to say that the main objective is revenue rather than environmental protection.

Several policies and pilots have introduced environmental taxes and fees, for example, publicly-traded coal mining companies in China paid around RMB 140 (US \$ 22) in taxes per ton of coal produced in 2012. A 2013 review by China's Central University of Finance and Economics found 25 different environmental resource taxes and fees among the 109 taxes and fees currently levied on coal producers (NEA 2013; World Bank and Development Research Center, 2014, pp 439 – 535. ). As part of the efforts to meet the energy target of the 12<sup>th</sup> Five Year Plan, the government launched its emission trading system in June 2013; and introduced new rules on resource tax and consumption tax to discourage excessive energy use and pollution. KPMG (2013) ranks China as sixth with a green tax policy that is balanced between incentives and penalties and focused on resource efficiency (energy, water and matters) and green buildings (KPMG, 2013).<sup>1</sup>

## USER CHARGES

Efficient pricing of public services could be a significant addition to total revenues in China. In some sectors, for example, electricity and natural gas, the record is better than in others, for example, water supply and sewerage. For urban transport, significant government subsidy is the rule, though there is significant variation in the extent of cost recovery. In other cases, user charges are negligible. For example, households are not charged for waste removal services. Fees on waste management currently make up only around 10 percent of the RMB 40 billion that is needed to run waste operations. Overall, the cost recovery experience varies widely.

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The need is not related only to a backlog of unmet needs. The cost of urban transport, utilities, waste disposal and other services that might be priced will increase substantially with the next wave of urbanization. With the government proposing a cap on the level of tax burdens in China, there will be a premium on raising these public prices to cost recovery levels. This will be difficult in the Chinese culture where indirect taxes seem preferred to direct payments.

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<sup>1</sup> <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/green-tax/Documents/kpmg-green-tax-index-2013.pdf>

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## ADMINISTRATIVE CHARGES

The issue of *administrative charges by government departments* needs to be further addressed. The practice is not as widespread at the central level as at the subnational government level where these charges account for about 7 percent of revenues. This is an inefficient way for governments to raise money, it may take advantage of a department's monopoly position in producing a service, and the charging practices of individual departments are not easily controlled. At the beginning of 2013, the central government decided to cancel and waive 30 types of administrative charges (MoF, 2012). Government will continue to move toward the removal of administrative charges.

## EXPENDITURE ASSIGNMENT

The division of expenditure responsibility between levels of government in China has been largely ignored in the past three decades. Even the 1994 TSS reform only restated the pre-reform expenditure assignment and provided no more than basic guidelines to define expenditure responsibilities between central and subnational governments. There was little change in either policy or practice in terms of the division of expenditure responsibility between the central government and subnational governments, or among sub-provincial governments, from the times prior to the initiation of the market-oriented reforms. The present assignment of expenditure responsibility has been around for a very long time.<sup>1</sup>

In a world where urban areas were less “connected” and most externalities could be internalized, metropolitan areas were much less populated and migration to urban areas was limited, and social insurance programs were in their infancy, the old arrangements seemed to “work”. But in the new China, subnational governments find themselves still saddled with responsibilities that long ago should have been transferred to higher levels of government.

There are a number of reasons why the expenditure responsibility arrangements have been so slow to change. Practices and bureaucratic interests are well entrenched and difficult to move. Moreover, changing expenditure assignments will set in motion structural changes in revenue assignment and financing practices and will lead to new administrative and management practices. Perhaps most important, the problems that have come with mis-assignments have not led to a crisis that forced a change in the

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<sup>1</sup> For a discussion of this history, see Qiao and Liu, 2013.

system. The flaws in the system have in many cases been hidden by economic growth.

But China is now becoming an urban country. Economic growth and urbanization has brought increased demands for government services, and most of these services are provided by subnational governments. The result is that the subnational government sector has become overloaded with functional responsibilities. More than 85 percent of general government expenditures now pass through local government budgets, and even this share does not include social security or the infrastructure spending made from the Government Fund or by local government-owned enterprises including UDICs. This makes China an extreme outlier in terms of the share of government expenditures made by subnational governments. Certainly some of this can be explained by China's size. But it is also due to an under assignment of expenditure responsibility to the central government, relative to what economic theory and worldwide practice would suggest. The present rate of urbanization will call attention to the need for a rebalancing of expenditure responsibilities.

The significant expenditure responsibility assigned to subnational governments is not matched by significant revenue raising powers. Moreover, the gap between subnational government expenditure responsibility and revenue entitlements increased with the 1994 reforms, which further centralized revenues, and has grown even larger with more recent adjustments in the revenue sharing arrangements. China's fiscal imbalance has evolved to the present extreme in vertical imbalance: About 85 percent of expenditures are made by subnational governments, and nearly all taxing power is at the central government level. With respect to the question of the fiscal pressures of urbanization, subnational governments have some considerable control over what services they can deliver, but much less control over the level of financing. In recent years, the vertical financing gap has been addressed with land leasing revenues.

## **QUESTIONABLE ASSIGNMENTS**

If expenditure assignment is not right (over-assignment or under-assignment to some level of government), allocative efficiency losses will result. If subnational governments are assigned responsibility for services where they cannot internalize externalities, or where they cannot capture economies of scale, the result will be an under-provision of the service or delivery at a higher unit cost. If subnational governments are assigned a responsibility that they cannot finance, its citizens may have to settle for a subpar level of services. For example, pensions may be underfunded and full payments may not be made to retirees. Or, a provincial government with responsibility for regulating the production of foodstuffs for national

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consumption may choose not to impose costly food inspection measures, and this decision could have a negative impact on the national welfare. Or, a local government might offer the children of migrant workers a lesser quality of primary education and this could lead to lower labor productivity in the future and undesirable equity effects in the present.<sup>1</sup>

Getting the expenditure assignments exactly “right” is all but impossible because many of the deciding characteristics of public services (e. g., externalities, economies of scale, local preferences) are not even measurable (Fox and Gurley, 2006). Still it seems unlikely that China could assign so much more expenditure responsibility to lower level governments than do other countries, and have the assignments right. One can look to economic theory and to the international practice for some help in identifying areas where the present system in China could be improved.

This approach, and the study of China-specific issues, has led several analysts to identify expenditure assignments that should be changed (Lou, 2013; Bahl, 2011; Martinez-Vazquez and Qiao, 2011; Dollar and Hofman, 2008). Though the assignment of many functional responsibilities has been called out, most of the concern centers on three areas: what government should do and what the private sector should do, which level of government should be responsible for financing social insurance programs, and whether the emergence of the new Chinese economy supports the case for centralization of more responsibility. All three of these concerns have profound implications for the cost of urbanization and for its financing.

### *Economic Development*

Economic theory leads to what sounds like an easy way to draw the line on the right level of government involvement in the economy, i. e., government gets involved when the market fails. But applying the theory is anything but easy.<sup>2</sup> The story is especially complicated in China because of the special problems of governance of such a large country, the absence of full downward accountability of officials to local constituencies, the division of ownership of property between government and individuals, and the culture of government involvement in the competitive sector.

There also is the long history of government ownership and management of

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<sup>1</sup> In the mid-1990s, the Russian central government offloaded significant expenditure responsibilities on to subnational governments, but did not decentralize revenues to cover these new demands. The result was serious cutbacks in both social services and infrastructure maintenance and development (Martinez – Vazquez, Timofeev, and Boex, 2006).

<sup>2</sup> This point can be underlined by a reading of Stiglitz (1986, chapter 4) who reviews the principle sources of market failure that have been used to justify government activity in the market place.

enterprises. The state owned enterprise sector still constitutes a significant share of the economy, and subnational governments also operate a wide range of business activities in the competitive sector. Even now, there is not full agreement about the “right” dividing line between what government should do and what the private sector should do.

*SOEs.* There is a shortage of careful empirical studies that document the determinants of growth in local government business activities, but a popular belief is that SOEs in this sector of the economy are growing in numbers (Tian, Xia, and Chen, 2010). By the end of 2011, there were 144, 700 state-owned or state-controlled enterprises, among which only 113 are central SOEs. Excluding financial institutions, these SOEs hold 85.37 trillion RMB (13.55 trillion USD) in total assets. They report a total revenue of 39.25 trillion RMB (35 percent of total industrial and business revenues), as well as profits of 2.58 trillion RMB (43 percent of the total).<sup>1</sup> An analysis by the U. S. -China Economic and Security Review Commission estimated that the SOE sector accounts for about 40 percent of China’s economy. (Szamosszegi, 2011)<sup>2</sup> According to the OECD, China, in comparison to 23 OECD countries and 6 BRIICS, has the highest weighted average among the country’s top ten companies in SOE shares of sales, assets and market values (Kowalski, 2013).

Local government SOEs are either wholly or partly owned by the subnational government. They take two main forms. First, they may be public service companies where the main line of business has some degree of “publicness” (e. g., a bus or light rail company). In this case the fiscal linkage might be a direct subsidy to the SOE to maintain lower fares. The second form is an SOE that competes with firms in the competitive sector. Examples might be a company whose business is rentals to commercial tenants, a company that constructs residential buildings, a company that manages an industrial park, or a company involved directly in production and sales of a private sector good (World Bank and Development Research Center, 2014, pp81 – 126). This second category might also include the UDICs that are the partners with local governments in the business of land acquisition, land development and sale of leases. The linkages between the competitive SOEs and the general budget are transfers that support the activities of the enterprises and might directly or indirectly contribute to their profitability.

It is this second type of enterprise activity that confuses the role of the public sector in China. If the focus of public sector activity in China became more traditional in the sense of providing goods and services of a public sector nature, these SOEs would no

<sup>1</sup> [http://news.xinhuanet.com/english/indepth/2012-10/24/c\\_131928023.htm](http://news.xinhuanet.com/english/indepth/2012-10/24/c_131928023.htm).

<sup>2</sup> [http://origin.www.uscc.gov/sites/default/files/Research/10\\_26\\_11\\_CapitalTradeSOEStudy.pdf](http://origin.www.uscc.gov/sites/default/files/Research/10_26_11_CapitalTradeSOEStudy.pdf).

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longer involve government ownership or management.

*Industrial Subsidies.* A related problem is the use of subsidies by subnational governments to attract industries to their provinces/cities. The results of provincial and local governments taking on this role are an inefficient pattern of industry location. Without the subsidy, the location decision of the enterprise would have been driven by market forces. Another consideration is that this type of competition favors local governments with more discretionary revenues. Industrial subsidies also can lead to a siphoning of funds away from mainstream government functions.

The land lease boom of the last decade, which has gone hand-in-hand with these industrial incentives, appears to have contributed to a high cost urban form, discriminated against commercial services in favor of industry, and contributed to an unfair treatment of those who hold the user rights to farmland on the urban fringe (World Bank and Development Research Center, 2014, pp81 – 126, 187 – 262). Resolving this set of problems is particularly difficult in China because of the limited downward accountability of local officials, because of the incentives that local officials are given to promote industry and GDP growth, and because the funding of infrastructure is needed to accommodate urban growth.

Economists have long warned against the use of such subsidies by subnational governments (Keen and Marchand, 1997; and Boadway and Shah, 2009). The traditional argument is that the best function of subnational government is allocative, i. e. , to deliver an adequate level of public services (Musgrave, 1983). If subsidies are necessary to attract a firm to City A, the result likely will be inefficient because capital will be diverted from a location where it would be more productive.<sup>1</sup> If the subsidy is not necessary to attract a firm, but is given anyway, the result is a sacrifice in spending on general public services, and a horizontal inequity with non-incentive firms.<sup>2</sup> Of course there are exceptions to this generally dim view about the merits of government subsidy programs to attract business, e. g. , the cases of pioneer industries or technology development industries. However, if subsidies are necessary to attract and start-up such industries, this could be more appropriately a function of the central government.

Second and third tier cities in the mid-western part of China compete aggressively with tax credits and public infrastructure investment to attract international firms. In 2008,

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1 If all provinces adopt the same industrial subsidy policies, they would cancel any advantages that might be gained, and a portion of budgets would simply be captured by the company. On the other hand, if capital was perfectly mobile internationally, subsidies would not lead to an inefficient distribution of capital across jurisdictions.

2 Some would argue that in the long run, the additional revenues generated will pay for this short term sacrifice.



Foxconn Technology Group—the world’s largest electronics contractor manufacturer—invested 1 billion RMB and relocated 160 thousand employees to its new factory in Wuhan, capital city of Hubei Province, located in the easternmost part of Central China. The Wuhan government committed to invest in 4.5 billion USD to provide public infrastructure facilities for Foxconn, including an exclusive railway connected to Foxconn Wuhan Industrial Park<sup>1</sup>. Similarly, Sichuan Municipality successfully attracted Intel Corporation by investing 2.5 million USD in a 10 km highway connected to Intel’s factory, and providing full corporate income tax exemption in the first five years<sup>2</sup>.

*Social Insurance.* Social security in China refers to a package of programs which includes pensions and health insurance, but also unemployment insurance, maternity insurance, occupational injury insurance, and a variety of health and welfare programs.<sup>3</sup> The social insurance programs (pensions and health) are the responsibility of the city and county governments and are managed in a separate local government fund for social security. Financing is by payroll tax contributions and government subsidies. The national guidelines for combined employer and employee taxes are equivalent to 40 percent of wages. However, the national guidelines are not binding and there is considerable variation among the provinces. For example, the World Bank and Development and Research Center (2014, pp263 – 358) reports that the guidelines call for minimum employer pension contributions of 8 percent in all cities, but actual rates vary from 10 percent in some Pearl River Delta cities of Guangdong province (such as Zhuhai and Zhongshan) to 22 percent in Shanghai and Harbin.

The combined employer and employee payroll tax rate of 40 percent is high by international standards (IMF, 2013). The impacts on the economy are not in step with Chinese economic policy goals, i. e. , increases the cost of labor, worsens equality in the distribution of income, and reduces the disposable income of households.

The subnational governments are also responsible for a package of (non-insurance) welfare and health programs and these are managed through the general public finance budget of the local government. When combined, annual expenditures on these social security programs are equivalent to about 7 percent of GDP (Tables 2 – 1 and 2 – 7).

China’s decentralized management and financing of pensions and other social insurance programs is a significant departure from the international practice. The pension funds’ governance standards, management practices, regulation and supervision vary

1 <http://www.lawtime.cn/info/laodong/kaoheguanli/2010121585462.html>.

2 <http://arts.51job.com/arts/78/357071.html>.

3 For descriptions of the Chinese approach, see Dorfman, Holzmann, O’Keefe, Wang, Sin, and Hinz (2013), and World Bank and Development Research Center, 2014, pp263 – 358.

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considerably both across the components of the Chinese pension system and across provinces (Hu, Pugh, Stewart and Yermo, OECD, 2007; Impavio, Hu and Li)<sup>1</sup>. Most industrial and developing countries have centralized or largely centralized the old age pension insurance financing programs. In general the reasoning is that uniformity in benefits and some guaranteed minimum funding of these programs is in the national interest. Disparities in income level among local governments in China are too great to allow subnational financing.

*Pensions.* In China, the financing and delivery of the pension system is decentralized to city and county governments. The costs are mostly covered by payroll tax contributions (75 percent) with the remainder covered by a subsidy. The system is generally underfunded, and is beset with a legacy cost. When responsibility for the pension payments of former SOE workers was passed to the local governments, shortfalls emerged and the pension accounts were raided to meet payment obligations. This left the local governments with unfunded pension liabilities and numerous “empty” accounts. The changing age distribution in China will worsen this problem (World Bank and Development Research Center, 2014, pp263 – 358).

The fiscal disparities among local governments are great enough that county and some city governments cannot do the necessary risk pooling to finance these programs at mandated national levels. This has led to pooling at the prefecture or provincial level in some provinces. Though this broader base has reduced the risk, there still have been pension arrears and defaults that have forced continuing central and provincial government subsidies (Martinez-Vazquez and Qiao, 2011). For example, in 2011 there were 14 provinces with pension deficits (Zheng, 2012, as reported in World Bank and Development Research Center, 2014, pp263 – 358).

*Health Insurance.* The health insurance programs also are managed at the county/district level of government in China. Effective reimbursement rates vary across counties and districts, due to differences in deductibles, copayments and ceilings. For example, the percent reimbursement by NRCMS (The New Rural Cooperative Medical Scheme) of inpatient costs across county hospitals can vary fivefold (Zhang, et al., 2012). These rates in turn are a function of disparities in the levels of contributions and local government subsidies. Besides the equity concerns associated with these disparities, there is a higher overall risk with the smaller sized pools. In addition, there are significant challenges for migrants to access health care and there is overlap in registration in the rural and urban programs (Zheng, 2012).

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<sup>1</sup> <http://www.oecd.org/finance/private-pensions/39604854.pdf>; <https://www.imf.org/external/pubs/ft/wp/2009/wp09246.pdf>.

Urbanization will coincide with some sort of rearrangement of the financing of the social insurance programs. The importance of increased labor mobility to economic growth and the need to support this with portability of benefits, the national nature of the benefits from these programs, and the need to focus more heavily on equalizing real incomes in the population, all will push in the direction of increased central financing.

## CENTRAL FUNCTIONS

As the Chinese economy has matured, it has become more interconnected. Capital is mobile and labor is becoming more mobile, and urban areas have expanded so much that in some cases they have grown together. The size of urban areas has tripled in the past 20 years. The economic success of one metropolitan area, and the quality of life in that metropolitan area, is very much affected by what goes on in surrounding urban areas.

These interconnections should call out changes in methods of delivering and financing local public services. For example, improvements in connectivity between cities enhance economic efficiency because it enables firms to access local, regional, and global markets—both for buying inputs and selling outputs—as well as to exchange ideas, thereby stimulating innovation. They also give consumers options and, in many cases, better prices (World Bank PCFN 2013). Within cities, connections make it possible for people to access employment and services, and for firms to attract workers, access other inputs, and sell their products in local markets (World Bank and Development Research Center, 2014, pp127 – 186).

The classic example of negative spatial externalities is air pollution. Dust and particulates produced in one province can easily reach cities in a neighboring province, and emissions caused by agricultural activities can worsen urban pollution problems (World Bank and Development Research Center, 2014, pp439 – 535). The same result occurs in the case of competition for the use of limited water supplies.

The provision of public services within urban areas is also more interrelated and increasingly has called for more intergovernmental cooperation in planning and service delivery. In some cases, these intraurban effects call for direct regional or central government participation in service delivery. The need for better coordination is most clear in the case of transportation. World Bank and Development Research Center (2014, pp127 – 186) states the problem well: Each component of the public transport system is usually of good quality, but door to door trips by public transport are inconvenient. This is due to poor physical and service integration, often characterized by excessive transfer distances, mismatched schedules, separate ticketing systems, or

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lack of easily accessible transfer facilities. The underlying problem is institutional fragmentation at the city level, since different agencies are responsible for different aspects of urban transportation ( metros, buses, road construction, traffic management, land use).

Other examples of the coordination problem include environmental protection, service delivery coordination where urban agglomerations have grown together, compulsory levels of health and education services, consumer safety, and much more (Lou, 2013, Bahl, Linn and Wetzel, 2013; Rojas, 2008).

Public policy has also become more inter-related. Local governments compete aggressively for new economic development.

Since officials were rewarded for delivering key reform goals including growth, FDI, employment, tax revenue, and social stability, the resulting competition amongst local governments can be fierce (China 2030, page 5). Local governments have a number of instruments to use in this competition, including tax exemption, electricity subsidies, as well as land and rental subsidies to attract investment projects that may contribute to growth and employment<sup>1</sup>. But local governments are also vulnerable in this system. One government's policies can affect another's success (e. g. , beggar thy neighbor subsidy programs to attract industry), and the fiscal position of all subnational governments might be effected by a policy decision at the up-level (e. g. , hukou or VAT reform).

### UNCLEAR EXPENDITURE ASSIGNMENTS

Many countries assign expenditure responsibilities to their subnational governments, and provide a list. Some countries do not specify this in a central place, but rather work it out in sector laws (de Mello, 2011). China has no exclusive list of functions that is reserved for either the central or the subnational governments. Rather there is a very general description of responsibilities in the Constitution that leaves much latitude for interpreting the division of powers (Li, Qiao and Liu 2014).

In practice, the delegation of responsibility is by administrative decision and will vary from province to province. This leads to a lack of clarity about exactly who is responsible for what. The result can be a costly duplication in service delivery, or the failure to deliver some services, or an inability to identify that level of government responsible for a public service level failure. More generally, the lack of clear definition and assignment of responsibilities can become a hotbed for either an

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1 [http://news.cqnews.net/html/2014-03/11/content\\_30079786.htm](http://news.cqnews.net/html/2014-03/11/content_30079786.htm).

intergovernmental turf war or buck-passing, and accountability becomes an even more difficult problem (Lou, 2013).

The nature of the problem in China is captured nicely for the case of water management in a World Bank analysis (World Bank and Development Research Center, 2014, page 439 – 535). “Transboundary issues among municipal administrations compound the difficulty in water quality management—and many rivers demarcate administrative boundaries. This can lead to a situation where everyone is responsible but no one takes responsibility—until a crisis happens, then punishments are handed out but only after the environmental damage is done.” The fragmented approach to urban transportation planning and management discussed above is another example.

## **REVENUE ASSIGNMENT**

Subnational governments in China have almost no legal taxing powers, i. e. , they have very little ability to set the tax rate or to determine the size of the legal tax base.<sup>1</sup> In the case of taxes where they have responsibility for assessment and collection, local governments can influence the effective rate through stronger administration, and they have the incentive to do this because they retain the revenues. These levies are usually referred to in China as “local taxes”. Local governments may impose user charges, but these too are often subject to approval by higher level governments, and the record of full cost recovery in the residential sector is mixed.

This approach to revenue assignment has advantages. It allows the central government to set the size of the total resource envelope and therefore to control the level of subnational government expenditures in the public finance budget account. Revenue centralization also has the advantages of allowing central control of the distribution of tax burdens and a capturing of economies of scale in tax administration (Martinez-Vazquez and Timofeev, 2004). Even with this centralized system, subnational governments do have an incentive to make a greater tax effort by growing the tax base. They can do this by offering incentives to attract new firms to the local area and they can use their influence in the local economy to encourage a higher rate of compliance from existing companies.

But this approach to revenue assignment also raises some important public financing problems. First, it gives subnational governments no possibility to adjust the legal tax rate or tax base for general taxes in order to pursue new initiatives that require resources above that which the transfer system will allocate. Nor does it leave them

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<sup>1</sup> The only elements of sub – national tax autonomy are the choice of the selection of tax rates of the urban and township land use tax within maximum and minimum legislated rates.

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with discretionary resources to pledge against debt repayment, or to cover unexpected deficits. These shortcomings, and the pressing needs related to urbanization, explain some of the very great appeal of land-based financing in recent years.

Second, the present system leaves subnational governments vulnerable to discretionary tax policy or revenue sharing changes by the central government. For example, the move to a consumption-based VAT imposed a revenue cost that was partly passed along to local governments through the VAT tax sharing arrangements. The same is true of changes in the threshold of the individual income tax, the merging of the business tax with the VAT, and the elimination of agricultural taxes.<sup>1</sup> This set of vertical arrangements not only makes local revenue budgets vulnerable, but it also weakens the accountability of local government officials to both the local constituency and to the upper level authority: “How can I be held accountable for something I cannot control?” is a defense by subnational government officials that resonates well if a local budget deficit or service level shortfalls results.

Third, the absence of formal local government taxing powers has encouraged subnational governments to find creative backdoor approaches to financing service delivery. And, the central government seems to have been willing to overlook these end runs in order to allow necessary increases in local government spending, even when local government practices seem to run contrary to central policy. The relatively unregulated sale of land leases with full retention of the revenues, and local government borrowing through intermediaries such as the UDICs, are the most recent examples. The widespread use of informal taxes and fees, and extra budgetary accounts in the 1990s, and the restructuring of legacy debt for financing rural schools in the mid – 2000s are other examples (Bahl, 1999; Wong, 1995, Liu and Qiao, 2013).

70 These drawbacks notwithstanding, revenue centralization has worked reasonably well in China, but arguably because economic growth has generated a surplus of revenues, particularly in the larger cities. Tax revenues and subnational government expenditures more than doubled as a share of GDP between 1994 and 2012 (Lou 2013, Li, Qiao and Liu 2014)<sup>2</sup>. This explains how the central government could safely increase the income tax retention rates, and abolish local taxes as mentioned above, without fear of local government budget shortfalls.

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1 The elimination of the business tax promises to be the most damaging of these initiatives insofar as local government budgets are concerned. Though there is a hold harmless provision in the transition period while this tax is fully centralized, it is not yet clear how the longer run revenue shortfall will be covered.

2 By comparison, the Korean “miracle” between 1960 and 1975, saw real annual GDP growth average more than 7 percent, while revenues increased from 12 percent of GDP to 17 percent.

Will the model of centralized revenue assignment work as well in the future? Revenue growth will slow with the economic slowdown, and further urbanization will bring new expenditure pressures. The inability of local governments to fill the financing gap by raising their own revenues may compromise local service delivery. Four problems might be noted. First, the uneven landscape of economic activity results in uneven access to basic social services and uneven service quality. Because revenue assignment is based on origin of collections, local government revenues are heavily concentrated in regions of high economic activity. This unequal distribution favors wealthier regions over poorer provinces and municipalities, which may have greater needs. Second, the system prevents subnational governments from raising revenues for initiatives that require resources beyond what the transfer system allocates or for pledging against debt, or to cover unexpected deficits. Third, revenue centralization has driven subnational governments to backdoor financing approaches, such as the sale of land leases (with full retention of revenues) and local borrowing through Urban Development Investment Corporations. Fourth, subnational governments are scarcely accountable to the local population. They could become much more accountable through a decentralization of taxing powers, which would allow people to relate their local tax burden directly to local government budgets.

## **INTERGOVERNMENTAL TRANSFERS**

China's version of intergovernmental transfers is different from the mainstream practice in industrial and developing countries, largely because of the emphasis on derivation-based revenue sharing. Arguably, this was the right approach during the last 30 years when the goal was to reward areas that were developing fast by giving them investment money to continue the growth. The strategy to "Let some of the people get rich first" as noted by Deng Xiaoping was an important part of the strategy for development of the industrial economy in China (Wu 2004).

The intergovernmental transfer system has been adjusted several times since its major overhaul in 1994, but most of these changes were to fix specific problems or to pursue specific objectives. The increased central shares of income tax collections were taken to restore what the central government saw as a needed adjustment in vertical balance, and the earmarked grant programs were introduced to stimulate spending in high priority areas, to compensate local governments for fiscal losses that resulted from central government or external factors, and to channel more funds to the lower income provinces. But in China, the effectiveness of the intergovernmental transfer system is not independent of changes in tax policy and tax administration. Absorbing the business tax into the VAT is probably good tax policy, but it will have significant negative implications for local government revenue budgets and may well call out

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compensating changes in the intergovernmental transfer system.

Several important problems arise with respect to intergovernmental transfers: (a) whether the vertical shares of central taxes that are used to support local government spending are any longer “right”, especially in light of the need to cope with significant urbanization costs, (b) whether government has achieved the right level of equalization and is using the right instruments to do this, (c) whether the system has become too complicated to effectively administer, and (d) whether the arrangements for sub provincial revenue sharing are in step with central government objectives. If the central government has an appetite for reforming the system of intergovernmental transfers, the menu of specific issues to be addressed is formidable. With urbanization and slower growth possibly driving changes in expenditure and revenue assignment, and with new awareness about the importance of spending to protect the environment and to upgrade urban services, a more comprehensive change in the structure of intergovernmental transfers may not be far in the offing.

### **EQUALIZATION**

The economic disparities among provinces are very great in China, as they are in most low and middle income countries. For example, average per capita GDP in the four provincial cities is about one-third higher than in the other eastern provinces, and more than double that in the rest of the country. The national pattern of regional economic disparities is described in Table 3 – 4. But disparities are not easily measured and need to be interpreted with care. The GDP indicator is flawed because it already takes account of some transfers to the provinces and it overstates the natural endowment of a region. The HDI index gives a measure of the level of development in a province. But this index changes only slowly and the effects of intergovernmental transfers on the HDI will be very difficult to separate from the effects of many other factors.

72 The data presented in Table 3 – 5 indicate that the inter-province distribution of per capita expenditures is not markedly less dispersed than that in per capita GDP, though both the coefficient of variation and the range in the per capita expenditure distribution is lower. This suggests a modest equalization effect of the system of intergovernmental transfers. However, except for Tibet, the per capita expenditures by subnational governments varies from Yuan 17003 in Qinghai to Yuan 4526 in Henan around an average of Yuan 6877. Note also that the simple correlation between per capita GDP and per capita expenditures is positive, i. e. , even after the impact of shared taxes and grants is taken account of, higher income provinces spend significantly more.



**Table 3 – 4: Regional Economic Disparities Year 2012**

Province	Per Capita GDP( Yuan)	HDI
Beijing	87475	0.821
Tianjin	93173	0.795
Hebei	36584	0.691
Shanxi	33628	0.693
Mongolia	63886	0.722
Liaoning	56649	0.740
Jilin	43415	0.715
Heilongjiang	35711	0.704
Shanghai	85373	0.814
Jiangsu	68347	0.748
Zhejiang	63374	0.744
Anhui	28792	0.660
Fujian	52763	0.714
Jiangxi	28800	0.662
Shandong	51768	0.721
Henan	31499	0.677
Hubei	38572	0.696
Hunan	33480	0.681
Guangdong	54095	0.730
Guangxi	27952	0.658
Hainan	32377	0.680
Chongqing	38914	0.689
Sichuan	29608	0.662
Guizhou	19710	0.598
Yunnan	22195	0.609
Tibet	22936	0.569
Shaanxi	38564	0.695
Gansu	21978	0.630
Qinghai	33181	0.638
Ningxia	36394	0.674
Xinjiang	33796	0.667

Sources: China Statistical Yearbook (2013).

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**Table 3 – 5: Selected indicators of Fiscal Disparities for Subnational Governments, 2011<sup>a</sup>**

(in Yuan)

<b>Per Capita Expenditures</b>	
Lowest	4526
Highest	17033
Average	6877
CV <sup>b</sup>	0.43
H/L <sup>c</sup>	3.76
<b>Expenditure as a Percent of GDP</b>	
Lowest	11
Highest	58
Average	18
CV	0.44
H/L	5.25
<b>Per Capita GDP</b>	
Lowest	16437
Highest	83449
Average	38944
CV	0.46
H/L	5.08
Correlation with per capita expenditure	0.59
Correlation with expenditure as a percent of GDP	-0.47

Sources: calculated from data in the statistics Yearbook of China 2012.

a. We do not include Tibet in the sample.

b. Coefficient of variation.

c. Highest level/lowest level.

These inter-province fiscal disparities are not surprising. There always have been wide disparities in the natural advantages of some provinces over others, and the public finance system is not structured to greatly reduce these disparities. As is shown by the simple correlation analysis presented in Chapter Two, the tax rebate grants and the general tax sharing components are decidedly counter-equalizing. The latter are based on where taxes are collected rather than where expenditure needs are greatest. At present, the tax sharing and tax rebates together account for about 60 percent of all

transfers to local governments. To the extent there is any equalization in the Chinese system, it comes from the earmarked and gap-filling grants.

Various analyses have disagreed about the equalization outcomes of the Chinese system of intergovernmental transfers (Yin, Kang and Wang 2007). Earlier studies noted the strong influence of tax sharing transfers and concluded that the system was counter-equalizing (Bahl, 1999, Bahl and Wallich, 1992). In more recent years the grant component of the transfer system has grown and according to some analysts has done a better job of reducing fiscal disparities. Herd and Wang (2013) find that grants have generated both inter and intra province equalization effects. Persson and Eriksson (nd) report a similar finding based on an empirical study of the 1998 – 2003 period. Hofman and Guerra (2007) find that interprovincial disparities in HDI indicators of service levels are less than disparities in per capita GDP.

### **PROBLEMS WITH EARMARKED GRANTS**

The system of intergovernmental transfers has become quite complex. There are 220 central government conditional grant programs, each of which should be monitored by higher level governments to insure proper compliance. Some of them may not be necessary from either efficient or equity perspectives. In the 2014 budget report, it is reported that one third of these programs will be cut. The “gap filling” transfers are a collection of very different grant programs that range from transfers to minority regions to transfers that compensate for the elimination of the agricultural tax. Even general revenue sharing on a derivation basis is subject to an array of complicated adjustments to free the inter-province distribution from the so-called “headquarters problem” (Qiao and Liu, 2013).

This complication comes with costs. Conditional grants are essentially funded mandates, and unless they are properly designed to stimulate spending to capture a spillover benefit, they will compromise local government budget autonomy and may not be efficiency enhancing. These earmarked grants also impose an administration cost on the central government and a compliance cost on the subnational government. Finally, earmarked grants usually lead to strong bureaucratic and ministry interest in maintaining these programs, as well as a local government constituency, creating a formidable resistance to abolishing these programs when they are no longer necessary (Blom-Hansen, 2010).

### **SUB PROVINCIAL TRANSFERS**

Provinces have considerable discretion in deciding (a) expenditure assignments, (b)

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how much of the intergovernmental transfers received from the central government will be retained for their own uses, and (c) how they will allocate transfers among their cities and counties. This “federal” financing approach preserves provincial level autonomy and allows a capturing of some local information advantages. Provincial governments can place revenues where they see them as most needed or where they see them as most the step with the provincial economic strategy. They may decide to adopt equalizing distributions across local governments, or they may choose an investment stimulation strategy.

China is too large a country to govern effectively without this provincial discretion. But, there also are problems with this hierarchical arrangement for revenue sharing. The provincial government may pick off too great a share for itself, as least in the eyes of the lower level governments, or it may not make the sub provincial allocations on a basis of needs. In particular, provincial governments may not adequately recognize the needs of cities and counties to deal with financing problems associated with urbanization, or they may not be sympathetic with the situation in which local governments find themselves. On the other hand, the information advantages concerning expenditure delivery and tax collection are usually greatest at the lowest levels of government. And, more generally, the problems that come with delivering services to accommodate urbanization and financing will fall heavily on the cities, but equalization objectives of a province might tend to redirect funding away from cities.

Another problem with this hierarchical approach is that sub provincial allocations may lead to a compromising of central government policy objectives, e. g. , with respect to equalization of fiscal capacity or the stimulation of certain types of expenditure. For example, the central government might adopt a program of allocating revenues among provinces according to expenditure needs indicators. But the provincial government might decide to distribute these among cities and counties according to a derivation approach. This opens the door for a discussion about whether central grants to provinces ought to contain more mandates as to how the central funds should be passed through to provincial governments.

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### **SUBNATIONAL GOVERNMENT BORROWING**

The central government in China has tacitly recognized that debt finance at the subnational government level is essential to supporting urbanization. But rather than open the doors to local government borrowing in a formal way, an informal approach has been allowed. Subnational governments in China have always been resourceful, and the central government in China has often been willing to overlook the liberties they have taken when the purpose of these actions seemed to be in the national

interest. This seems to have been the case with respect to the use of financing platforms by local governments to borrow to support the very high profile land leasing program to finance urban infrastructure.

In the late 1980s, local governments created financing platforms which featured government owned business entities (Urban Development Investment Corporations, or UDICs) that borrowed on their behalf. The UDICs are capitalized by the local governments; mostly with user rights to land that were purchased (transferred) from rural collectives and converted to State owned status.<sup>1</sup> The UDICs then borrowed to finance the infrastructure improvements necessary to the sale of the lease, using the expected revenue stream from the land leases as collateral. Half of the debt outstanding of subnational governments is borrowing by UDICs (Annex Table 3). About two-thirds of this debt is guaranteed by the local governments (the guarantee status on the other one third is uncertain) (Painter, 2013).

But borrowing through the UDICs is not a long term solution to the capital financing needs of subnational governments, for a number of reasons. The financial operations of UDICs are not fully transparent, even though UDICs are an agent of the local government. It is difficult even to get a firm estimate of the actual amount of infrastructure spending that is taking place. Neither are the UDIC accounts regularly audited alongside those of the local government. A second class of problems is that UDICs may co-mingle public purpose activities with private purpose activities such as real estate investments. The use of UDICs as a borrowing agent is also problematic. While local governments almost certainly would be subject to a creditworthiness analysis to evaluate their ability to repay debt, UDICs do not undergo a transparent credit analysis. Finally UDIC loans are secured by leases on user rights to land; hence their financial condition (and indeed the financial condition of the local government) is vulnerable to market fluctuations in property values.

Nearly half of all local government debt is now held by the UDICs, and the practice of repaying debt with new loans is not unusual. When the central government placed a ban on repaying debt with rollovers, in late 2010, the level of overdue debt and the likelihood of default on short term loan repayments began to rise. In 2010, about one-fourth of all UDICs were loss making (World Bank and Development Research Center, 2014, pp187 – 262). The situation eased when government removed the ban in 2013, but the vulnerabilities of the practice had been demonstrated.

The level of local government debt, including UDIC borrowing is estimated to be

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<sup>1</sup> In some cases, this capitalization would be augmented by a dedicated revenue stream from the local government budget, and in some cases by ad hoc transfers from the subnational government budget.

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equivalent to about 45 percent of GDP in 2012(IMF, 2013). These are not dangerous levels by world standards, but their recent growth and uncertainties about where liability ultimately lies, is a concern.

### **FISCAL REPORTING BY SUBNATIONAL GOVERNMENTS**

The present system of budgeting and fiscal reporting raises problems. First, the “public management” does not seem to exist in any one office of the subnational government. The public finance budget is the domain of the provincial and local government finance bureau, but the Government Fund and the social security accounts operate with a great deal of independence (though both may be recipients of transfers from the public finance budget). Fiscal planning is difficult under this arrangement.

Second, there is no home for capital budgeting within this framework. It would be incorrect to say that the Government Fund is a capital budget, because some capital spending is included in the public finance budget, and some current spending such as some educational expenditures, is included in the government fund budgets. Should formal local government borrowing become a reality, capital spending and maintenance, and loan repayment plans would need to be included under the same public management.

Finally, there is need for transparency in the public expenditure regime if there is to be confidence in the ability of local governments to manage their fiscal affairs. But under the present system, the general local government does not seem to have control over the government finance budget or have full knowledge of the financial operations of the UDICs.

### **LAND SALES AND LEASES**

The amount of land conversion to urban use and the way in which land conversion is practiced have raised important economic and social concerns. The first is that the easy money from selling land leases, and the political incentives for showing increases in local GDP and local revenue growth, may have diverted the attention of local governments away from their basic mission of improving the delivery of public services. The goal of attracting new companies with subsidies may have overtaken the goal of building new infrastructure and providing better services to support the general public. Some of the leasing profits may have been channeled away from public purpose to investments in more private sector type activities such as the construction of commercial residential buildings, development of industrial parks, or commercial

tourism development projects. Consistent with this concern is the revenue sacrifice associated with the subsidy package of free infrastructure given to some industries and the negotiated rather than auction sales of some leases.<sup>1</sup>

Another problem is the potentially serious financial risk associated with borrowing against land user rights. The practice of repaying these loans with the sale of new leases makes local governments especially vulnerable to a downturn in land prices. In 2012, the total outstanding debt of subnational governments was equivalent to about twice the level of total general revenues. Even though the aggregate level of debt of local governments is equivalent to only about 31 percent of GDP, the total liability is much higher in some cities. In 2010, 78 city governments and 99 county governments held debt obligations equivalent to more than 100 percent of local GDP (National Audit Office, 2011).

A third problem is a lack of transparency in the process. The detail of the UDIC activities is not widely distributed to the public, or sometimes even to the budget department of the local government, nor is information about transfers between the local government fund budget and the UDICs readily available. Detail of the business activities of the UDICs are not exactly shrouded in secrecy, but neither are their investment finances and financial condition widely reported. Wong (2013, p301) reports that “It was only when the China Banking Regulatory Commission became concerned with the pace of lending to LICs that they discovered the near-complete absence of information about them.”

Fourth, there is an equity issue involved with the approach followed in bringing farmland into urban use (World Bank, 2012). Neither the collective nor the farmers may sell land to end users, and the user rights of farmers are only weakly guarded. Local governments use their monopoly powers to claim farmland at a value reflecting agricultural use, which is well below the market value in urban land use. In many cases the land is expropriated, further raising the level of unrest among those holding user rights to farmland. Compensation payments to farmers have steadily decreased as a share of land profits, largely because of the spread between the buying price which is the agricultural use value and the selling price which is the value in urban use (World Bank and Development Research Center, 2014, pp187 – 262, Wang, et. al., 2011).

Fifth, the pattern of urban land use that has resulted from the land leasing program is problematic. The strategy for accommodating industrial growth and urbanization has been led by the sale of leases on land at the urban fringe, and has been supported by a heavy investment in infrastructure to service this newly developed land. Industry is

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<sup>1</sup> For a discussion of this, see World Bank and Development Research Center, 2014.

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subsidized to attract it to these locations, but commercial development has not been subsidized. This has contributed to a pattern of urban sprawl that imposes both economic and social costs, and has channeled interest away from more compact, infilling strategies for urban growth. This urban development strategy also can lead to increase carbon emissions because it generates longer commutes and less use of mass transit, it increases living space per person and therefore more emissions from home heating, it results in higher levels of power consumption, and it leads to less intensively used infrastructure which in turn raises emission levels (World Bank, 2013c; Baeumler, Ede Ijjasz-Vasquez, and Mehndiratta, 2012; and Liu and Salzberg, 2012).

Finally, the process of obtaining land and constructing infrastructure has in some places taken on a life of its own, i. e. , it may have gotten out in front of public policy in terms of how much new land acquisition and building of infrastructure should take place. OECD (2010) reports that the goal of building the future revenue base with land transactions in Guangdong was so strong that local governments generated an oversupply of land. In all of China, the increase in urban construction land in the last decade has been double the rate of population increase, and densities have fallen significantly (World Bank, and Development Research Center, 2014, pp127 – 187).



## **CHAPTER FOUR REFORM STRATEGY**

### **INTRODUCTION**

The Chinese public finance system has grown more than it has developed over the past three decades. While a booming economy, urbanization and an aggressive economic measures related to the opening up of China have all contributed to rapid economic growth and to lifting 500 million people out of poverty, the system of public spending and finance has not been subject to a major overhaul. Rather, the changes have been piecemeal and in response to immediate pressures. Economic growth has hidden the results of many of the structural problems with the system, but these problems have led to a weakening of the economic system.

The Chinese fiscal system no longer matches up well with the Chinese economy. Despite important reforms over the past two decades, the present fiscal and governance structure still carries features from the pre-market period. In many ways it is not equipped to deal with the impacts of rapid urbanization, or to support the consumption-led economic growth strategy that the government now hopes for. The policy questions facing government are how to reform the fiscal system to make it a better match with today's more complicated economy, and how to phase in these reforms.

### **PIECEMEAL OR COMPREHENSIVE REFORM?**

The Chinese way is gradual reform, i. e. , to make changes that do not unduly shock the political and economic balance. In some cases the past approach has been reactive, i. e. , addressing specific problems as they begin to reach crisis proportions and taking action when the timing is right. For whatever reason, the fiscal system has evolved over the past 30 years around a set of piecemeal reforms of various elements of the system. The landmark 1994 fiscal reform, for example, recentralized revenues and put in place a rules-based revenue sharing system. It worked well, even though it did not address the issues of local government debt or expenditure assignment. In other years, there have been changes designed to modernize the structure of taxation, and in general these have worked well.

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Most of the important changes in the fiscal system since 1994 have focused on the tax structure and on the system of intergovernmental transfers. Some have gone in the direction of removing distortions in the tax structure, e. g. , removing the bias against outlays on capital inputs in the VAT, while others were aimed at reducing the tax burden on certain sectors, e. g. , abolishing agricultural taxes, or raising the threshold of the individual income tax. In other cases, the reform goal has been to claw back revenues from the subnational government sector, e. g. , an increase in the central government share of income tax collections. The most recent reform, merging the business tax into the central VAT structure by integrating many services into the taxable base, will improve the VAT but will have a significant dampening effect on the revenues of subnational governments.

The piecemeal approach to problem solving has been very successful in supporting an investment-led growth strategy of the past three decades. And, it can continue to be successful. For example, the problem of servicing new migrants to urban areas could be dealt with by Hukou reform and increased earmarked grants, the UDIC problem could be addressed with new rules for transparency, and the local revenue problem might be resolved by assigning a portion of a central tax to subnational governments. But continuing with such stopgap measures will hold off more fundamental structural reforms that could put Chinese fiscal policy on a more sustainable path. The question this piecemeal approach will leave on the table is whether all of the pieces will fit together in the right way, and whether they are in step with the objectives of the government.

Avoiding political shock is the major reason for the piecemeal approach in all countries. Another reason, more particular to China, is the inherent difficulty of comprehensive restructuring of the Chinese public financing system. The pillars of public finance and intergovernmental fiscal relations – taxation, tax administration, expenditure assignment, and borrowing – are so intertwined in China that the reform of one area without reform of the others will not likely lead to a sustainable outcome. Comprehensive reform would cover all of these dimensions, and in China this would mean a significant one-time shock to the system, and a significant economic and political risk.

### TIMING AND SEQUENCING THE REFORM

It is never exactly the right time to address such big underlying problems, and urbanization and slower economic growth in China will not be a setting that gives the government much breathing room to experiment with reform options. But without some structural changes in the system, the movement of 200 million workers and their

families to cities will lead to a further entrenching of some of the equity and efficiency problems, and of some out-of-control practices that the present system has supported. The public finance reform that is called for is comprehensive, but its implementation can be gradual.

A happy middle ground for China would be to identify the elements of a comprehensive reform, and then move gradually in that direction. Some changes in the fiscal system might be accomplished in the very short run, e. g. , the reassignment of some expenditure responsibilities. Others might be phased in by beginning in the provincial cities and moving later to other cities, and yet others might be implemented in the longer run. But clearly identifying the end game — the comprehensive reform package — can help keep short-term discretionary changes in the fiscal system on track. In this way, comprehensive reform can be done gradually.

## **BROAD CHANGES IN THE FISCAL CULTURE**

A good place to begin framing the major components of the fiscal reform is to identify areas where big changes in fiscal practices should be addressed and perhaps even where the fiscal culture should be challenged. Rapid urbanization is the kind of change in the economy that could prompt such big reforms.

In China, the next round of reform of the public financing system could involve such big changes. Taking the next step in separating the role of government from the role of the private sector, adopting more taxes that are collected directly from persons, and closing off informal fiscal actions of subnational governments in favor of a more formal rule-based approach are examples. Managing all of this will be as challenging as designing it. Selling it politically will be harder than either.

The separation of public from private sector activities in China began long ago with the dismantling of some state owned enterprises and with Government beginning to back away from direct competition with private sector firms (World Bank and Development Research Center, 2013, 2014; Guo, 1986). The next round of fiscal reform in China might begin with a further retreat and with a stronger mandate for the government sector to focus more on the delivery and financing of efficient levels of public services.

This would be an important change in direction. Subnational governments would no longer take on a direct role in attracting industries to the local area. Instead, they would compete by offering quality public services and a better regulatory environment. Governments would move in the direction of owning fewer enterprises that provide private goods, they would stop providing inputs at below market prices (e. g. , subsidized land and energy prices), and they would no longer allocate public money to

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enhance the profit position of private sector firms. Even the power to give fiscal subsidies might be moved to the central government level.

Most important here is that subnational governments be given a clear mandate to accept that their major role is the provision of public services. The incentive system by which the appointed subnational government leadership is evaluated would need to be changed and reweighted to reflect this important change in the role of subnational governments.

### **FORMALIZING LOCAL GOVERNMENT FINANCE**

A second major change in general policy would be to abandon the backdoor approaches to local government financing that have been taken in the past, in favor of a rule-based system that is strictly enforced. This would have a cost. It would call on subnational governments to take a step back from the aggressive competition for industry at which they have been so successful. With neither taxing powers nor borrowing powers, subnational governments have managed to build an enviable stock of urban infrastructure and have attracted a significant amount of credit financing. But they have done this mostly outside the intergovernmental fiscal rules, and the central government has allowed these practices in the name of improving the economy.

Under a rules-based system, things would change. For example, the use of UDICs to get around the limitations on local government borrowing would be eliminated in favor of instituting local government borrowing powers that are constrained by a debt framework. The rules for land leasing practices would not be relaxed in the name of stimulating spending for infrastructure. The central government might provide an incentive for accepting this discipline, i. e. , it might open a front door by allowing local government taxation and borrowing, and by clarifying and improving expenditure assignments. This approach might be helped dramatically if the evaluation of subnational government officials were changed to be more in step.

### **MOVING TOWARD ACCOUNTABILITY**

An important change in the fiscal culture would be to make the tax price of public services more clear to beneficiaries. This would move China a step closer to making government officials more accountable to constituents for the quality of services delivered. The mindset of consumers about public services would shift from the expectation of entitlements to public services that carry a marginal cost of near zero, to a recognition that they pay a price for services provided. Companies and families could factor these tax prices into their location choices.

In the present Chinese fiscal culture, most taxes are paid by enterprises. Only about 10 percent of general taxes are paid directly by citizens. This is well less than the share in most industrial countries. Similarly, user charges in China are imposed at levels that are well below cost recovery. This feature of the Chinese revenue-raising system has more or less disguised the tax prices.

## **CAN ECONOMIC THEORY PROVIDE USEFUL GUIDANCE?**

The “good policy” dimension of reform is about defining the instruments that will be used to restructure the fiscal system. China will go its own way, and at its own pace, in structuring fiscal reform, and some of the choices made will be uniquely Chinese and products of tradition and culture. In general, this is the way it should be. Still, deciding on what is “good reform” for China can be helped by falling back on some basic guiding principles for evaluating the reform choices. These principles might be drawn from economic theory and from the reform experience in the industrial countries, but can be modified to fit the China setting.

During the past 30 years, the Chinese economic strategy was heavily influenced by market principles. The private sector grew to account for about 60 percent of the economy by 2012<sup>1</sup>, many inefficient state owned enterprises were offloaded, prices were increasingly based on market signals, and the tax system was modernized and moved toward one that concentrated on revenue-raising, with a goal of more neutrality with respect to market decisions. To be sure, many features of the economic policy and management have remained uniquely Chinese. Even so, it would be hard to deny that market principles played an important role in shaping economic policy during the rapid development period.

Fiscal reformers might now consider how the system of public finances might do a better job if it more fully embraced some of the key policy guidelines that have led reform in the industrial countries. In this connection, one might think of several areas where the traditional theory of public finance and intergovernmental fiscal reform may be useful to policy design in China.

### **SYSTEM TO ACCOMMODATE URBANIZATION**

With respect to each of these principles, there is no doubt a Chinese exception to the rule. These exceptions are appropriate because the principles stated here were mostly

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<sup>1</sup> <http://finance.people.com.cn/n/2013/0203/c1004-20414645.html>

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developed in the context of reforming the fiscal system in western countries. In some cases, the “principles” have been adjusted to fit transition countries and lower income countries. China is different: larger, still a mixed economy, more accountability up than down, and still in the midst of a major transition. But even with appropriate modifications, a checklist of the principles that guide good public financing in industrial countries might be a reasonable way to begin designing and evaluating the alternative approaches to reforming the Chinese system.

- *The primary allocative role of government is to correct for market failure.* Where the market does not fail, as for example in the provision of private goods, there is no role for government other than perhaps regulation or income distribution. Kornai (1998, p25) takes a broader view about the role of the state, “Where do the borders of a citizen’s individual freedom run? How far does the state limit this, ...”. China is still in process of defining the role of the state.
- *The tax system should concentrate on raising a target amount of revenue, consistent with equity objectives, while minimizing the effects of taxes on market decisions.* Central government tax reforms in China have moved significantly in this direction with a broadening the VAT base and harmonization of the income tax treatment of foreign and domestic companies. However the intergovernmental sharing of VAT and income taxes on a derivation basis provides subnational governments with incentives to behave in perverse ways, e. g., to use subsidies to attract manufacturers in order to capture a larger future flow of VAT revenues, but to discriminate against commercial activities where the long run tax revenue returns are not as great.
- *Macroeconomic stabilization and growth policy is a responsibility of the central government, while subnational governments should concentrate on allocation, i. e., the provision and financing of local public services (Musgrave, 1983).* Shifting the primary focus of Chinese subnational governments to the delivery of public services has been a slow process. Subnational governments in China are directly involved in stimulating economic growth. They subsidize job creation to attract revenue generation, as noted above, but this in turn attracts non-resident migrant workers who remit a portion of wages to their home base and make relatively little use of local public services. The result is that some of the benefits of economic growth leak out of the local area. This will become even more of a concern when residence requirements for local public services are eliminated and labor becomes more mobile.
- *The central government should lead efforts to shape the interpersonal distribution of income.* On the tax side, only the central government can do this under the

present fiscal arrangements. On the expenditure side, most social services as well as social insurance programs are the responsibility of subnational governments and these do exert an important influence of the distribution of real incomes. At least on the expenditure side of the budget, most households benefit significantly from subnational government policy choices. But there are significant constraints on the choices that can be made. If a local government assumed responsibility for income distribution, say by increasing tax collection efforts, increasing social insurance contributions, and offering better public services to low income families, poorer migrants would be attracted to the better conditions, and higher taxes and contributions would penalize (or drive away) the better off workers who would be shouldering the burden of supporting these benefits. A more likely result is that the quality of public services would suffer because the increased demand from migrants would outstrip the resources available to expand service delivery at existing levels.

- *Expenditure responsibility should be assigned to the local governments, unless efficiency considerations ( externalities or economies of scale ), or equity considerations dictate otherwise ( Oates, 1972 ).* The heavy assignment of spending responsibilities to subnational governments in China suggests that externalities and equity considerations may not have been heavily weighted. Particularly the assignment of revenue responsibility for pensions, and medical insurance is unusual by international standards.
- *Subnational governments should be assigned some revenue responsibility and autonomy, in order to capture local information advantages, and in order to strengthen accountability to local populations.* When local governments are given taxing powers, the instruments used should exclude any levies where tax burdens can be exported to those who do not benefit from locally provided services. Likewise, user charges are efficient methods of achieving cost recovery for services that can be priced, and in many cases, can lead to better resource allocation than general tax financing. Both user charges and local taxes have the advantage of making companies and individuals aware of the tax price that they pay for public services.
- *Consistent with the principles above, a better balance between decentralized expenditures and local taxes and charges should be sought.* Finance should follow function. The “right” amount of taxing power at the local level will be a government decision, but most would argue that, at the margin, local

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governments should be financed by local taxation and charges (McLure, 1998).<sup>1</sup> Intergovernmental transfers may be used to fill the remaining gap. Otherwise, intergovernmental transfers should be used to stimulate priority expenditures with conditional grants, and to equalize the ability to provide minimum service levels in every region.

- *Subnational governments should accept the golden rule of public debt that local governments should borrow only to finance public assets that have a long life. Higher level governments should not endorse bailout policies that would lead to moral hazards in the behavior of local government fiscal decision makers.*

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<sup>1</sup> Some would argue, correctly, that revenue collection is more efficient at the central level for most taxes. But, this advantage can be partially protected by local governments piggybacking on central taxes, as in the case of the urban construction and maintenance tax in China. Moreover, local governments have a comparative information advantage that lowers administrative cost for some taxes, e. g., the property tax.



## **CHAPTER FIVE OPTIONS FOR A COMPREHENSIVE REFORM PACKAGE**

### **INTRODUCTION**

Getting the fiscal system in sync with the economic system, and in a position to better deal with urbanization, is much more complicated than fixing a single issue. Tax policy and tax administration, expenditure assignment, and intergovernmental fiscal relations are too inter-related in the Chinese system to get the job done with a fix on one piece of the system. For example, changing the assignment of expenditure responsibility is important, but this will call for changes in the distribution of intergovernmental transfers because subnational governments might end up with more or less budget responsibility. Changes in the distribution of transfers might need to be introduced simultaneously with increased local taxing powers or the ability to increase user charges, in order to hold subnational governments harmless in terms of revenues available. Experience with the land conversion program raises the question of whether subnational governments should be allowed to borrow directly. Should subnational governments be given the power to borrow, the demand for credit should be met by supply and this leads to questions about the function of intermediaries. And so it goes. Just these few observations suggest that the right long run approach is not to address a single issue, but to structure a comprehensive reform.

The Chinese way is gradual and piecemeal reform, and this approach has served China well during the last three decades of modernization. But fiscal reform may have been neglected too long for this approach to effectively address the issues. A fix to one part of the system will show up flaws in another part and the fundamental problems will remain in play. The right approach to fiscal reform in 2014 is system-wide and all of the components need to be fitted together in a reinforcing way. Policy change can still take place gradually, but the reform path should be clear and should be dictated by the structure that China has in mind for the long run. This will be a tall order for China's fiscal planners

## EXPENDITURE ASSIGNMENT

The place to begin developing a comprehensive fiscal reform agenda for China is with a rethinking of expenditure assignments. There is wisdom in the old public finance dictum that “finance follows function”. Until there is clarity about expenditure responsibilities, it will not be possible to determine the total financing needs. Nor is it possible to put an efficient financing plan in place (Bahl and Martinez-Vazquez, 2006). For example, services that can be priced should be financed with user charges, services that carry large externalities should be at least partially financed by intergovernmental transfers, and services with a local benefit zone can be financed by general local taxes (Bahl and Linn, 1983).

As we observe in Chapter Two above, the Chinese fiscal system is unbalanced. Over 85 percent of expenditures are made by subnational governments who have virtually no taxing powers and a “claim” on central government revenues that amounts to only about 40 percent of the total. A better balance could be established by assigning more expenditure responsibilities to the central level and by assigning some taxing powers to the subnational government level. The view here is that expenditure assignment is the place to begin the rebalancing that is necessary.

### GETTING THE ASSIGNMENTS RIGHT

Expenditure assignments in China have not been changed since before the TSS reform in 1994. The present day Chinese economy is quite different from the one for which the present division of government expenditure responsibilities was cast. A thorough review of the division of expenditure responsibilities is long overdue. The end result of such a review could be a new budget law that will lay out the responsibilities for each sub function of government. The law would specify those functions that will be the exclusive responsibility of the central government, and those that will be the exclusive responsibility of the local governments.

Most of the murkiness in expenditure assignments under the present system comes from the “concurrent” responsibilities, i. e., functions that are the responsibility of more than one level of government(Lou, 2013).<sup>1</sup> While this is to some extent inevitable, because some functions do require shared responsibility, the goal of this reform should be to minimize concurrency in service delivery.

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<sup>1</sup> It is important to note that this is not a uniquely Chinese problem. Uncertain expenditure responsibilities plague many developing, middle income and transition countries.

The lack of clarity in the assignment of expenditure responsibility is an especially difficult problem in China because the division of responsibility still follows the old practice of a traditional method of administrative separation of powers where functional responsibilities are passed straight downward to the grassroots governments. Under such a framework, the division of powers between the central and sub-national governments is inherently unclear (Lou, 2013; Qiao and Liu, 2013).

There is no magic formula for identifying the “best” division of expenditure assignments for a country. It depends on how a country weighs the gains from local control against the gains from technical efficiency, and the gains from internalizing external costs and benefits. Countries tend to use this tradeoff, and equity considerations, to set their expenditure assignments. In fact, there are many similarities among countries in the resulting division of responsibilities. Still, not all countries come to the same conclusions about who should do what.

Getting a better balance in expenditure assignments in China will require a painstaking analysis of all functions of government. The principle of subsidiarity is a good rule to lead this thinking, i. e. , all functional responsibilities should be devolved to the lowest level of government unless efficiency considerations dictate otherwise (Oates, 1972). Each sub function of government will be put to the same test—do the gains from decentralization—which in China are mostly about information advantages—outweigh the ability to capture gains from internalizing externalities and the ability to capture economies of scale?

Even with this principle to follow, the work of dividing the competencies between the levels of government will be as much art as science. Factors such as preferences of individuals for certain types of public services, externalities, and even economies of scale are not easily measured, if they are measureable at all (Fox and Gurley, 2006). Then the equity effects must be defined and weighted, administrative questions must be considered, and culture will play a role. And always, there is politics.

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The expenditure assignment exercise does get done, however imperfectly, in all countries. When finished, for better or worse, it becomes the centerpiece of the country’s fiscal decentralization strategy, and finance will be able to comfortably follow functional assignment. China has come to that time when a rethinking of the division of expenditure responsibilities among levels of government should no longer be postponed.

Reform of expenditure assignments in China could usefully center on three areas. First, a more clear division between the role of government and the role of the private sector is needed. Second, the question of which level of government is best suited to finance and manage social insurance programs should be revisited. Third, there is

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need to review all of the functions of government in order to formalize and clarify the division of responsibility. On the first area, a reform direction that called for less direct involvement of government in competitive sector would seem the right path. On the second area, both income distribution and labor mobility goals would seem to argue for more fiscal centralization. On the third, the maturing of the Chinese economy and the presence of spatial externalities suggests that there is need for more involvement of higher level governments in direct service delivery and/or coordination.

### **GOVERNMENT AND THE PRIVATE SECTOR**

The central government should build on its commitment to privatization and to pulling back on activities that bring it into competition with the private sector. The principles for deciding on what should be public and what should be private could follow the standard prescription of economic theory, i. e. , government should not be involved unless the market fails as in the case of a failure to account for externalities or economies of scale, or to achieve a suitable distribution of income.

A major problem in this regard is whether or not to discourage subnational government ownership or partial ownership of enterprises that deliver private goods. The government's historical stance on this has been to encourage pulling back on ownership of enterprises that operate in the competitive sector. A new expenditure assignment law could make the limits on government involvement in such activities very clear. Government has a number of instruments at its disposal that could move fiscal decisions by subnational governments in this direction. These include an outright restriction of the use of public funds for providing direct budgetary support for enterprises operating in the competitive sector. Another signal might be to implement an evaluation system for Governors and Mayors that reflects the stronger interest of the central government in better local public services.

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A more difficult question is whether local governments should be allowed to attract industries with fiscal incentives. The problems with doing that, in China and elsewhere, are well known. Local governments in China that provide company-specific infrastructure and subsidies to increase company profits, may siphon funds away from mainstream government functions. They locate industry—often inefficiently—in cities, where it contributes to sprawl, uses up space needed for residential development, and often receives preferential treatment in city service delivery. And in the process, people with use rights to farmland on the urban fringe may be dealt with unjustly. The problem is exacerbated by the limited accountability of local officials to residents, and by the existing incentives for these officials to promote industry and GDP growth rather than to provide services.

Should industrial subsidies continue to be at the discretion of subnational governments? Though the problems with competitive subsidies are well known, many industrial countries allow this practice. They do this because inter-local competition can be innovative and can lead to a good result, and because it satisfies the needs of local politicians to show tangible activity on the industrial attraction front.

An alternative strategy would be to make industrial subsidies the exclusive responsibility of the central government. That is, every subsidy to attract economic development would require central government approval. Under this regime, local governments will continue to compete with one another without central approval, but the main instruments of their competition will be the quality of services offered, and the tax rate. If subsidies can be justified, as in the case of technology advancements or pioneer industries, this is more appropriately a responsibility of the central government because the benefits are national. The idea of centralizing the power to grant industrial subsidies in China is discussed in Lou (2013).

China's general strategy could be to reduce the direct role of subnational governments in economic development, by beginning a phasing out of their ownership, management and preferential support of companies that should face market competition. Subnational governments then would shift into a supporting role — that of providing a public services and a regulatory framework to stimulate economic development. The government would then trust the market to send the right signals to economic agents. Although subnational governments would still be responsible for the economic environment, they would not operate businesses or be partners in business ownership.

## **FINANCING SOCIAL INSURANCE**

There is a compelling case to centralize the financing of social insurance programs in China. Pooling to the national level could lead to the elimination of fiscal disparities and allow equalization of benefits, full portability could be accomplished, and the prospects for dealing with the underfunding of social insurance programs would be better. Moreover, the shift of responsibility for social insurance programs would improve the balance in public financing between the central and subnational governments.

There are other fiscal advantages to be had from centralization of insurance fund financing and management. The central government might take on the financing of legacy pension costs with a one-time allocation, and roll this into a reduced payroll tax rate. It also would be in a position to lower the payroll tax rate further by financing

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part of the insurance costs with other sources of revenue.<sup>1</sup>

*Pensions.* Pensions are a national government function (and a private function) in most industrial countries. China might follow this model. Variations in benefits and payroll contribution rates among provinces and local government, as exist under the present system, are at odds with a goal of uniform standards for all Chinese citizens. The present arrangements of city and county government responsibility for pensions has forced pooling to the prefecture and provincial level in many provinces, and in general, payroll contributions are exceeding benefits in most systems. However, the local pension systems are generally underfunded and an aging population will lead in the future to either an increased tax rate or reduced real benefit levels.

*Health Insurance.* The fiscal shortfalls for health insurance are not so dramatic as in the case of pensions. The central government would like all Chinese citizens to have access to the same health care services, and certainly to the same reimbursement benefits, irrespective of where they live. City and county governments, and even some provincial governments do not have the resources to deliver on this promise, though they do have the incentive to contain costs. There is need for portability in benefits to enable full labor mobility and this goal is consistent with centralization of at least the financing of health insurance. If it was decided to retain some local management advantages, then the program could be financed with a type of cost reimbursement grant to subnational governments, again, based on the principle that the money should follow the people (recipients).

*Costs.* We have not made a detailed estimate of the costs involved should the central government assume financial responsibility for this program. On the one hand, the central government is already subsidizing some costs, though most of the payments are covered from premium contributions. On the other hand, there are shortfalls in the individual accounts, significant legacy costs, and inter-province benefit differences that need to be leveled up. Moreover, the aging of the population suggests significant future increases in expenditures for social insurance benefits. The cost of assuming responsibility for financing pensions and health insurance would be significant. Expenditures made in the social security programs were 3451 billion Yuan in 2013. While payroll tax contributions were adequate to cover about 75 percent of the outflows, the prospects are that this will not continue as the population ages. Moreover, there would need to be a leveling up of benefits, indicating even more cost. The present level of expenditures in the social insurance programs is equivalent to about 6 percent of GDP, and likely would be higher if it were converted to a

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<sup>1</sup> For a discussion of a “nationwide citizen’s pension, funded out of general revenues or an earmarked source” see Barr and Diamond (2010).

national program.

## **CENTRALIZATION OF ADDITIONAL FUNCTIONS**

A third problem to be resolved is that subnational governments have been assigned responsibilities that are characterized by significant inter-regional spillover effects. The failure to deliver these programs at an efficient level has imposed a cost on society. Detailed analysis by a government commission is likely to uncover many candidates for central assignment, but food safety, river basin management, inter and intra urban transportation, and environmental protection all are likely suspects (Lou 2013; Li, Qiao and Liu 2014; World Bank and Development Research Center, 2014).

The centralization of expenditure responsibilities, as suggested above, would restore some balance to the Chinese system. But, it would require that the central government reclaim some of revenue sharing that it now allocates to provinces. One possibility would be to centralize the VAT by gradually eliminating the 25 percent sharing. A detailed costing of the new fiscal assignments will need to be made to determine how a fully centralized VAT might be spent. Another option would be a “global” sharing arrangement with a higher central share to cover the increased costs. This is discussed below.

We can speculate about some of the budgetary implications of centralizing the financial responsibility for the social insurance programs. Social security expenditures are equivalent to 6 percent of GDP. However, the present situation is that about 75 percent of these expenditures are covered by payroll tax contributions. The central government would need to absorb the cost of leveling up the benefit payments to a national standard, and to cover the full annual deficit, and eventually to absorb the cost of making the systems actuarially sound. The legacy costs in the system could be covered with a one-time allocation by the central government. The center will also bear the cost of administering much of the new system. Unless part of the medical assistance was done with intergovernmental transfers, social security expenditures, and revenues would be reported in the central government budget.

The central government would need to claw back enough revenue to cover these new costs, but also some other addition costs. The list might include the latter:

- The equalization programs under the present grant system are underfunded and would be a claim on any new central government revenues.
- If a new intergovernmental transfer program were adopted (see below), some subnational governments could receive less funding in the transition period. Additional central funds would be required to hold these local governments

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harmless during the transition.

- New functional responsibilities that the central government might assume (see the discussion above) would be funded from the new central revenues.
- If government decided to rethink the boundaries of large metropolitan cities, and put in place a regional financing arrangement, a central fiscal allocation to the new entity would be required.

### REVENUE ASSIGNMENT

Changes in revenue assignment will be driven by the increased expenditure needs related to urbanization and by reassignments of expenditure responsibility. China faces the need to rebalance its system by shifting some functions to the central government level, and to provide for some sources of subnational government revenues to address the needs of provincial, city and county governments. The central financing gap will be best handled by an increased retention rate of shared taxes. The subnational government revenue need could be addressed by new local taxes. Both of these fiscal reforms would bring the Chinese intergovernmental fiscal system into better vertical balance.

### SUBNATIONAL GOVERNMENT REVENUES

Increased revenues at the subnational government level could be gained by giving subnational governments some discretion to levy taxes, and to claim all of the revenues raised from the new local taxes.<sup>1</sup> In some cases, these taxes will be new levies (the property tax), in other cases they could involve reassignment of responsibility (Some excises and taxes on motor vehicles), and in other cases they involve surcharges on existing central taxes. The result would be increased revenues for local government use but also a freeing up of some intergovernmental transfers for the central government to address equalization and other high priority needs.

#### *The Benefits of Subnational Government Taxation*

The case for subnational government taxation in China is a strong one. This initiative has always been off limits for Chinese intergovernmental fiscal reform, but perhaps the time has come. There are a number of benefits. Revenue mobilization would be enhanced because local governments have information advantages that give them a comparative advantage in the collection of certain types of taxes. Property and land taxes area good example of this advantage. There also is a regional efficiency

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<sup>1</sup> For a discussion of the usual meaning of “local taxes” see Bird (2006).



argument to be made. Substituting local taxes for some intergovernmental transfers would lead to a higher tax price in some local areas and force labor and capital owners to take this into account in making location decisions. China is struggling with urban sprawl. A system of property and land taxes could help rationalize land use patterns and provide incentives for more compact investments. Finally, there is an equalization argument, i. e. , as local governments in higher income regions substitute own taxes for intergovernmental transfers, central funds will be freed up for distribution to lower income regions.

In most countries, it is also argued that local officials can be made more accountable to their local constituents if they are forced to impose higher local taxes to pay for the services (Blair 2000; Bird and Slack, 2013). In China there is only an indirect downward accountability to the local population. Still, the combination of higher taxes without improvements in local services would weaken the popularity of appointed local leaders. This might be supported by a revamped central evaluation of local leaders that is focussed on the quality of public resources delivered and budgetary balance. Finally, potential lenders would see local tax as a way to harden the local budget constraint and to strengthen the creditworthiness of subnational governments.

Empowering urban local governments to levy higher or lower tax rates would allow the fiscal system to preserve some of the innovation and the competitive strategy of local governments that has served China so well. The use of land lease sales in recent years and the use of extra budgetary charges in the 1990s and 2000s are examples of this resourcefulness (Wong, et. al. , 1995, 1997; and Bahl, 1999). With taxing powers, local governments would have the wherewithal to expand the delivery of services that are in high demand or that would allow them to better capture their comparative advantage. It would also improve the creditworthiness for local governments by showing a stronger ability to service debt or to maintain public facilities. In general, local taxing powers would give local governments an instrument to use in shifting their competitive strategies from the back door to the front.

### ***International Experience***<sup>1</sup>

The problem in China, as it is in most countries, is to identify good instruments for local revenue mobilization, i. e. , local taxes that can be administered at reasonable cost, yield significant revenue and not result in exporting the burden of payment to residents of other jurisdictions. The international experience is that most industrial countries and some large middle income countries have decentralized taxing powers, but most developing countries have not.

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<sup>1</sup> The examples discussed here are summaries from Bahl (2010).

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In terms of the strategy proposed here, an important criterion is that the local government be able to set the tax rate. This limits the choice of tax instruments to those that are not amenable to tax burden exporting, and to administrative considerations. While all taxes impose an administrative cost, and no tax is ever completely free of the exporting problem, some taxes offend these criteria less than others. Still, a number of local revenue-raising options more or less fit the criteria.

One underlying objective of fiscal reform in many industrial countries is to increase the fiscal self-sufficiency of local governments, i. e. , to improve the so-called “vertical balance”. In some countries, this strategy has succeeded, especially when it is focused on larger urban governments. The Tokyo metropolitan area government has both city and prefecture (state) status, hence it has access to a broader tax base than do other local governments in Japan. About 70 percent of all metropolitan government revenue is from local taxes. Toronto has a more traditional financing structure for a local government. It relies primarily on the property tax and user charges. The Toronto metropolitan city funds about 60 percent of its budget from property taxes and user charges. The property tax alone accounts for 41 percent of revenues (OECD, 2009).

Local governments in some the Nordic countries and Spain rely primarily on individual income taxes, and New York City makes heavy use of a combination of retail sales tax, personal and corporate income taxes, and business taxes. Stockholm’s local governments cover about 80 percent of their expenditures from local sources, primarily from an earned income tax. In Paris, the principal local tax is a business tax—a form of value added tax that now exempts payrolls.

Metropolitan local governments in some industrial countries do not have significant taxing powers (Slack, 2007). The Greater London Authority receives most of its revenues from central government grants. The Stuttgart Regional Authority has no taxing authority. The Greater Vancouver Regional District is financed primarily by user fees and intergovernmental transfers.

Large urban governments in most low and middle income countries do not rely heavily on local taxation. Despite the arguments that local governments in metropolitan areas could feasibly handle a greater range of taxes, most are limited to property taxes and user charges as the main sources of revenue. There are some exceptions to this general pattern, notably in Brazil, Argentina and Colombia where the large cities rely heavily on gross receipts taxes to finance services.

### **PROPERTY TAX**

The property tax has great potential as a revenue source in China. It is an opportune

time to realize this potential. Most important, it could fill a revenue gap at the subnational government level, and could be especially productive in larger urban areas. To get some idea of the revenue potential, note that industrial countries raise more than 2 percent of GDP in property tax while low income countries raise about 0.6 percent of GDP on average (Bahl, 2009).

***International Experience (Bahl, 2010)***

The property tax is a favorite among the English speaking federal countries, but it is less important among non-English speaking countries and among unitary countries in general (Lotz, 2006). It is mostly an urban tax. Property tax revenues account for one-half or more of local government financing in the Toronto, Montreal and Melbourne metropolitan areas, and it accounts for 34 percent of the budget in New York City.

Different patterns emerge for some metropolitan area local governments in other OECD and transition countries. Municipalities in the Netherlands, including those in the Randstad region, receive less than 5 percent of revenues from the property tax. There is no local government property tax in Norway (OECD, 2006a, p.176). In Copenhagen, the primary revenue source of municipalities is the income tax, and property taxes play only a minor role. The same is true in Stockholm, Tokyo and in the Swiss cities. The property tax is somewhat more important in Madrid at the city level, but financing is dominated by income taxes levied at the regional government level. In Busan and Daegu Korea, the property tax is an important source of local financing, but most of the revenue is derived from a tax on property transfers.

Governments in most developing countries do not seem to have bought fully into the idea that the property tax is a good fit for financing local public services provided in metropolitan areas. While it is true that property values are growing in most metropolitan areas, valuation in most urban countries fails to capture this growth. This seems to be the case even in countries with large metropolitan areas (Mathur, et. al., 2009; de Cesare, 2004). Moreover, delays in general revaluation are commonplace, significantly lowering the revenue-income elasticity of the property tax. The property tax as practiced in low income countries generally fails the tests for a good subnational government tax in terms of its high administrative cost and its unpopularity with voters.

There is a great deal of variation in the extent to which the property tax generates meaningful revenues for metropolitan cities. In Cape Town, about 20 percent of metropolitan government revenues are derived from a tax levied against the capital value of land and improvements. This is about the same share of revenues that is received from intergovernmental transfers.

The primary source of revenue for municipalities in the Mexico City metropolitan area

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and in the Istanbul metropolitan area is the property tax. However, in neither case are the local governments empowered to set the tax rate or determine the tax base. There is some local government discretion in metropolitan cities in India but the results are much the same. The low yield is largely attributed to the poor administration of the tax. For example, in Mumbai only about 70 percent of properties pay tax, and in Kolkata properties are assessed at about 20 percent of their value (Mathur, et. al., 2009).

### *Advantages and Disadvantages*

Because the ownership of real property wealth is usually concentrated in the highest income classes, the tax burden tends not to fall heavily on low income households. To the extent that higher taxes are paid on properties that tend to have better public services, the property tax might be seen as a benefit levy. Finally, since residential property taxes are capitalized into reduced property values, market decisions will be more rational because owners will pay a charge for the benefits of local services delivered, and speculators will face a real cost of holding their land off the market.

The major problems with the property tax have to do with its difficult administration and its unpopularity with property owners. With respect to the former, good administration requires identification of all parcels and their ownership, valuation and revaluation, collection from individual owners, and it requires extensive recordkeeping and updating. All facets of the administration must be done well to realize the full revenue benefits from the tax.<sup>1</sup> The political unpopularity, which seems disproportionate to the tax burden, has to do with the tax falling on accrued income rather than realized income, the judgmental nature of the assessment, and the visibility of the tax.

### *Potential in China*

China is one of the few countries in the world that does not levy an annual tax on residential property. In theory, China could generate considerable revenues with such an urban tax. An annual property tax that would yield the equivalent of one percent of GDP may be a feasible reform target in China.

Certainly there is considerable property wealth that can be taxed. By one estimate, the level of urban household wealth held in the form of property is about 200 percent of GDP (Li, 2013). Even a relatively low effective tax rate of 0.5 percent on this gross measure of the tax base would yield the equivalent of 1 percent of GDP in revenues. Interestingly, and hypothetically, this amount of revenue would recapture nearly 80

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<sup>1</sup> A survey and analysis of the practice of property taxation in cities of developing countries is in McCluskey and Franzsen (2013). See also Bahl and Martinez (2008) and Bird and Slack (2004).

percent of the revenue loss due to giving up the 25 percent share of VAT (Column 3 of Table 5 – 1).

**Table 5 – 1: Selected Options for Subnational Government Taxation <sup>1</sup>**

Tax	Proposal	Yield the as a Percent of the Domestic VAT Share	Additional Revenue as a Percent of the Domestic VAT Share
Property Tax	Set annual property tax at 1 percent of GDP	79	79
Urban construction and maintenance tax combined with education surtax	Set sur – rate at 12 percent of liability	91	44
Piggyback on individual income tax liability	Set sur – rate at 10 percent of liability	9	9
Motor Fuel Tax	Shift to subnational govt.	34	34
Motel Vehicle and Boat Tax		6	0

Source: Calculated from data in China Statistical Yearbook and the Websites of Ministry of Finance.

Moreover, property values are likely to continue growing, and even at a lower rate than in the past could generate a strong base elasticity. Note the trends in urban property value indexes reported in Table 5 – 2. The property value index more than doubled in all four provincial cities between 2005 and 2010.

**Table 5 – 2: Property Value index in Selected Cities**

Year	Beijing	Tianjin	Shanghai	Chongqing
1993	2255			
1994	2740			
1995	3227	2119	2477	1017
1996	4057		2968	1018
1997	5357		2891	1033
1998			3026	1161
1999	4787	2157	3102	1080
2000	4557	2274	3326	1077
2001	4716	2308	3658	1133
2002	4467	2414	4007	1277
2003	4456	2393	4989	1324

<sup>1</sup> This simulation is based on 2012 data.

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Year	Beijing	Tianjin	Shanghai	Chongqing
2004	4972	2965	6361	1573
2005	6162	3987	6698	1901
2006	7375	4649	7039	2081
2007	10661	5576	8253	2588
2008	11648	5598	8115	2640
2009	13224	6605	12364	3266
2010	17151	7913	14212	4040
2011	15517		13448	4492

Source: CIEC dataset.

Revenue mobilization is of course an important objective, but the property tax also can be structured to encourage land use patterns that might lead to reductions in external costs. If the base of the tax is the assessed market value of the user right, for example, it could approximate an annual charge on location rents. This would provide an incentive for all users to develop and use land more intensively and could be made more consistent with an infill strategy for urban development. So would a tax on vacant property in the built up area that is imposed at a differentially higher rate. Again, this would not be a tax directly on the land, but on the market value of the user right. If the market value increased, so too would the tax. Liability would rest with the holder of the user right. With respect to property taxation, unused properties would be taxed the same as occupied properties, at their value in highest use.

Other property-related financing instruments might be useful in achieving the objectives of recapturing some of the value created by public investment, and increasing the density of cities. These might include CEPACs as used in Brazil (Wetzel, 2013)<sup>1</sup>, special assessments, betterment levies, valorization, and tax increment financing (Smolka 2013).

If China continues with its interest in property taxation, the door would be open to move toward the design of a comprehensive tax on property in urban areas. There is already an existing array of real estate taxes operating in China — land use tax, deeds tax, and land value added tax. Together these now account for revenues equivalent to about 1.6 percent of GDP (Man, 2013). These might be combined into a new

<sup>1</sup> The CEPAC, used in Brazil, is a bond — issued by the municipal government and sold in public auction — that grants its holder the right to augment the construction area in excess of legislation or to construct buildings that deviate from the guidelines and use foreseen by the legislation (Wetzel, p. 336).

property tax regime that would include the new annual property tax, a capital gains tax on transfers of real property, and a set of value capture and land use taxes on real estate. Valuation, cadaster and even collections could be unified or tightly coordinated, and the revenue yield could be quite significant. The new comprehensive property tax structure could be harmonized with the income and value added taxes to insure full coverage of property related income and to avoid double taxation.

### ***Implementation Concerns***

Adopting a broad based tax that is new to China, and to the taxpaying culture, is always difficult. Three questions have continuously come up when the property tax has been discussed. In fact, none of these three sets of concerns is a serious roadblock to property taxation.

- The first concern is whether a property tax can be imposed when the owner of the land is the State? The answer is that the tax can be levied on the user right to the land and liability is with the holder of the user right. When the lease expires, the user right reverts back to the state. But the land is taxed, albeit indirectly. The assessed value of the user right will reflect the location value of property.
- The second issue is whether the property tax can be a local government levy but imposed under a national law. There are two arrangements that can satisfy this condition. Under one, the tax can be imposed under a national law and be administered by the national government, but tax rates can be set by the local government. The other is that the tax can be imposed under national law but be administered by the local government with rates set by the local government. Under either of these arrangements the property tax would be a local levy.
- The third issue is the confusion about whether a lease payment and a property tax amount to double taxation. These are two distinct payments for two different purposes. The lease purchases the right to use the land. The property tax is a payment for public services provided by the government. The lease purchase amount does not include the payment of any present or future property taxes.

Another important implementation issue is the piloting of the property tax. In principle this is a good idea. In practice, a better approach than the one taken in Chongqing and Shanghai would be to change the sequencing of designing the pilots. This would involve, first, making a central decision on the basic structure of the tax and its administration, and then, implementing the pilots. This would allow some learning from the pilots after which the proposed structure and administration could be modified based on these lessons

## MOTOR VEHICLE TAXES

Local government taxes on the ownership and use of motor vehicles could fit a Chinese strategy for coping with urbanization. The number of motor vehicles is growing faster than the population in urban areas (Table 5 – 3), their use imposes infrastructure costs on urban local governments, and they generate external costs that are for the most part uncompensated. Nearly 80 percent of the vehicle fleet is privately owned.

**Table 5 – 3: Motor Vehicles and Population in 2008 and 2011**

Municipality	2008			2011		
	Number of Civil Vehicles (10000 units)	Population (10000 units)	Per Capita Vehicles	Number of Civil Vehicles (10000 units)	Population (10000 units)	Per Capita Vehicles
Beijing	313.68	1695	0.19	470.53	2019	0.23
Shanghai	132.12	2141	0.06	194.75	2347	0.08
Tianjin	108.47	1176	0.09	190.78	1355	0.14
Chongqing	73.64	2839	0.03	129.68	2919	0.04

Sources: China Statistical Yearbook, 2009 and 2012.

The rapid growth in motor vehicles compared to that of the road network has been instrumental to the growing congestion levels and longer commutes. The result is a heavy external cost in terms of congestion and pollution. One study of Beijing has put the level of external costs at between 7.5 percent and 15 percent for all types of externalities (reported in World Bank and Development Research Center, 2014, pp. 187 – 262).

Given this situation, it is understandable that Chinese policy has focused on controlling automobile use in large urban areas, and a good start has been made in this direction in a few cities. However, there is arguably even more to be gained by giving subnational governments additional control over motor vehicle taxation. The result could be to discourage the use of private cars, at the margin, while generating new revenues to defray some of the costs involved.

Chinese cities could continue to use tax and charge policies either to increase the price of owning and using a motor vehicle, relative to using a public transport system, or to make a different housing location choice. This could be done by charging drivers for the full cost of using private vehicles, including environmental and social costs, through mechanisms such as higher registration fees, higher gasoline taxes, higher tolls and parking fees or various forms of congestion pricing. Depending on the price



elasticity of demand, local governments will generate significant revenues from this to cover the general costs of urbanization. Structuring these taxes to have the desired impact on vehicle use is a much more complicated matter, and is not independent of housing prices, land use restrictions and patterns of infrastructure investment. Still, at the margin, local government taxation of motor vehicle ownership and use can have environmentally friendly impacts.

At present, Chinese subnational governments are not funded to any significant extent by taxes on motor vehicles. The registration tax on motor vehicles produces only a small revenue flow, and the tax on motor fuels is a central government levy. The experience with parking fees, toll and congestion charges as resource allocation measures is growing, but has not yet become a major subnational government revenue source.

The annual tax on motor vehicle registrations is based on engine capacity, as it is in most countries. At present, revenues from this tax are equivalent to only about 6 percent of that received in VAT revenue sharing (Table 5 – 1). Motor vehicle registrations do meet the criteria for a good local tax. Given the number of motor vehicles, and the growth in these numbers, there is good revenue potential. For the most part, the burden of the tax (or charge) is borne locally. Administration of the tax is by the local governments and is straightforward. Higher registration costs can stimulate tax avoidance measures such as registration in a lower taxing jurisdiction, but this can be controlled by registration requirements, periodic inspections and stiff penalties. The revenue potential of motor vehicle ownership charges is much greater than is presently collected, and significant increases could be realized if local governments decided to tax automobile ownership at a higher level (and were empowered to do so).

The taxation of motor fuels is a more lucrative tax base, and it would more directly tax the use of motor vehicles. The question is whether this could be locally administered in China's larger cities. Ideally, the tax would be collected at the pump. Alternatively, it could be assessed at the factory gate as it is now, but the destination of shipments could be tracked. This would put in place a system whereby the rate of motor fuel tax could vary from one local government to another. Even at the current central government excise tax rates, a motor fuels levy would enable local governments to recoup about one-third of the lost VAT revenue sharing (Table 5 – 1).

Would it be fair to levy a higher tax on motor fuels in large cities? China's gasoline prices are already above those in most developing countries, and above those in the US, but below the average in the European countries (World Bank and Development Research Center, 2014, pp. 439 – 535). On the other hand, Chinese gas prices are not high enough to cover the external costs of congestion and pollution.

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Would it be efficient to levy a higher rate of gasoline tax in China's large metropolitan areas? At the margin, this would lead to a higher cost of living and would be a factor affecting migration decisions. Higher gasoline prices would be consistent with other urban planning goals, such as reducing the congestion and pollution that come with automobile use, and raising the price of urban sprawl. In all of this, however, it is not so clear that the elasticities of substitution are high enough to make much of a difference unless there were very large rate increases.

Congestion and emissions can be also reduced by demand management. Shanghai, Beijing and Guangzhou have introduced vehicle ownership and/or usage control. These municipalities set a cap on vehicle registrations and established a quota for newly registered license plates. The motor vehicle management agencies allocate these quotas via license-plate auction (e. g., Shanghai), lottery (e. g., Beijing), or a combination (e. g., Guangzhou) (World Bank and Development Research Center, 2014, pp. 439 – 535)<sup>1</sup>.

The World Bank (World Bank and Development Research Center, 2014, pp. 439 – 535) argue that road pricing and parking charges are the most direct way of taxing congestion and air pollution in dense urban areas. Fuel taxes and licensing fees are alternatives, but less targeted. Road pricing is common on China's expressways and has been discussed for heavier use in several urban areas. Parking fees are another way to tax road users, and the experience with higher charges on parking has been good. Parking fees and taxes are price-elastic, and there is evidence that they are effective reducing car trips and reducing the share of cars in the modal split (OECD, 2010).

### LOCAL RETAIL SALES TAXES

Local government sales taxes can be efficient instruments of urban government finance if collections can be shifted from an origin basis (place of manufacture or distribution) to a destination basis (place of consumption) (Bird, 2006; Mikesell, 2007). In the United States, for example, a local government retail sales tax is collected at the point of consumption. Under an origin-based arrangement, such as China's VAT, by contrast, collection is at the point of production and some of the tax burden may be borne by consumers who live in another jurisdiction. This problem is well known, but easier administration trumps economic efficiency nearly every time. For example, Buenos Aires, Bogota and the Brazilian cities all levy a sales tax on gross receipts, which is not destination-based but is very revenue productive. There has long been a call to abolish the turnover tax in Buenos Aires but the absence of a "suitable" alternative has held off reform.

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<sup>1</sup> Interestingly, the auction price in Shanghai has increased despite an increase in the number of plates sold.

If administration on a destination basis could be made feasible, sales taxes on selected items of consumption could be revenue productive and would pass some of the tests of a good local tax. This might be done adequately for some items of consumption, for example, high end jewelry, durables and imported luxury goods. But for most consumer goods, a retail sales tax would encourage tax avoidance by providing an incentive to shift the point of consumption to informal traders that are not easily policed by the tax authorities.

The problems with collection from informal sector retailers is also the reason why the revenue productive excises cannot be converted to retail sales taxes with higher rates imposed on consumption in cities. Otherwise, particularly beer, liquor and cigarettes would be attractive revenue bases. There is another option. All of the excise revenue could continue to be collected as at present, but the revenues could be assigned to cities on some formula basis. This would be a transfer of revenue, but would not give the local governments any power to increase or reduce rates, or to differentiate their rate from that in other urban areas. In effect, it would be another tax sharing transfer.

China has begun the process of folding its business tax into the VAT, mostly to broaden the base of the value added tax. Another reform direction, however, would have been to convert the business tax into a local business VAT imposed on the costs of factors of production. Bird (2013, p7) argues that the experience in France, Italy and Japan suggests that a local tax based on value added and levied on an origin basis may not only be a sensible way to charge business for benefits obtained from local public services, but may also be administered adequately and with no serious economic costs.

## **PIGGYBACK TAXES**

Some of the administrative problems with local taxation can be avoided by adopting a “piggybacking” approach, i. e. , to allow the local government to select a tax rate to be imposed on a central government tax base. Piggybacking is already done in China with the urban construction and maintenance tax and the education surtax. In these two cases, the base is the aggregate tax collections from VAT, excise taxes and the business tax, and the revenues from this surtax are allocated fully to the local government. The sur-rate, however is set by the central government.

The piggyback tax proposed here might be viewed as a benefit charge, i. e. , a payment for using city services.<sup>1</sup> Under such a reform, the existing UMCT and

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<sup>1</sup> The benefit charge argument is sensible, because local businesses make use of local government services and so do the local residents that purchase their goods. But VAT and excise taxes are origin-based and so there will be some exporting of the tax burden to other jurisdictions, depending on the trading area of these firms.

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education surcharge would be replaced with an “urban service tax”. The local government then could be given the option of increasing the piggyback tax rate above its present level. As may be seen in Table 5 – 1, if the rate were increased from its present level of about 9 percent to 12 percent, the additional revenue generation would be large enough to recoup about 44 percent of the lost VAT-shared revenues. The effective rate of the piggyback tax relative to GDP would rise from 0.6 percent to about 0.8 percent.

The individual income tax could be added to the list of options for piggybacking. As shown in Table 5 – 1, a 10 percent levy on a base of individual income tax collections could generate enough new revenue to recover about 9 percent of the lost VAT revenue sharing. The effective rate of the income tax would increase only from about 1.1 percent of GDP to 1.2 percent. There are good arguments to use the individual income tax revenue sharing, including the lower likelihood that the burden will be exported. But the already high tax rate on labor is a major drawback. Unless the social security contribution rate can be lowered, this is probably not a viable option.

The piggyback approach is used to a considerable extent in industrial countries (Bahl, 2010). The primary source of revenue for Swiss cities is a piggyback personal income tax; the city of Rome levies a piggyback income tax on a base defined by the central government, and Danish local governments tag on to an income tax base set by the central government. US local governments in many states impose a sur-rate on the state government retail sales tax base. At least three cities—Bangkok, Moscow, and Seoul—have their own surtax on the VAT (Martinez-Vazquez, 2013).

There are, of course, problems with this approach. It is still an origin-based tax, and some of the burden will be exported as is the case now. Another issue is that the revenue take will be vulnerable to changes in central government tax policies, such as increased thresholds or exemptions, or lower tax rates. Finally, it would displace the existing UCMT and education surcharge.

### **USER CHARGERS AND OTHER NON – TAX REVENUE**

Chinese local governments raise about 20 percent of their current general revenue from non-tax sources (excluding land revenues). In industrial countries, the most important element of non-tax revenues is user charges, which mostly are levied according to the quantity of service consumed. Water supply, electricity, refuse collection and disposal, and mass transit are cases where user charges are most common. The policy goals are to ration the use of the resources and to recover the full cost of providing the service. The record of cost recovery is good in industrial countries but rarely good in low income countries. Take urban rail transit as an example. The percentage of transit

costs recovered from fareboxes can be as high as 149 percent in HongKong (MTR), 137 percent in Osaka (OMTB) and 100 percent in London, or it can be as low as 9 percent in Austin (CMTA) and 28 percent in Milan(Lindquist, 2009).<sup>1</sup>

There is considerable space for capturing revenues from user charges and from certain benefit charges, but the historical record in China is not a good one. User charges imposed on the residential sector achieve only low rates of cost recovery. For example, a recent study of approximately 600 urban water utilities in China showed that only 44 percent generated positive net margins, even though real tariffs had grown at 3.7 percent annually over the previous five years (World Bank, n. d. ). Continued government subsidies provided the necessary financing in most cases.

The reason most often given for the poor record of cost recovery is the resistance from users to making a direct payment for public services, or even to making a direct payment of taxes for general local services. As Bird and Slack (2013, p140) note, “All too often, however, a vicious circle exists in which the low quality of local public services makes it difficult to collect user charges, with the result being further deterioration in the service levels.

## **ADMINISTRATIVE CHARGES**

A major component of non-tax revenues is administrative charges, i. e. , department charges for services provided, e. g. , charges for forms or for services rendered by a department of government. Administrative charges account for about one-third of non-tax revenues of local governments ( excluding land lease sales ). The central government is discouraging this practice on grounds that it arbitrarily raises the price of some government services relative to others, it allows departments to exploit their monopoly position in delivering the service, it leads to a costly system of revenue raising, and it dilutes the power of local governments to control their system of fees and charges. Some provinces are complying with the government directive and reducing administrative charges, which leads to a revenue loss.

Another important element of non-tax revenues is fee for services provided, such as tuitions, hospital charges and charges for refuse collection and disposal. These are more in the nature of benefit charges to recoup some of the expenditures made on a particular service, but have not been very productive revenue instruments in China. Refuse collection charges are not even levied. As the fee goes to the general pool of budget, it is difficult to distinguish the interests of users of the services and the general

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<sup>1</sup> <http://www.wsdot.wa.gov/NR/rdonlyres/55CF12C9-9D4E-4762-A27A-407A44546BE2/0/TrasitFareboxRecoveryandSubsidiesSynthesisKTaylorFINAL2.pdf>

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taxpayers. A new design is necessary to link cost recovery to the service provided.

### **REVENUE POTENTIAL**

As is shown in the simple calculations that are summarized in Table 5 – 1, some of these local government tax options have the potential to compensate subnational governments for reductions in shared tax revenues and unconditional grants. Columns 1 and 2 in Table 5 – 1 describe the proposed tax reform, and column 3 compares the revenue yield with a hypothetical reduction in VAT revenue sharing. The comparative (illustrative) benchmark we use here is elimination of the 25 percent VAT share to subnational governments. The data in column 4 show how much of this revenue yield is incremental to the subnational governments, i. e., how much is over and above the amount that would have been received in the absence of the reform.

These results indicate good prospects for increasing subnational government revenues with a piggyback tax. For example, if the UCMT surcharge is increased to an effective rate of 12 percent, it would yield an amount equivalent to 91 percent of the present shared VAT receipts, or “new” revenues from UCMT equivalent to 44 percent of the loss. The total new revenues from this package of reforms (property tax, UMCT increase, and motor vehicle taxes) would more than cover a loss in transfers equivalent to the 25 percent local VAT share.

### **INTERGOVERNMENTAL TRANSFERS**

Intergovernmental transfers are the primary source of subnational government financing. The system has served China well by channeling more than 80 percent of all revenues raised to lower levels of government, and by giving them responsibility to spend it. But the system has been changed in a piecemeal fashion over the past three decades and it is not clear that there is any longer an underlying strategy for the intergovernmental transfer system. And particularly, it is not clear how the system is responsive to the new concerns raised by urbanization.

Because so many different objectives are tied to shared taxes and grants, it is not surprising that the intended overall emphasis of the transfer system is unclear. The present system seems to be addressing incentives for revenue mobilization (with derivation tax sharing), equalization and gap-filling (with unconditional grants) and stimulating spending on particular functions (earmarked grants). Some of the programs are equalizing (some conditional grants and earmarked grants), but this is offset by tax sharing and tax rebates that are counter equalizing. Tax sharing transfers may stimulate revenue mobilization but earmarked grants may dampen revenue

mobilization. And so it goes.

As the system has been adjusted to deal with new problems, it has also become more complicated. For example, the tax sharing system allows local governments to retain a significant share of revenues according to where they are collected. But in the case of the VAT and the enterprise income tax, taxes may be filed at a headquarters location; hence there may be little correlation between where the tax was paid and where the tax burden lies. The government introduced an unconditional grant program but it has become laced with conditions. Likewise, the earmarked grant system has become unwieldy, with hundreds of different programs and with no clear overall focus. With complication has come increased monitoring and compliance costs.

The first step toward reform is for the government to decide on the primary objectives of the intergovernmental transfer system. For example, will it be to stimulate revenue mobilization by subnational governments, or equalization, or to encourage spending on targeted functions, or will it be a softening of conditionality to provide more autonomy at the local level, or more conditionality to capture externalities? Will there be a separate regime to address the issues surrounding metropolitan cities? All of these objectives are worthwhile, but the question is where the emphasis will lie? The answer to this question will help government find its way in developing a transfer system that will match the present day economy.

The time may be right to consider whether a formula distribution based on expenditure needs and fiscal capacity differences would be a better approach than derivation-based revenue sharing. Such a switch, under an equal yield distribution, would result in some provinces getting more transfers than they do now, and some getting less. The amounts of gain and loss will depend on the formula chosen, but they could be quite large. Some of the losers under such a switch probably would be the richer provinces, including perhaps the larger metropolitan city-provinces. Presumably, they would be left to rely more heavily on local taxes and user charges, and would have an incentive to impose higher rates. Some of the winners could be provinces where expenditures related to urbanization are greater. All of this would lead to a major change in the intergovernmental financing system.

## **ELEMENTS OF THE REFORM**

Reforming the intergovernmental transfer system would be done in tandem with reforming revenue assignments. This would make possible the replacement of lost transfers in some provinces with increased local taxes. The architecture of the reform (the level of vertical sharing and the formula for horizontal distribution) must be worked out based on government objectives, administrative constraints, and politics.

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Moreover, the reform would need to be a gradual process, because it would cause budgetary and political disruption in the system. That said, it is important to begin by setting an end goal for the reform program, even if it will take many years to fully implement.

To suggest the possibilities and the problems involved, an illustrative option for reforming the intergovernmental transfers system is presented below. This might be read as a “proposal” only in the sense that it is suggestive of the elements of formula—based transfer program, and suggestive of how its feasibility might be analyzed. The goals emphasized for this version of a reformed system are simplification, an inter-provincial distribution of revenues that better reflects expenditure needs, and a system of revenue sharing that would allow the central government to make neutral discretionary adjustments.

### *Vertical Sharing*

In this illustrative reform, the *vertical sharing pool* would include all taxes where the tax rate is set by the central government. This would include virtually all tax revenues raised in China. The vertical share of the subnational government sector could be stated as a flat percent of this total pool, rather than as different sharing rates for each tax. By our estimates, using 2012 data, the present 40 percent local share for income taxes, 25 percent share for VAT, and the sharing rates for all other taxes, generated revenues for subnational governments of 4732 billion Yuan in 2012. In the same year, a general sharing rate of 47 percent, applied to revenues collected from all central and local taxes, would have generated this same amount of revenue.

We would also propose to fold the present package of unconditional grants into the general revenue sharing program. This would enhance local spending autonomy, so as to preserve the information advantages of provincial and local governments. In this case, the vertical share of subnational governments would increase by another 26 percent of all tax collections.

So, vertical sharing would become relatively simple. Of the total amount of taxes raised (i. e., taxes where the central government had responsibility to set the tax rate), 73 percent would be transferred to the subnational governments on an unconditional basis. The central government would have the discretion to adjust the general sharing rate up or down, depending on factors such as the need to protect expenditure/revenue balance, the costs of urbanization, compensation for expenditure reassignments, etc. Conditional grants would be outside this general revenue sharing regime.

This would be quite a different structure for vertical sharing for China, and would



have quite different effects. There would be a number of advantages:

- The revenue impacts of central government discretionary changes in any one tax, on subnational government revenue budgets, would be muted. This is because the sharing pool would include all taxes, and all taxes would be shared at the same rate. For example, a new national exemption under VAT would cause a loss in national tax revenues, and this loss would be shared among all provinces (by formula) irrespective of how large VAT was in their tax base. The same would be true in the case of an increase in VAT resulting from a rate increase.
- The adoption of a uniform sharing rate would simplify the system because it would eliminate many special cases that have to do with affiliation of enterprises.
- All sources of tax revenue would now be on a level playing field as far as the attraction of industry is concerned. The value to a local government of attracting a firm that will generate a future flow of one million Yuan in income tax will be the same as one that generates a future flow of one million Yuan in VAT.
- A single sharing rate makes adjustments by the central government less arbitrary. A change in expenditure assignments, say the assignment of responsibility for financing social insurance programs, would call for a higher rate of retention for the central government. The estimation of the needed change in the revenue sharing arrangements could be more easily accomplished under a single rate of vertical sharing from all tax collections. For example, it would eliminate the need to decide whether any new central government responsibilities for services would be financed by value added taxes or by income taxes.

There also could be disadvantages. One is that the “entitlement” feature of tax sharing might be lost. The simplification of the revenue sharing regime that this system would bring might be an inducement for the central government to make regular changes in the general sharing rate. This kind of instability in the vertical share could undermine long term fiscal planning by subnational governments.

Another possible disadvantage is that the central government would lose some of the advantages of being able to fine tune the flow of revenues to the subnational governments. Under the present system there are many instruments for doing this, e. g. , change the sharing rate on income taxes but not VAT, or abolish the business tax, etc. Under this proposed reform, the discretionary change in the vertical dimension of revenue sharing is one-track, i. e. , the single sharing rate.

### ***Horizontal Sharing***

The distribution of this revenue sharing pool among provinces is the second dimension

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of this proposed change in the system of revenue sharing. The change would involve fully distributing shared taxes according to a single formula, rather than according to origin of collections as under the present system or according to several formulae and ad hoc distributions as in the case of the present system of unconditional grants.

Formula grants refer to methods of distributing revenue entitlements according to an objective set of indicators. This has appeal because it can be objective and depending on how it is constructed, is acceptable as a fair approach. It also has the advantage that the grant share of each local government does not change very much in the short run, for example as in the case of a province's share of national population or relative level of per capita income. There also are some undesirable features of such transfers. While the formula itself is objective once it is determined, the process of making the determination is not so objective in that it requires a great deal of judgment, and is susceptible to favoritism. Moreover, the choice of variables to be used in the formula may be restricted by the quality of the data available.

This approach could have a number of advantages for China.

- Depending on how the formula was constructed, it could allocate transfers to provinces where expenditure needs are greater and taxable capacity is lower. These might include some provinces that are most burdened by costs of urbanization.
- The incentive for subnational governments to compete for tax bases using industrial subsidies would be lessened because the amount of tax base they attract with subsidies would be unrelated to the amount of revenue sharing they receive. This might force subnational governments more toward a form of competition that is based more heavily on the provision of quality public services.
- A formula approach for the entire revenue sharing pool would offer a better possibility for equalization and for the reduction of fiscal disparities, than does the present system.
- Any particular tax features of a city would no longer matter in the distribution of revenue sharing, e. g. , an export port city, or a city with significant presence of non-taxed government activity, etc. The amount they receive back would be based on objective measures of need.

There also would be disadvantages.

- It changes the basic nature of the intergovernmental transfer system. At present the subnational governments have an entitlement to a share of revenues raised (though this entitlement can be changed by the central government). The proposed system would break the link between what is raised locally and what is returned in the form

of intergovernmental transfers.

- The change would almost certainly introduce political arguments over the formula. For example, low income provinces might want the poverty rate to be highly weighted, large provinces might argue for heavier weights on population size or land area, and rich provinces might want to take into account the amount of infrastructure that must be maintained. If the result of this debate is a compromise with offsetting effects, there is a risk that little will be achieved.
- The formula approach will result in elimination of an incentive for subnational governments to increase the rate of revenue mobilization. The link between “what you get” and “what you raise” would be gone.
- There might be a gap between the formula that government desires in order to achieve its objectives, and the formula that can be supported by available data in which all have confidence.

The interprovincial effects of adopting a needs-based formula approach would of course depend on what variables are included in the formula and on how they are weighted. The choice of the variables to enter into the formula would depend on the government’s objectives, and on the availability of data that are untainted by gaming of the system. There are many options here, and countries have constructed many different formulae.

If the goal of the formula allocation is equalization, the concentration of high cost population and low per capita GDP might be weighed heavily in the formula. If the goal is to provide more funding where expenditure needs are greatest, the formula elements would concentrate on measures reflecting the cost of providing a minimum service level. If the goal is to reward tax base development, then the level of consumption or the level of income might be considered. Other factors, such as revenue stimulation might be included directly in the formula.

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### ***International Experience***

Many approaches can be taken to constructing a formula. The great variation in the practice might be summarized under three more or less common approaches. The first might be called *the standard needs-standard revenue gap*. The idea here is to set the amount of grants to each local government according to the gap between the amount of expenditures required to deliver a minimum level of services and the amount of local revenue that could be raised at a “normal” level of effort. Many consider this to be the best of the approaches. It was developed in Australia and is also used in Italy, Korea and in China (for equalization grants).

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The second approach is more ad hoc, in that it develops a formula based on impressionistic reasoning *about indicators of fiscal capacity and indicators of expenditure needs*, and then weights each indicator in the distribution formula. These can be very complicated or very simple. Most commonly, population is used as the basic measure of expenditure needs, though its weight in the formula may differ from country to country (e. g. , 75 percent in Spain and 10 percent in India). Other indicators of expenditure need are also chosen in different countries, e. g. , the percent elderly in Korea, population density in Germany, energy cost in Mongolia, and percent of population with no access to health care in South Africa.

*Third, some provision is made for fiscal capacity*, i. e. , giving less transfer revenue to places with greater fiscal capacity (Switzerland, Germany, and India) but more to places that make a greater tax effort (Spain). Finally, formal set-asides are provided in some cases where the government feels that a factor is important to include, but it cannot be measured, e. g. , state capitals in Brazil and “backward” states in India.

### **Conditional Grants**

The final element of this reform package is the provision for conditional grants to address externalities and to more directly address special needs in provinces with high rates of poverty. *The earmarked grants* would continue under this proposal, but would be greatly simplified. At present there are hundreds of different conditional grant programs in the system. This is too complicated to effectively monitor and it imposes significant compliance cost. If conditional grants are deemed necessary to protect spending levels where external benefits might not be taken into account, then a sensible reform might be a consolidation of these grants into a much smaller number of block programs. This part of the proposal is not fully in step with the direction of international practice. The trend in OECD countries seems to be toward unconditional grants (Blochinger and Vammille, 2010).

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## **SIMULATION OF IMPACTS**

To illustrate the impact on the distribution of transfers, the results of a hypothetical transfer program are simulated using actual data for 2009. The program would operate under the following rules.

- The vertical share is 63 percent of total tax collections (exclusive of land lease revenues), or Yuan 3780 billion in 2009. The vertical share for conditional grants is Yuan 1099, as it was in 2009.
- Every province receives 80 percent of its receipts of shared tax and local tax, plus unconditional grants in 2009 as a base transfer. Of the remaining 20 percent of the

vertical share:

- 30 percent is distributed among all provinces according to an equal weighting of population size and HDI.
- 70 percent is distributed according to population.
- Conditional grants are distributed as at present.

The simulated results are presented in Table 5 – 4. The simulation is revenue-neutral with respect to the levels of 2009, so that the distributional results can be shown and compared to the present system.

In column 1 of Table 5 – 4, the present level of per capita revenues from shared taxes and all grants is shown. Column 5 shows the per capita distribution under the proposed program. Column 6 shows the difference in terms of the per capita gain or loss, and column 7 shows the percent gain or loss. Column 9 shows the difference as a percent of per capita GDP. Presumably, this difference is the amount that would be made up with local taxes and user charges, if the local government was willing to levy an increase. Alternatively, it could be made up with transition assistance from the central government.

To take one example from Table 5 – 4, Beijing would lose 1759 Yuan per person under the proposed program, or an amount equivalent to about 14.9 percent of what is received now. This loss would be equivalent to about 2.7 percent of local GDP. For all provinces, 17 would gain under this move to a formula system, but 13 would lose.

We might also summarize the changes in terms of richer vs. poorer provinces. While the simple correlation with per capita GDP does not change significantly, the coefficient of variation under the present system is 0.89, while that under the hypothetical formula distribution is 0.71. This suggests less dispersion in the distribution.

We can learn much from such simulations. One lesson is that falling back to a population allocator would not likely be acceptable because of the significant short term losses to some provinces. For example, Shanghai would lose the equivalent of 2.4 percent of GDP under this plan, and Tibet would lose over 8.7 percent. On the other hand, Henan would gain over 1.1 percent. However the patterns that do emerge give reason for optimism that a formula could be developed that would not have such extreme shifts in transfer revenues.

A second lesson is that the distributional impacts can respond to other formula elements that may reflect government policy. For example, it could be changed in the direction

**Table 5 – 4: Impacts of a Population Formula Distribution of Shared Taxes and Unconditional Grants (Based on Data in 2009)**

Province	(a) Per Capita Receipts of Shared Tax and Local Tax Plus Unconditional Grants	(b) Per Capita 80 Percent of Receipts of Shared Tax and Local Tax Plus Unconditional Grants	(c) Per Capita 6 Percent of Receipts of Shared Tax and Local Tax Plus Unconditional Grants Weighted by HDI and Pop	(d) Per Capita of the Left 14 Percent Taxes and Grants Taken Nation as a Whole	(e) Total e = b + c + d	(f) Difference f = e – a	Difference as Percentage	f as Percent of Per Capita GDP
Beijing	11781	9425	201	397	10023	-1759	-14.9	-2.7
Tianjin	5590	4472	194	397	5063	-527	-9.4	-0.9
Hebei	2043	1634	169	397	2200	157	7.7	0.6
Shanxi	2656	2124	169	397	2691	35	1.3	0.2
Mongolia	4263	3410	176	397	3984	-279	-6.5	-0.7
Liaoning	3674	2939	181	397	3517	-157	-4.3	-0.4
Jilin	2853	2282	175	397	2854	1	0.0	0.0
Heilongjiang	2597	2077	172	397	2646	50	1.9	0.2
Shanghai	10985	8788	199	397	9384	-1601	-14.6	-2.4
Jiangsu	3519	2815	183	397	3395	-124	-3.5	-0.3
Zhejiang	3814	3051	182	397	3630	-184	-4.8	-0.4
Anhui	1935	1548	161	397	2106	171	8.9	1.0
Fujian	2492	1993	175	397	2565	73	2.9	0.2
Jiangxi	2017	1613	162	397	2172	155	7.7	0.9
Shandong	2144	1715	176	397	2288	145	6.7	0.4
Henan	1719	1375	165	397	1938	219	12.7	1.1
Hubei	2110	1688	170	397	2255	145	6.9	0.6
Hunan	1838	1470	166	397	2034	196	10.7	1.0
Guangdong	3154	2523	178	397	3099	-55	-1.8	-0.1
Guangxi	1895	1516	161	397	2074	179	9.4	1.1
Hainan	3564	2851	166	397	3414	-149	-4.2	-0.8
Chongqing	2466	1973	168	397	2538	72	2.9	0.3
Sichuan	2039	1631	162	397	2190	151	7.4	0.9
Guizhou	2208	1766	146	397	2309	102	4.6	0.9
Yunnan	2113	1691	149	397	2237	123	5.8	0.9
Tibet	9138	7310	139	397	7846	-1291	-14.1	-8.7
Shanxi	2622	2098	170	397	2665	42	1.6	0.2
Gansu	2187	1750	154	397	2301	114	5.2	0.9
Qinghai	5187	4150	156	397	4703	-484	-9.3	-2.5
Ningxia	4063	3250	165	397	3812	-251	-6.2	-1.2
Xinjiang	3685	2948	163	397	3508	-177	-4.8	-0.9
National average	2836	2269	170	397	2836	0	0	0.0

Sources: calculated from data in China Statistic Yearbook 2010 and dataset of the Ministry of Finance of China.

of more equalization by allocating a portion of the pool according to the concentration of poverty in the province.

A third lesson is that big changes in the formula elements can shock the distribution enough to stimulate public opposition. This is shown by the simulations in Table 5 – 4. In such cases the new formula should be phased in gradually to give the subnational governments an opportunity to adjust. In this case, it would be phased in simultaneously with increased local government taxing powers and changes in revenue assignment. The goal would be to find a system that would result in a revenue gap for each province (column 5 of table 5 – 4) that could be feasibly covered by increased subnational government revenues. Note also that this illustration calls for a hold harmless at 80 percent of the existing distribution. If the migration to a new formula were to be phased in over a five year period, the subnational governments would have ample time to make local tax and charge adjustments.

## **SUBNATIONAL GOVERNMENT BORROWING**

Denying subnational governments the power to borrow is not a viable public policy for China. Responsibility for financing infrastructure rests largely with subnational governments, and they must respond to the increase in demand for public facilities that emanates from urbanization and economic development. Debt finance is not a source of revenue, of course, but it is an efficient approach to financing long-lived capital facilities and it offers a way to generate the resources necessary for large scale public investment efforts. Subnational government borrowing must be a part of China’s strategy for absorbing the public sector cost of urbanization.

### **BORROWING FRAMEWORK**

Before subnational governments in China can be given the power to borrow, some fundamental issues must be addressed. These include the need to establish a program of credit analysis for local governments, the need to establish more independence of lenders and borrowers, the need for local governments to have a stable flow of revenues that is adequate to service debt, and the need for an overall borrowing framework that would establish the rules under which local governments could borrow. In principle subnational governments could issue either general obligation bonds, backed by their revenues, or revenue bonds, backed by a flow of revenues from either tariffs or from a dedicated revenue stream.

Borrowing by subnational governments in China would need to be strictly disciplined, both by the law and by close monitoring of the practice. As the fundamental issues

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outlined above are addressed, the restrictions can be loosened.

All countries have introduced policies to discipline subnational government, but this is especially important in countries that are new to the use of internal capital markets for this purpose. The goals of these regulatory policies are to protect investors and local governments from fiscal behaviors that would jeopardize timely repayment. In China subnational government public finances would be restricted in several ways:

- Debt finance would be allowed only for capital facilities with a long service life. The construction of capital facilities for SOEs in the competitive sector would be a strictly prohibited use of these funds.
- The amount of borrowing would be kept within the limits imposed by higher level governments and would be based on repayment capacity.
- The avenues by which subnational governments can use loan funds to soften their budget constraint on current expenditures would be closed off.

### **INTERNATIONAL EXPERIENCE**

The regulatory programs that countries have adopted to keep subnational governments close to such objectives include both fiscal rules and market approaches. The programs adopted differ in structure from country to country, and while they have generally contributed to holding off a subnational debt crisis in middle and low income countries in the last decade, each has faced problems and has required adjustments (Liu and Waibel 2010). The experience in some Latin American Countries can be instructive (Bahl and Sethi, 2012).

Local governments in Peru may borrow, but under a strict set of fiscal rules that are designed to protect a hard budget constraint. These rules include limits on debt service, debt levels, deficits, and the rate of growth in public spending. There are also special limits on spending in election years. The sanctions for violating the fiscal rules include an intercept (i. e. , an automatic withholding) of certain transfers and, in extreme cases, direct intervention in the operations of the local government. About 55 percent of internal debt, and all external debt, belongs to local governments in metropolitan Lima.

Mexico does not have a fiscal responsibility law but instead relies on a market-based approach to control borrowing by subnational government. Long-term borrowing is secured with a trust fund arrangement where loans are collateralized by unconditional grants (participaciones) and own-source revenues. It is required that long-term debt be registered with the Ministry of Finance and that approval for the borrowing be given by



the local congress. Credit rating agencies provide an independent analysis of the riskiness of loans to individual state and local governments, and these ratings are used to calculate a capital risk weighting of bank loans. The sanction is that banks will not lend to subnational governments that are not creditworthy, and the sanction will hold up so long as the federal government holds firm on its no-bailout policy.

Restraints on borrowing in Colombia are governed by a set of laws passed between 1997 and 2003. The approach involves a combination of fiscal rules to strengthen fiscal discipline, the introduction of a rating system, and the introduction of a workout system for local governments that are in financial trouble. The fiscal rule targets include ratios of interest payments to operational savings, and debt stock to current revenues. When a government fails to meet the targets, it is classified in the “red light zone” and is prohibited from borrowing. The result of these practices has been a reduction in subnational government debt outstanding from 9.6 percent of GDP in 2001 to 5.4 percent in 2005.

Argentina adopted a fiscal responsibility law in 2004 that applied to both the national and subnational governments. It required that the growth in subnational government spending (excluding debt services) be lower than the growth in GDP, that debt service be less than 15 percent of current revenues, and that a three-year forecast of budgetary position be maintained. There are few hard sanctions in the 2004 fiscal responsibility law and a number of loopholes make it possible to avoid any penalties at all.

Subnational debt levels either declined or grew more slowly than in the period before fiscal responsibility laws (Liu and Webb 2011). It is not possible to estimate how much of this was due to economic performance and how much was due to regulatory policies. On the other hand, it can be noted that some subnational governments have taken advantage of flaws in the regulations to soften their budget constraint. Some of these flaws are in the implementation of the regulatory framework and some are due to structural problems with the design. The four countries reviewed here have addressed such issues with varying degrees of success.

The use of supplier credits and accumulation of arrears in the payment of employer wages and benefits is another form of borrowing to cover current expenditures. So is the underfunding of pension funds. This way around the Golden Rule has been used by local governments in Mexico and Peru. Under Peru’s fiscal responsibility law, borrowing through arrears is reported and covered under the allowed debt ceiling. In Mexico it is not. Another example was the use of short-term borrowing by some Mexican states to cover current account deficits in 2009. These loans were not registered with the Ministry of Finance, not secured by the trust fund arrangement, and not approved by the local congress.

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The experience with monitoring compliance with fiscal rules and applying the sanctions has been mixed. There is a long history of not enforcing the fiscal responsibility laws in Argentina, and "...those who have missed their targets have faced little political fallout" (Liu and Webb 2011). By 2009, the fiscal responsibility laws in Argentina had been suspended. There is also inadequate monitoring and enforcement by the central government of the fiscal rules in Peru, and widespread noncompliance by municipal governments.

Central governments in all of these countries seem to have made a creditable commitment to a no-bailout policy. However, a challenge to this commitment, and to the hard budget constraint mandate and the Golden Rule, seems to have arisen with respect to cyclical smoothing. In fact, Peru has made explicit provision for a relaxation of the debt ceiling for subnational governments during recession, and Argentina has shown a willingness to do this on a discretionary basis.

Mexico allowed its state governments to borrow to cover revenue shortfalls in the 2009 – 2010 recession. It is estimated that states could have faced cuts of more than 20 percent of their unconditional grants (Revilla 2012). The amount in their collectively owned rainy day fund was not large enough to cover the shortfall. The solution was to borrow against the future flow of revenues into the stabilization fund.<sup>1</sup> In one sense this approach "worked" because cuts in essential services or insolvency were avoided. The borrowing however, was by subnational governments to cover current expenditure, and there was no agreement to increase state taxes to help repay the stabilization fund.

### *A Model for China*

The model proposed here for China is one where all local government borrowing would be controlled by a national framework which specified the conditions under which subnational government borrowing could take place. The two most important parts of the framework would be the limits on the purpose of borrowing and the limits on the amount of borrowing. On the first of these, the normal practice is to limit debt finance to the construction of long-lived assets in the public sector. The financing of capital projects in the competitive sector would not be an eligible use of these funds. The second limit is on the amount which a subnational government could borrow, if it could borrow at all. The limits would be prescribed in the framework. In theory, subnational governments could draw on three sources of revenue to secure a loan: user charges, an intergovernmental transfer intercept, and dedicated sources of own source local revenues.

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<sup>1</sup> The stabilization fund is capitalized with "excess" federal tax revenues.

Subnational governments that passed the creditworthiness test would be permitted to borrow without permission of the provincial or central government. Those with a weak credit rating would require approval. Those subnational governments below the line on repayment ability would have limited or no access to debt finance, and their infrastructure needs would be handled either directly by higher level governments or by capital grants. Among the measures used to set the boundaries of creditworthiness for local governments would be the level and structure of GDP, the level and stability of recurrent revenues, the budgetary position of the local government, the level of contingent liabilities, and the level of debt outstanding.

Certification that a local government had passed the creditworthiness test would probably come from the central government. Local governments and local development banks are not sufficiently independent to allow them to do the monitoring of the local government financial condition. To be eligible to borrow, a local government would have to fully disclose its financial condition, using a standardized reporting system.

## **LAND FINANCE**

The proper role of land revenues in Chinese public finances is complicated, in part because government is a monopoly owner of land. Land is an exhaustible resource, and its use for urban development is limited by food security concerns. This leads to suggesting that it be treated as a below-the-line financing source for capital projects. Otherwise, spending the revenue from the sale of land leases is no different than spending cash balances from the local government account. Turning government assets into badly needed public infrastructure should be applauded, especially at a time when the migration of hundreds of millions to cities is putting great pressure on urban infrastructure.

But, as was discussed, the structure of the program was flawed. The treatment of farmers and collectives who had user rights to the land was unfair, land collateral for loans to provide infrastructure for the sites led to a non-transparent approach and arguably to over borrowing, the wealth of riches allowed some local governments to make unwise investment decisions, and urban sprawl was encouraged.

What to do now? The option of cutting off the practice of land financing of urban infrastructure is almost certainly not a starter because the program has become so important, i. e. , land revenues are now equivalent to more than one-third of ordinary budget revenues in China. Moreover, the infrastructure needs related to urbanization are great, and another 300 million migrants to cities is expected in the next decade.

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We can say this: Subject to the constraints related to food security, the basic problem is not with the practice of converting farmland assets into productive urban facilities and ultimately higher quality urban services, but it is with the way in which this is being done. This suggests that the best route is to reform and rationalize the practice. And here there are good alternatives. But several changes in the law, the administration, and the division of the real revenues from land conversion need to be worked out and fitted together. The workout will be no easy matter and certainly it will be politically charged.

The first order of business is to address the compensation question. One alternative is to abandon the practice of expropriation of farmland at the value in agricultural use. In its place, the government could allow negotiations between developers and collectives/farmers to establish a market value. Or, the farmers could be allowed to negotiate directly with the local government. Either of these arrangements would lead to a reduction in the profits from land transactions and at the margin would reduce land lease revenues that are used to finance public infrastructure.

If farmers were allowed to negotiate prices with developers (directly or through government), the profits on the sale of the lease could be subject to taxation.<sup>1</sup> The local government could then levy separate development charges on the buyer. This would put government in the right place, i. e., as taxing the profits at a reasonable rate rather than arbitrarily expropriating much of the profits. This would mean less of a surplus from land lease sales accruing to the government budgetary accounts, but it would be more fair and more in line with the right role for governments.

Second, if local governments are to be chased away from some of the high profits associated with land sales, they should be given additional taxing powers as a kind of compensation for giving up some of their claims on land lease revenue, and to provide them with an additional base for financing local services and repaying debt. The property tax is a viable candidate for local taxation, but this alone will not make up for the revenue loss from shifting away from expropriation and land lease sales. As noted above, there are other alternatives that might add to a significant strengthening of the urban government finance base. Land revenues are now running at about 3.8 percent of GDP per year, after account is taken of the cost of preparing the site for the sale of a lease. The proposals for local taxation, described above, could reasonably be expected to yield 5 percent of GDP or more.

Third, there is the problem of dealing with the urban sprawl that has come with the extensive use of land leases (World Bank and Development Research Center, 2014,

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<sup>1</sup> This would be done with a capital gains tax if levied on profits, or a transfer tax if levied on sales value.

pp439 – 535). The goal of making urban economic development more compact could be helped by the introduction of a property tax which would impose a holding cost on land in the built-up area that is being held off the market. At the margin, this might divert some real estate investment to the built-up area.

Fourth, any reform in this area needs to bring more focus to the question of how the public monies are spent. This will be particularly true if financing through local government borrowing will be limited to public sector projects. In this case, the profits from land lease sales could not be used for investments in the competitive sector. Moreover, under a local government borrowing regime, loans to prepare sites for sale of land leases would be directly competitive with public purpose infrastructure investment. Under the present system, where much of the spending is off-budget, it is complicated to even track the spending outcomes.<sup>1</sup> This would be another factor driving down the profitability of the sale of land leases.

Finally, there is the question of what to do about the financing platform. Here there are two issues. First, if a UDIC is involved in what is essentially a private sector activity (e.g., managing an industrial park), the capitalization from the local government could be called back and the UDIC could be privatized. Under the right circumstances it might join the local government in a public private partnership for the provision of public services. Second, if local government direct borrowing is allowed, arguably the major rationale for the local investment companies would be gone. Any professional service they offer could be contracted from the private sector on an as-needed basis, or the UDIC could be brought into a local government department.

A reform such as this would have important and controversial impacts. Whether this is in the best interests of China depends on how well it matches up with national goals. Consider the following pros and cons of this proposal:

- Because the purchase price of land to the local government would increase, it would reduce the funds available to the local government for public infrastructure spending. This would be a dangerous policy at a time when urbanization will place such great demands on infrastructure services.
- This proposal would reduce the advantages of land use patterns that favor urban sprawl. Fringe area land would be relatively more expensive than it is now, property taxation would increase the holding cost of land in the built up area,

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<sup>1</sup> Technically, the Government Fund, which is the account where the land based infrastructure activity is reported, is part of the local government budget. However, the UDICs are responsible for much of the transactions, and their accounts are less transparent, notwithstanding the local government guarantee on their debt.

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motor vehicle taxes would increase the commuting costs, and a formula-based transfer system would reduce the fervor about competing for future VAT revenues. All of this would contribute to less public revenues from land leasing, and possibly could make suburban land relatively less attractive (vs. land in the built-up area) than it is now.

- Adjustments in land compensation policies would lead to what some would see as more justice in the distribution of profits from land lease sales. That is, the owners of agricultural land user rights would be treated the same as urban non-residential land user rights. Such an arrangement would put local governments closer to their traditional role, i. e. , taxing the gains from land rather than using monopoly power to expropriate the land and buy it at less than market value.

## **CHAPTER SIX**

# **THE PAYOFFS FROM REFORM**

### **INTRODUCTION**

The proposal here is for a comprehensive structural reform rather than a piecemeal fix of the present system. Because the Chinese approach to public financing makes it difficult to separate tax structure reform, tax administration reform, and intergovernmental fiscal reform, it is important to consider how the various elements of the reform fit together and the joint impact they might have on the economy. The elements of the reform can be phased in gradually and over time, but developing the long run plan to modernize the entire fiscal system should be done at the outset.

The proposal above is an outline of such a comprehensive reform. The exact details, such as the new tax rates and bases, intergovernmental transfer formulae, borrowing rules, expenditure assignments, and the like, are not here. This requires a painstaking work to be done by a government-appointed commission that is fully armed with data and fully informed about government policy goals. Nor do we take on the tough questions of how laws and regulations might be changed, or discuss the very difficult issues of political economy.

### **THE REFORM PACKAGE**

The reform package described here is built around seven key sets of policy and administrative change:

1. Provide incentives for subnational governments to focus more heavily on the provision of good public services, and less on direct involvement in the competitive sector.
2. Shift responsibility for financing social insurance programs, including the legacy costs and unfunded liabilities, to the central government level. Subnational governments could continue to be involved heavily in the delivery of some programs, but the level of financing and the benefit packages would no longer be tied to the fiscal strength of the provincial and local governments.

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3. Authorize subnational governments to make use of certain taxes and to set rates within specified limits. The tax sources that might be considered are property and land taxation, motor vehicle taxes, and the UCMT/education tax. Provide incentives for subnational governments to move user charges closer to cost recovery levels.
4. Convert the existing revenue sharing system to one that features a single sharing rate for the vertical pool, a formula-based system for distributing the transfers, and a much simplified earmarked grant system.
5. Allow local governments to borrow within a restrictive framework, both in terms of the purpose for which they may borrow, and the amount they may borrow.
6. Retain the sale of land leases as an instrument for the financing of public infrastructure, but restructure the program. Among the changes needed are a more equitable method of compensating farmers for the sale of their user rights, elimination of the financing platform or its conversion to a type of PPP arrangement, the use of auctions for land leases sales vs. “placements”, and account for all transactions in the government fund budget in a more transparent way.
7. Change the system of local budgeting to one that features full transparency and allows government to do a better job of planning and managing its fiscal affairs.

A summary of the impacts of this reform, discussed below in some detail, are presented in Table 6 – 1.

**Table 6 – 1: Comprehensive Reform Program**

Subject	Reform	Comments/ Impacts	Implications for Urbanization
Expenditure Assignment	Transfer responsibility for social security financing to the central level, including legacy costs.	Would equalize benefits and contribution rates among provinces; Local government expenditures would be reduced; Total expenditures by central government on social security would rise above the present level of 6 percent of GDP; Will improve the vertical balance in the intergovernmental fiscal system.	Full portability of benefits; disparities between residents and migrants would be reduced. Disparities among provinces and among local governments would be reduced.



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Subject	Reform	Comments/ Impacts	Implications for Urbanization
Expenditure Assignment	Transfer selected subnational functions to the central level.	Central government expenditures would increase by an amount that would depend on the functions transferred; externalities would be accommodated; Will improve the vertical balance in the intergovernmental fiscal system.	Some service levels would be improved and could lead to attracting more economic activities. These would include environmental protection and urban transportation.
Revenue Assignment	Adopt local government rate setting for property tax, surcharges on UMCT/ education tax, and motor vehicle taxes. Target revenue yield could be 5 percent of GDP.	Would increase overall rate of revenue mobilization, provide local governments with more autonomy to borrow or expand service levels, could have an equalizing impact. Residents in higher cost cities would pay a higher tax price; Will improve the vertical balance in the intergovernmental fiscal system.	Potential migrants and new businesses would factor in the higher cost of public services in destination cities; the higher cost of urban sprawl would be partially compensated by increased taxes.
Intergovernmental Transfers	Restate the vertical share for intergovernmental transfers as one sharing rate for all tax collections.	The claim of the central government on total fiscal revenues would rise, depending on the increased cost of social insurance programs, and other programs that are assigned to the central government.	
Intergovernmental Transfers	Replace derivation sharing with needs – based formula sharing.	A shift in the distribution of transfers away from the higher income provinces; Provides incentive to mobilize revenues through local tax sources.	Less incentive to provide industrial subsidies to attract tax base; More expenditures for general public services.
Intergovernmental Transfers	Move unconditional grants to the general revenue sharing program. Simplify earmarked grants by converting to a smaller number of block grant programs.	Reduces compliance costs and monitoring costs, but removes some targeting of specific areas for spending.	Grants targeted on migrant workers might be reduced.

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Subject	Reform	Comments/ Impacts	Implications for Urbanization
Debt	Give local governments the power to borrow within specified limits.	Would eliminate the use of informal channels of local government borrowing; the financing platform would become redundant. Would stimulate the development of a bond market.	Might slow the mobilization of revenues through the sale of land lease.
Land Lease Sales	Compensate farmers according to a market price for land, but tax the difference between the lease price and the agriculture price; all sales of leases by auction.	Would dampen the use of land lease sales and would therefore reduce the funding available for public investment in infrastructure. Would reduce the vulnerability of local government to fluctuations in land lease sales prices.	Urban sprawl would be relatively less attractive than compact development by comparison with present arrangements; Infrastructure to absorb migrant workers and new companies might be reduced
Budgeting	Adopt a new budget format that separates current from capital spending and revenues. Require that all revenues, expenditures, assets and liabilities be fully reported.	Would permit development of a capital budget, and could lead to better comparative measures of credit worthiness.	

## IMPACTS OF THE REFORM

130 The government will have interest in four broad impacts of this proposed fiscal reform. The first is whether it will bring about a better balance between revenues and expenditures made at the central and at the subnational government levels. The second issue is whether unwanted distortions are addressed by the proposed changes in expenditure and financing policies. The third is if more fair and equitable outcomes are promoted. Finally is the degree to which the proposed changes reinforce the macroeconomic policy objectives of the government. Importantly, this final objective includes how the public finance system will accommodate the costs of urbanization and capture its benefits.

## REVENUE – EXPENDITURE BALANCE

The Chinese intergovernmental fiscal system is not well balanced. The central government raises nearly all of the tax revenues but accounts for only about 15 percent of direct spending. The remaining 85 percent of direct expenditures is in subnational government budgets, but these local governments have no independent taxing power. If the social security and government fund budgets are considered, the system has an even more unfavorable vertical balance. The concern that local government expenditure budgets are overloaded is increasingly heard. The overload is not sustainable, and in the past has been dealt with by allowing backdoor approaches to shore up local government budgets. The time may have come to find a more permanent solution.

The reform package proposed here would remove some of the fiscal overload by shifting some expenditure responsibilities to the central level. Most importantly, the central government would assume financing responsibility for social insurance. This proposal would have short run and long run cost implications for the central government. Initially, the central government would need to level up the benefits across provinces, to cover the deficit in current funding (equal to about 25 per cent of costs) and to address the legacy costs that resulted from closing some SOEs. In the longer run, the central government would need to deal with the underfunding in the system.

Other expenditure programs are candidates for shifting to the central government. These include functions where there are significant spatial externalities (environmental protection and natural resource management) and where regional and national coordination is necessary. An area of importance that is now emerging is the management and financing of the largest metropolitan areas. Boundaries have grown together and significant costs and benefits of some public services are spilling over these boundaries. Some form of central intervention, and perhaps financing, is in the not too distant future. Until a detailed analysis of the expenditure budgets is carried out, we cannot estimate the cost that the central government will assume.

Expenditure reassignments would be accompanied by revenue reassignments. One possibility is an increase in the share of total revenues retained by the central government. The proposal outlined here is that a single sharing rate would be set for all taxes levied by the government. The new, higher retention rate for the central government would reflect the new central government responsibilities. The result would be an improved balance in the intergovernmental fiscal system.

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Finally, the system would be better balanced because local government taxation would be introduced. This would include a revamped set of property taxes, surcharges on central taxes and motor vehicle taxes. When the tax administration is developed enough to allow destination-based sales taxes, certain of the excises also could be converted to retail sales taxes.

### **EFFICIENCY IMPLICATIONS**

The present public finance system has introduced biases that effect market decisions and individual choices. These biases have been welfare reducing. Some of the fiscal policy changes in this reform package could reduce these distortions and give some efficiency gains to the economy.

First, local taxing powers would allow those urban governments that provide better services to charge a higher tax price to their residents. In some cases, this will happen automatically, as in the case of a property tax levied against the value of property. That is, services will be more costly to provide in large cities, where property values are higher, and therefore where property taxes are higher. In other cases, local governments will set a higher tax price with discretionary increases in the tax rate, e. g. , by levying a higher rate of piggy back tax. Either way, the higher tax price could bring about a number of changes in choices made. Residents and businesses would be asked to pay the higher marginal cost in cities that provided better (higher cost) services. This would be factored into the location decisions of both companies and migrants and at least at the margin will contribute to a more efficient size distribution of cities, and to an improved pattern of business location. It also might stimulate resident groups and business groups to pressure local governments for more cost effective service delivery.

Second, a proper rejiggering of expenditure assignments would lead to taking better account of the external costs and benefits of spending decisions. In cases where the reforms lead to more centralization, externalities could be internalized and more efficient levels of service could follow. Examples are natural resource management, environmental protection, food safety, and regional transportation.

Third, moving from derivation-based revenue sharing to a formula system would reduce the incentives for local governments to compete for tax base. The amount of intergovernmental transfers received would now depend on expenditure needs, such as population size or the concentration of low income families, rather than on the amount of new VAT or company income tax generated. The choice between investments in education and investments in industrial development, for example, would now be on a more level playing field. This should result in more rational decisions about industrial

attraction strategies and subsidies.

Fourth, the increased level of compensation to farmers (and reduced profits to local governments and developers) could reduce revenues from the sale of land leases, and slow down the rate of increase in peri-urban infrastructure investment. This will not be a positive factor for China, given the amount of new urban infrastructure that is needed. On the other hand, there are positive impacts. Some excess capacity could be used up and budget allocations could be focused more on social services and on infrastructure maintenance. The slowdown in urban fringe development might also be slowed by taxes on property and motor vehicles. This could limit urban sprawl and at the margin lead to choices of more compact development that would better capture agglomeration economies. Whether any of these changes in relative prices will matter, however, depends on level of taxation chosen and on the price elasticity of demand for suburban land.

## **EQUITY AND INCLUSIVENESS**

This reform package would also have positive impacts on equity. The shift to a formula-based system of intergovernmental transfers would at least hold out the possibility of more equalization among provinces by comparison with the present derivation-based system. The transfer formula could be structured to take expenditure needs and the concentration of poverty more directly into account, and no longer would reward those provinces with a stronger tax base. The degree of equalization that resulted would depend on the formula chosen.

A second area where equity gains would be made is with shifting responsibility for the financing of social insurance programs to the central government level. Lower income subnational governments would no longer be required to cope with fiscal capacity constraints and a heavy concentration of resident low income workers. Pensions and health insurance would be a national program where benefits and contributions would not depend on place of residence.

Third, equity will be served by revisiting the expropriation and compensation policies now followed in converting farmland into urban land uses (World Bank and Development Research Center, 2014, pp187 – 262). This might happen in one of several ways. Farmers could be given stronger property rights with respect to farmland and/or homesteads, or the central government could mandate an arms-length determination of the compensation rate that more closely approximates market value, and impose a capital gains tax on the profit.

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### FISCAL POLICY AND ECONOMIC POLICY

There also are gains to be made in rationalizing subnational government fiscal decisions so that they are more in step with national macroeconomic policy goals. China's government debt is not presently at a dangerous level, but land-backed borrowing by UDICs has put some local governments in fiscal jeopardy. While this backlog problem must be dealt with, granting subnational governments the power to borrow under a framework that limits their debt liability to their ability to repay would remove an important future risk to the economy.

Local government taxation would reinforce national objectives. Providing incentives for subnational governments to raise some of their own revenue would move local officials a step closer to accountability and fiscal discipline. A property tax levied at a reasonable level, and with the right structure, could help curb speculation in the housing and land markets. Heavier taxes on motor vehicle registration and motor fuels would be consistent with the goal of lower carbon urbanization.

A shift in local government emphasis, away from private purpose and toward public purpose, could improve the efficiency of the Chinese economy. Moving the UDICs into the formal local government structure, or to the private sector, would be a step in this direction.

With respect to the issue of transparency in government, the package of reforms proposed here calls for a reformatting of local budgets, the elimination of UDICs in their present form, and provisions for full disclosure of financial information by local governments as part of the borrowing framework. This transparency in the accounts can help the goal of making local officials more accountable for local government outcomes, and can make subnational government fiscal planning more effective.

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Factor markets could be strengthened in three fundamental ways by this proposed reform.

- *Land markets* have been driven by subnational governments' land conversions that were necessary to finance infrastructure. These conversions have led to urban sprawl and contributed to pollution. Reform that allows subnational borrowing and that more equitably compensates for expropriated land will help to rationalize the land markets.
- *Labor markets* have been distorted by subnational governments' inability to provide social benefits to migrant workers and by the non-portability of social security and health insurance. Reforms to intergovernmental transfers that will better match

financial resources to migration patterns as well as centralization of social insurance would improve the labor market, strengthen social equity, and stimulate the conversion from industrial to services-oriented production.

- *Capital markets* would be strengthened by creating creditworthy subnational governments and by installing a regulatory regime that would benefit lenders and borrowers for infrastructure investments.

There is a more general question of how these public finance reforms match up with the fiscal implications of the wave of urbanization that is before China in the next two decades. One could argue that this package has several features that will enable urban governments to better capture the benefits and bear the costs of urbanization. First, better public services at the local level and the portability of pension and health insurance benefits will improve labor mobility and create more efficient markets. Second, increased local government revenue mobilization, and an increased flow of transfers to more needy subnational governments, will shore up local public finance budgets to cover the incremental costs of urbanization. Third, increased local taxation and formula-based revenue sharing, together with reformed land lease financing practices, could result in a slowing down of infrastructure investment at the urban fringe and less urban sprawl.

## CHAPTER SEVEN

# REFORMING THE PUBLIC FINANCE SYSTEM IN CHINA: CONCLUSIONS AND SUMMING UP

The revenue and expenditure growth in China over the past 20 years has been admirable and has led to vibrant public sector. Over 500 million people have been lifted out of poverty, the urban infrastructure has developed quickly, and social services have improved significantly. But the rapidly growing economy that has made all of this possible has also hidden some important deficiencies in the system of public financing. It would not be incorrect to say that China has outgrown its traditional approach to public financing, and has come to a crossroads where a different approach to reform is needed.

## BACKGROUND

Urbanization will make China a different country over the next two decades. The government's goals are to create a growing middle class, re-orient production and employment toward higher value-added services, increase equity, and drive the next stage of growth with household consumption rather than with investment. McKinsey (2009) has projected that the urban economy will generate over 90 percent of China's GDP by 2025. But the public finance system that effectively led an investment-driven growth strategy will encounter greater obstacles in this, more urban China. Already, some fundamental flaws have shown up in the existing system and threaten to add further equity and efficiency costs.

## FISCAL PROBLEMS

Today's fiscal problems are not the result of short-sighted or misguided policy decisions so much as they are a product of China's outgrowing its public finance system. Rapid economic growth over 30 years led to dramatic changes in the structure of the economy. Economic reforms drew on market principles to fuel the growth and restructuring. However, the public finance system, particularly the intergovernmental fiscal system, has been little changed since the major 1994 reforms. There have been some effective fiscal adjustments, particularly in the area of taxation, but overall it has





not responded to the needs of the changing economy and to the new demands of a more mobile and more urban population.

The problems with the fiscal system might be summarized by the following:

- *Uniformity.* Local problems and priorities differ, but the present public finance system is driven primarily by uniformity in financing and similar incentives for local officials to promote industrial development. Under the present system, local governments cannot raise taxes or borrow to finance general public services that their citizens might want.
- *Infrastructure Finance.* Urbanization has driven up the demand for public infrastructure, and subnational governments have been creative and successful in meeting this demand. However, the main financing instruments by which they did this – the sale of land leases and borrowing through financial intermediaries – are not sustainable.
- *Inequity.* China is beset with inequities that it does not want, and these are largely a product of the pattern of growth that has developed. Concentration of income and wealth has increased, regional variations in fiscal capacity have grown, most migrant workers receive less public service benefits than do hukou residents, and farmers appear to be disadvantaged by land policies. The present public finance system may have contributed to widening these disparities. Social security financing is left to the lower levels of subnational governments where resources are most limited, derivation-based revenue sharing and tax return grants favor higher income regions; there is little targeted relief for servicing migrant workers; and the fiscal system does not offer formal guidance on the compensation of farmers for expropriated farmland.
- *Weak central coordination.* Metropolitan areas are growing together, local problems are becoming regional problems, and the actions of one city or province are having greater impacts on well-being on other cities and provinces. Environmental constraints to development are becoming more prominent and costly.

## THE TRANSFORMATION TO SERVICES

China's previous transformation from agriculture to industry was led by central government actions to liberalize the economy. But the next transformation – from industry to services – will require more initiative and direction from urban centers. Cities will need flexibility to adapt quickly to new circumstances as the structure of the economy changes and new opportunities emerge. This might include revenue mobilization to meet the infrastructure needs of the new business sector, the public

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service needs of migrant workers, and the provision of amenities required to attract and hold a high quality labor force.

China's fiscal system is already under stress and incompatible with current demands for public services. As urbanization accelerates, another 200 million migrants to urban areas are expected. And as the middle class expands over the next two decades, governments will be required to expand and improve existing services. The shift to services will require new infrastructure investments for transportation, energy, water, and public services. The cost pressures on urban local government budgets will be great.

There also will be fiscal benefits from urbanization and the growth in the services economy. But the extent to which the incremental revenues from urbanization will cover the incremental costs will depend in part on how fast the development of the service sector materializes, and on whether the incentives to local officials to promote industrial development on the urban fringe are dampened. If these incentives remain as they are, continued urban sprawl will lead to higher costs of urbanization, and this will use up some of the fiscal benefits.

### **COMPREHENSIVE FISCAL REFORMS**

Public finances should help to integrate migrants and their families into urban areas. But this will be done at a time when slower economic growth will dampen revenue growth, and when revenues from land conversion may taper off. Management of the government sector during this transition, and especially the finances of subnational governments, will present major public policy challenges. The government will need to decide on the extent to which it lets fiscal policy be dictated by finding incremental fixes for the problems, or whether it gets ahead of the problems by beginning a major structural reform.

The reform program will involve both major institutional changes, and some changes in the basic ideas about the role of the state in China. The central challenge is finding a way to move toward a fiscal system that more clearly separates the traditional functions of government (delivering quality public services in an equitable way) from the investment and production functions of competitive sectors.

Designing a forward-looking fiscal system to support these transitions involves more than adjusting a series of isolated policies. In China, tax policy and tax administration, expenditure assignment, and intergovernmental fiscal relations are too inter-related to be considered separately. For example, changing expenditure responsibilities is important but requires complementary changes in intergovernmental



transfers to match resources with mandates. Changes in the distribution of transfers might need to be introduced simultaneously with broader local taxing powers or flexibility to increase user charges. Reform of land conversion raises the question of whether subnational governments should be allowed to borrow directly. Should subnational governments be allowed to borrow, the demand for credit needs to be met by supply and this leads to questions about creditworthiness and the function of intermediaries. The long run goal in China is not to address a single issue, but to reform the system. The reforms can be gradual, but the path should be dictated by the structure that China has in mind for the long run.

## **EXPENDITURE ASSIGNMENT**

The place to begin a comprehensive fiscal reform is with a rethinking of the division of expenditure responsibilities between central and subnational governments. Once expenditure responsibilities are sorted out, then it is possible to estimate spending gaps and develop an efficient financing plan that builds on economic principles.

## **GETTING THE ASSIGNMENTS RIGHT**

China has not systematically considered government responsibilities since before the 1994 reforms. China's more complicated and more urban economy almost certainly does not fit well with an expenditure assignment regime that was put in place 30 years ago. It would be appropriate for a well-staffed inter-ministerial Blue Ribbon commission to study the matter and to recommend changes in the division of expenditure responsibilities between levels of government. The end result could be a new budget law that assigns the responsibilities for each government function, specifying those functions that would be the exclusive responsibility of the central government and those that would be the exclusive responsibility of the local governments. One goal of reform should be to minimize concurrent responsibilities, i. e. , functions that are the responsibility of more than one level of government.

Reform of expenditure assignments should center on three areas:

- *Government and the Private Sector.* The central government should continue its strategy of separating government sector from activities that compete with the private sector. The principles for deciding what should be public and what should be private relate to market failures, externalities, economies of scale, or income distribution. In this regard, a new set of regulations could limit subnational governments' direct involvement in activities that compete with the private sector. A related question is whether to allow subnational governments to compete for

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industry using fiscal subsidies, or whether this part of industrial policy should be limited to the central government. In a swiftly evolving economy, the fiscal system should encourage mobility of people and enterprises to the places where they are most productive, not to where they get the best tax or land deal from local government.

- *Social Insurance*. There is a good case for transferring responsibility for the social insurance functions to the central government. *Pensions* are presently the responsibility of city and county government in China. However, the resulting variations in benefits and contribution rates among provinces and local governments conflict with the goal of uniform standards for all citizens. There is also a growing demand for portability as the labor force is becoming more mobile. If pensions were managed by the central government, they could be more nearly uniform throughout China, could do a better job of contributing to labor mobility, and the possibility of fully funding the system would be more likely.
- *Health Insurance* is more complex because there are advantages from subnational management and there is a case – both cost-based and demand-based — for some local variations in services. However, the financing of health insurance can benefit from centralization, which could result in all citizens having access to minimum standards of health care and reimbursement benefits. City and county governments, and even some provincial governments do not have the resources to achieve this goal, though they do have the incentives to contain costs. Portable health insurance will be instrumental in improving labor mobility, and this can be more readily achieved with centralized financing. With the aging of the population, national financing of health insurance would remove a future risk to the economy.
- *Centralization of Other Functions*. Subnational governments have been assigned responsibilities that have significant inter-regional spillovers and these might be more effectively managed on a centralized basis. Detailed analysis by a government commission would uncover many functions for central assignment, but economic growth, food safety, river basin management, inter and intra urban transportation, and environmental protection are candidates.

### REVENUE ASSIGNMENTS

Financing requirements at the central and local level of government will be driven by reassignments of expenditure responsibilities and by expenditure needs. At present the central government is “overfunded” relative to its expenditure responsibilities, and the subnational governments are “underfunded”. The result is the extreme vertical imbalance that now exists in China.



### ***Central Government Revenues***

If the central government takes on the responsibilities for financing the social insurance functions, it likely will need to increase the share of budget resources that it retains. This will be necessary to cover the current deficits in the pension budgets, the legacy costs, the management of the programs, and the cost of fully funding the insurance programs. The funding for this and other centrally funded programs could come from a higher rate of retention of revenue sharing by the central government, a lower rate of expenditures on conditional grants, or increased revenue mobilization. The net results of this will be to bring central government expenditure responsibilities more into balance with its revenue raising powers.

### ***Subnational Government Revenues***

Subnational governments could be given some discretion to levy taxes, on certain bases and within a range of rates, and to retain all revenues raised from the new local taxes. This would be a major change in the intergovernmental fiscal system.

Revenue mobilization could be improved under decentralization because local governments have information advantages in collecting some types of taxes, particularly property and land taxes. There are also regional efficiencies. Substituting local taxes for some intergovernmental transfers would lead to a higher tax price in the larger urban areas and force labor and capital to take this into account in their location decisions. Local government taxation might strengthen the link between the quality of services delivered by local governments, and the taxes that local citizens and business are asked to pay. This may strengthen accountability. In addition, local taxation might be seen as a way to harden the budget constraint, and to strengthen creditworthiness. Empowering urban governments to set tax rates would preserve some of the innovation and competitive strategies they showed in using land lease sales in recent years and extra budgetary charges in the 1990s and 2000s.

The problem in China, as it is in most countries, is to identify good instruments for local revenue mobilization, i. e. , local taxes that can be administered at reasonable cost, yield significant revenue and not result in exporting the burden of payment to residents of other jurisdictions. The international experience is that most industrial countries and some large middle income countries have decentralized taxing powers, but most developing countries have not.

*Property Tax.* The property tax could fill a revenue gap at the subnational government level and could be especially productive in larger urban areas. Industrial countries raise more than two percent of GDP in property taxes while low income countries raise about 0.6 percent of GDP on average. An annual property tax that would yield the

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equivalent of one percent of GDP may be a feasible reform target. Because real property wealth is usually concentrated in the highest income classes, the tax burden tends not to fall heavily on low income households. To the extent that higher taxes are paid on properties that tend to have better public services, the property tax might be seen as a benefit levy. Finally, if residential property taxes are capitalized into reduced property values, market decisions will be more rational because owners will pay a charge for the benefits of local services delivered, and speculators will face a real cost of holding their land off the market. The property tax could also be structured to encourage more intensive land use and to reduce urban sprawl.

*Motor Vehicle Taxes.* Local government taxes on the ownership and use of motor vehicles could fit a strategy for coping with urbanization. The number of motor vehicles is growing faster than the population in urban areas, their use imposes infrastructure costs on local governments, and they generate external costs that are for the most part uncompensated.

At present, Chinese subnational governments are not funded to any significant extent by taxes on motor vehicles. The registration tax on motor vehicles produces only a small revenue flow, and the tax on motor fuels is a central government levy. The experience with parking fees, tolls, and congestion charges as resource allocation measures is growing but has not yet become an important subnational government revenue source.

Motor fuels are a potentially more lucrative tax base, and could more directly affect the use of motor vehicles. The question is whether it could be efficiently administered in China's larger cities. Ideally, the tax would be collected at the pump, but it could be assessed at the factory gate as it is now. Road pricing is common on China's expressways and has been discussed for heavier use in several urban areas. Parking fees are another way to tax road users, and the experience with higher charges on parking has been good.

*Local Retail Sales Taxes.* Local sales taxes can be efficient instruments of urban finance if collections can be shifted from an origin basis (place of manufacture or distribution) to a destination basis (place of consumption). This might be possible for some consumer goods such as high end jewelry and imported luxuries. But for most consumer goods, a retail sales tax would encourage tax avoidance by shifting the point of purchase to informal traders that are not easily policed by the tax authorities.

*Piggybacked Taxes.* One way to avoid some of the administrative problems with local taxes is a "piggybacking approach", i. e., to allow the local government to select a rate to be imposed as a surtax on a central government tax base. Piggybacking is being used in China with the urban construction and maintenance tax and the education



surtax. In these cases, the base is the aggregate tax collections from VAT, excise taxes and the business tax, and the revenues are allocated to the local government. The surcharge rate, however, is set by the central government. We estimate that a 12 percent piggyback rate would raise nearly half the amount presently received in VAT shared taxes.

The individual income tax also could be piggybacked. A 10 percent levy on a base of individual income tax collections could generate enough new revenue to recover an amount equivalent to about 8 percent of VAT revenue sharing. The effective rate of the income tax would increase only from about 1.1 percent of GDP to 1.2 percent.

## **INTERGOVERNMENTAL TRANSFERS**

Intergovernmental transfers are the main revenue source for subnational governments. The present system channels over 80 percent of all revenues to lower levels of government. But it has been changed in a piecemeal fashion over three decades and it is not clear that its structure relates to an underlying strategy or that it any longer addresses the major issues of China's economic transformation.

There are many objectives tied to the use of intergovernmental transfers in China: incentives for revenue mobilization (with derivation tax sharing), equalization and gap-filling (with unconditional grants) and stimulating spending on particular functions (earmarked grants). Some programs are equalizing (some conditional grants and earmarked grants), but this is offset by tax sharing and tax rebates that are counter-equalizing. Tax sharing transfers may stimulate revenue mobilization but earmarked grants may dampen revenue mobilization. As the system has been adjusted to deal with new problems it has become more complicated. One system cannot serve all objectives, so choices have to be made. The first step in reform is to decide what should be the primary objectives of the transfers going forward. Revenue mobilization? Equalization? Targeted spending? Local autonomy?

The time may be right for a major change in the system. An option discussed here is to move to a single sharing rate. This vertical pool would be distributed according to a formula based on expenditure needs and fiscal capacity differences rather than derivation-based revenue sharing. Such a switch could result in some provinces getting more transfers than they do now, and some getting less, and the difference could be large. Some of the losers probably might be the richer provinces, including perhaps the larger metropolitan city-provinces. Presumably, they would be left to rely more heavily on local taxes and user charges, and would have an incentive to impose new local taxes.

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The architecture of the reform (the level of vertical sharing and the formula for distribution) must be worked out based on government objectives, administrative constraints, and politics. Moreover, the reform would need to be gradual, because it would cause budgetary and political disruptions. That said, it is important to begin by setting an end goal for the reform program, even if it will take many years to fully implement.

### **SUBNATIONAL GOVERNMENT BORROWING**

A principle of public finance holds that current expenditures should be financed from current revenues and long-term investments should be financed over the life of the asset. Debt financing allows the matching of the costs of investment with the long term flow of the benefits. At present, subnational governments in China cannot borrow so they have resorted to roundabout financing techniques for infrastructure investments: borrowing through a financial intermediary and using the user right of land as collateral. These instruments have been effective, but they are not sustainable.

This is a propitious opportunity to consider whether subnational governments should be given the power to borrow through capital markets to finance long-lived assets, when the right preconditions are met. These preconditions include transparent financial statements, credit analysis of local governments, arms-length transactions between independent lenders and borrowers, a stable flow of local government revenues to service debt, and a framework of regulations under which local governments could borrow.

The goals of these regulatory policies are to protect investors and local governments from fiscal behaviors that would jeopardize timely repayment. Subnational government public finances would be regulated so that:

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- Debt finance would be allowed only for public capital facilities with a long service life.
  - The amount of borrowing would be kept within the limits determined by repayment capacity.
  - The avenues by which subnational governments can use loan funds to soften their budget constraint on current expenditures would be closed off.
  - Repayment of the debt would be tied to either user charges, locally raised revenues or intergovernmental transfers, but standard creditworthiness tests would be mandatory.





Local government and local development banks are not sufficiently independent to allow them to monitor local government financial condition. Certification that a local government is eligible to borrow could come from the central government. To be eligible to borrow, a local government would have to disclose its financial history using a standard reporting system. Over time, the central government's role can be reduced as China develops private credit bureaus and strong, independent financial institutions capable of regulating sub-national borrowing through market processes.

## LAND FINANCE

The Chinese practice of financing urban infrastructure by selling land leases is a risk to the stability of public finances. Repayment of land-backed debt in periods of downturns in property values is a concern. However, land revenues are now equivalent to more than one-third of ordinary budget revenues in China, so the practice cannot be abruptly discontinued.

Aside from considerations related to food security, the basic problem is not with the practice of converting farmland assets into productive urban facilities and higher quality urban services, but it is with the way this is being done. The best route is to reform and rationalize the practice. The other issue of concern is whether any new approach would lower the risk faced by government. The following might be considered:

- Allow farmers to negotiate a lease price with developers directly, or through the government. The government would then tax the capital gain and the farmer would divide the remainder with the collective. This would mean less of a surplus from land lease sales accruing to government, but it also might be seen as more fair and as offering more equitable incentives to governments.
- If land lease revenues decline then governments will need to replace the lost revenues (about 3.8 percent of GDP) in order to finance needed infrastructure. A combination of property tax, motor vehicle tax and surcharges could be an adequate replacement.
- Land lease sales have contributed to the low-density sprawl that is growing around urban centers. As sales decline, there could be greater incentive to increase densities in built-up areas. A property tax might help rationalize the land market by imposing a holding cost on land in the built-up area that is being held off the market.
- UDICs present two policy issues related to reforming land finance. First, if the UDIC is involved in what is essentially a private sector activity (e. g. , managing

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an industrial park), the capitalization from the local government could be called back and the UDIC could be fully privatized. Second, if local government direct borrowing is allowed, arguably the major rationale for the local investment companies is gone. Any professional services they offer could be contracted from the private sector on an as-needed basis, or the UDIC could be brought into a local government department.

### **CAPITAL BUDGETING**

Subnational government budgets have four accounts: (1) public finance account, (2) government fund budget, (3) SOE operating account, and (4) social security account. In addition, there are separate accounts for public service units, public enterprises, state owned enterprises, and for UDICs. One reason for this arrangement is to maintain a balance between revenues and expenditures in all but the social security budget, and in doing this to reduce or eliminate budget deficits. The amount of revenue available to spend is determined by transfers from the center, payroll taxes, and land revenues, and the amount spent stays within this revenue envelope.

Each of the four budgets is managed with some independence by a different department. It therefore presents a challenge to efficient public management. In particular, because current and capital expenditure appears in three difficult accounts, it is difficult to separate current and capital financing arrangements and it is difficult to track the overall budget health of the local government.

An alternative budget structure might be more consistent with the general objective of bringing all of a government's expenditures under the control of the subnational government. The alternative would make all budget transfers very transparent so that consolidation would be possible. The idea is to construct a comprehensive budget that consolidates the fiscal activities in the local government accounts and in the accounts of the special purpose local government enterprises. This type of budget structure would have two other important advantages. First, it would permit a ready comparison of the fiscal health of multiple jurisdictions. This is important because indicators of creditworthiness will be necessary to support any proposal for local government borrowing. Second, this format can support the development of a capital budget and a medium-term financial plan for capital outlays.

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### **THE PAYOFFS FROM REFORM**

The Chinese approach to public financing makes it difficult to separate tax structure, tax administration, and the system of intergovernmental transfers. So, the starting



premise in reforming the fiscal system is that it should be a comprehensive structural reform rather than a piecemeal fix. The elements of the reform can be introduced gradually and over time, but developing and making clear the long run plan to modernize the entire fiscal system should be done at the outset. The major reform elements discussed above include:

- Shift responsibility for financing social insurance programs, including legacy costs, to the central government.
- Authorize subnational governments to adopt specific taxes and to set rates within limits: property taxation, motor vehicle taxes, and UCMT/education fees are all realistic possibilities.
- Revamp the revenue sharing system to one that features a single sharing rate for the vertical pool, a formula-based system for distributing the transfers, and a simplified earmarked grant system.
- Allow local governments to borrow within a framework that regulates the purposes and amounts of borrowing.
- Regulate the land lease system and change its structure towards higher rates of compensation for farmers, elimination of UDICs, auctions vs. placements of lease sales, restriction to public purpose activities, and implementation of property taxation to encourage a more efficient use of land.

## **CHANGES IN REVENUE EXPENDITURE BALANCE**

The present intergovernmental fiscal system is vertically unbalanced, perhaps more than any country in the world. The central government raises nearly all tax revenues but accounts for only about 15 percent of direct spending. The remaining 85 percent of direct expenditures is in local budgets but these local governments have no independent taxing power.

This proposed reform will move the system toward balance. The central government will assume responsibility for financing the social security system, which would involve eliminating the deficit problem on current account, leveling up benefits, and eventually dealing with unfunded liabilities. Other expenditure programs are candidates for shifting to the central government and these would further improve the vertical balance.

Expenditure reassignments would be complemented by revenue reassignments, and the central government revenue share would be increased. A reasonable estimate is that the

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additional burden for the central government will be higher, perhaps by as much as 2 – 3 percent of GDP.

On the revenue side, the payroll taxes would be transferred to the central government level and the central revenues would otherwise be increased by taking back an increased share of national taxes. Subnational governments would be given some independent local powers to raise taxes.

These changes would not eliminate the extreme vertical imbalance in the Chinese fiscal system, but it would move the system in the direction of a better revenue-expenditure balance at the two levels.

### **EFFICIENCY IMPLICATIONS**

The public finance system has biases that affect market decisions and individual choices in ways that reduce national welfare. Four of the proposed changes here address some of these distortions.

First, local taxing powers would allow urban governments that provide better services to charge a higher tax price for the services. This could impact the location decisions of both companies and migrants and at least at the margin will contribute to a more efficient size distribution of cities. It also will stimulate residents and business groups to pressure local governments for more cost effective service delivery.

Second, the proposed changes in expenditure assignments would lead to taking better account of the external costs and benefits of spending decisions. Examples are natural resource management, environmental protection, food safety, regional transportation, and social security.

Third, moving from derivation-based revenue-sharing to a formula system would reduce the incentives for local governments to compete for tax base using fiscal subsidies. The bias in incentives that favor industrial vs service firms also would be removed. Because the choice between investments in education and investments in industrial development would be on a more nearly level playing field, this reform could lead to more balanced decisions about industrial attraction strategies and subsidies.

Finally, the increased level of compensation to farmers (and reduced profits to local governments and developers) may slow the rate of expansion in peri-urban infrastructure investment. The attractiveness of urban fringe development might also be slowed by taxes on property and motor vehicles. This could make urban sprawl more costly at the margin.



## **EQUITY AND INCLUSIVENESS**

This reform package could improve social equity. The shift to formula-based intergovernmental transfers would at least hold out the possibility of greater equalization among provinces by comparison with the present derivation-based system. The transfer formula could be structured to take expenditure needs more directly into account, and no longer would reward those provinces with stronger tax bases. Equity could also be improved by shifting the financing of social insurance programs to the central government. Social security would be a national program where benefits and contributions would no longer depend on place of residence.

The reforms could also provide more equitable compensation for conversion of farmland into urban land uses. Farmers could be given stronger property rights with respect to farmland and/or homesteads, and the central government could mandate a compensation rate that more closely approximates market value.

## **FISCAL POLICY AND ECONOMIC POLICY**

This reform package is in step with national macroeconomic policies. China's government debt is not yet at a dangerous level, but land-backed borrowing by UDICs could put many local governments in fiscal jeopardy. Granting subnational governments the power to borrow under a framework that aligns their debts with their abilities to repay would remove an important risk to the economy.

Local government taxation also would reinforce national objectives by moving local officials a step closer to accountability and fiscal discipline. A property tax levied at a reasonable level, and with the right structure, could help curb speculation in the housing market. Heavier taxes on motor vehicle registration and motor fuels would be consistent with cleaner urbanization.

Even a slight shift in local government emphasis—away from activities in the competitive sector and toward public purposes—could improve economic efficiency and increase public funds available for government services.

On the issue of transparency in government, the package of reforms proposed here calls for a reformatting of local budgets, the elimination of the financial platform in its present form, and provisions for full disclosure of financial information by local governments.

Finally, the reforms suggested here would move toward improving the efficiency of factor markets by removing some important distortions. These changes include the

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approach to land conversion, local government borrowing under a regulatory framework, and making possible a full portability of social security benefits.

These comprehensive reforms have several features that will enable urban governments to better capture the benefits and bear the costs of urbanization. First, better public services at the local level, a pulling back from the Hukou system, and the portability of pension and health insurance benefits will improve labor mobility. Second, increased local government revenue mobilization and an increased flow of transfers to more needy cities, will shore up local public finance budgets to cover the incremental costs of urbanization. Third, increased local taxation and formula based revenue sharing, together with reformed land lease financing, could result in a slowing down of infrastructure investment at the urban fringe and less urban sprawl.

### CONCLUSION

Over the past three decades the Chinese public finance system has grown rapidly but developed slowly. A booming economy, urbanization, and aggressive economic reforms led to rapid economic growth that raised 500 million people out of poverty. But the system of public spending and finance changed less than the economy. The political philosophy of strong central administrative control that has been moderated in other spheres of economic and social life continues to drive the fiscal system.

It may be time for the government to call for a rebalancing of policies from centralized administrative measures towards decentralized and market-oriented mechanisms. Rebalancing is not simply a matter of liberalization and market processes, but it requires improvements in government's effectiveness:

- Improve government capabilities at all levels in areas that only the government can manage – public finances, social services, urban planning, environmental sustainability;
- Redistribute resources, powers, and responsibilities among national, regional, and municipal governments so that each governmental body – at every government level – has authorities and powers that match its responsibilities; and
- Relax control and involvement in activities which are managed more efficiently by markets, particularly in the factor markets – those for land, labor and capital – where centralized regulation has produced costly distortions and the solution is not newer regulations, but fewer regulations.

It is never exactly the right time to address deep-seated problems, and increasing urbanization and slower economic growth will not give the government wide latitude to



experiment with reforms. But without comprehensive and overdue structural changes, the projected movement of another 200 million workers and their families to cities will further aggravate some of the equity and efficiency problems and out-of-control practices that the present system has supported. The public finance reform that is called for is comprehensive, but its implementation can be gradual.

## APPENDIX

**Annex Table 1: Fiscal Revenue Structure of China: 2011 (In billion)**

	Total		Central		Subnational	
Government Revenue <sup>a</sup>	10387.44	100.00	5132.73	100.00	5254.71	100.00
Total Tax Revenue	8973.84	86.39	4863.17	94.75	4110.67	78.23
Domestic Value Added Tax	2426.66	23.36	1827.74	35.61	598.93	11.40
Domestic Consumption Tax	693.62	6.68	693.62	13.51		
VAT and Consumption Tax from Imports	1356.04	13.05	1356.04	26.42		
VAT and Consumption Tax Rebate for Exports	-920.48	-8.86	-920.48	-17.93		
Business Tax	1367.90	13.17	17.46	0.34	1350.44	25.70
Corporate Income Tax	1676.96	16.14	1002.34	19.53	674.63	12.84
Individual Income Tax	605.41	5.83	363.31	7.08	242.10	4.61
Resource Tax	59.59	0.57			59.59	1.13
City Maintenance and Construction Tax	277.93	2.68	16.94	0.33	260.99	4.97
House Property Tax	110.24	1.06	0.00	0.00	110.24	2.10
Stamp Tax	104.22	1.00	42.53	0.83	61.69	1.17
Stamp Tax on Security Exchange	43.85	0.42	42.53	0.83	1.32	0.03
Urban Land Use Tax	122.23	1.18			122.23	2.33
Land Appreciation Tax	206.26	1.99			206.26	3.93
Motor Vehicles and Boat Tax	30.20	0.29			30.20	0.57
Tax on Ship Tonnage	2.98	0.03	2.98	0.06		
Vehicle Purchase Tax	204.49	1.97	204.49	3.98		
Tariffs	255.91	2.46	255.91	4.99		
Farm Land Occupation Tax	107.55	1.04			107.55	2.05
Deed Tax	276.57	2.66			276.57	5.26
Tobacco Leaf Tax	9.14	0.09			9.14	0.17
Other Tax Revenue	0.42	0.00	0.30	0.01	0.12	0.00
Total – Non – Tax Revenue	1413.60	13.61	269.57	5.25	1144.04	21.77
Special Program Receipts	305.64	2.94	36.14	0.70	269.50	5.13
Charge of Administrative and Institutional Units	403.94	3.89	40.40	0.79	363.54	6.92
Penalty Receipts	130.14	1.25	3.88	0.08	126.26	2.40
Other Non – tax Receipts	573.89	5.52	189.15	3.69	384.74	7.32

Data Source: China Statistical Yearbook, 2012

a. it excludes unconditional and conditional grants, also excludes government fund, social security contributions, and SOE operation account.



**Annex Table 2: Intergovernmental Grants from the Central to Provincial Governments: 2010 – 2011 (volume in billion RMB)**

Type of Transfer	2012		2011	
	Volume	Percent	Volume	Percent
General Unconditional Transfers	2659.20	58.59	2337.83	58.59
Tax Rebate	512.08	11.28	507.84	12.73
VAT and Excise Tax Rebate	388.81	8.57	378.00	9.47
EIT and IIT Rebate	91.02	2.01	91.02	2.28
Tax Return for Supporting Oil Tax and Fee Reform	153.11	3.37	153.11	3.84
Subnational Transfers to the Central Government	-120.87	-2.66	-114.29	-2.86
Equalization Transfer	858.26	18.91	748.68	18.76
Transfer for Important Ecological Function Regions	37.10	0.82	30.00	0.75
Transfers for Rewarding Large Grain Production Counties	27.66	0.61	23.28	0.58
Transfers for Supporting County-Level Government Basic Fiscal Capacity	107.50	2.37	77.50	1.94
Transfers to Minority, Border and Remote Regions	55.93	1.23	37.00	0.93
Transfers for Increasing Wage Expenditure of Public Employees	236.16	5.20	264.70	6.63
Transfer for Rural Fee-to-Tax Reform and Transfer for Abandon Agriculture Tax	75.26	1.66	76.95	1.93
Transfer for Resource Exhausting Cities	16.00	0.35	13.50	0.34
Transfer for Supporting Oil Tax and Fee Reform	61.00	1.34	58.10	1.46
Revenue Returned	122.08	2.69	102.87	2.58
Transfers to Replace Local Market Place Management Fee and Individual Industry and Commercial Entity Fee	8.00	0.18	8.00	0.20
Transfers to Fundamental Law Enforcement Units	46.67	1.03	42.15	1.06
Compulsory Education Transfer	160.57	3.54	106.50	2.67
Basic Pension and Di Bo Transfers	376.29	8.29	275.10	6.89
Rural Corporate Health Transfer	106.33	2.34	77.98	1.95
Transfers for Awarding Villages' Public Services	24.56	0.54	18.47	0.46
Special Purpose Transfers	1879.15	41.41	1652.17	41.41
General Public Services	25.20	0.56	20.73	0.52
Defense	2.46	0.05	0.64	0.02

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Type of Transfer	2012		2011	
	Volume	Percent	Volume	Percent
Public Safety	22.98	0.51	23.70	0.59
Education	107.44	2.37	118.45	2.97
R & D	8.11	0.18	9.19	0.23
Culture Development, Sports and Medias	30.11	0.66	22.72	0.57
Social Security and Employment	140.51	3.10	146.23	3.66
Health	91.06	2.01	89.67	2.25
Green Society	193.48	4.26	154.88	3.88
Community Services	42.72	0.94	13.13	0.33
Agriculture, Forestry, and Irrigation	524.79	11.56	418.40	10.49
Transportation	310.57	6.84	296.75	7.44
Resource Exploring, IT, etc.	48.43	1.07	36.28	0.91
Service Industry	45.08	0.99	71.07	1.78
Financing Monitoring	4.68	0.10	3.77	0.09
Reconstruction After Earthquake	4.69	0.10	2.16	0.05
Land Resource Related	17.95	0.40	20.02	0.50
Affordable Housing	219.07	4.83	139.18	3.49
Food Reserves	34.52	0.76	35.05	0.88
Others	5.32	0.12	30.07	0.75
Total	4538.35	100.00	3990.00	100.00

Source: MOF of China.

**Annex Table 3: Subnational Grants: 2009**

Transfer Payments	Sub Provincial Level		City Level		County Level	
	Revenue of Transfer Payments (billionYuan)	Shares of Total Transfer Payment	Revenue of Transfer Payments (billionYuan)	Shares of Total Transfer Payment	Revenue of Transfer Payments (billionYuan)	Shares of Total Transfer Payment
Unconditional Grant	980	48	160	43	820	49
Subsidies Based on old System	66	3	24	6	42	3
Transfer for Balance	251	12	26	7	225	14
transfer for Minority Regions	10	0	3	1	7	0
transfer for Adjustment of Wages	193	9	29	8	164	10
Subsidies of Rural Tax-Fee Reform	81	4	0	0	81	5
Transfers for Supporting County-Level Government Basic Fiscal Capacity	53	3	2	1	51	3
Subsidies of Settlement	78	4	10	3	68	4
Subsidies of Debt-Resolving	5	0	0	0	5	0
Transferfor Resource-Exhausting Cities	8	0	4	1	3	0
Subsidies from Budget of Enterprises	14	1	7	2	7	0
Transfer for Supporting Oil Tax and Fee Reform	2	0	1	0	1	0
Transfers for Awarding Villages' Public Services	2	0	0	0	2	0
Transfers to Replace Local Market Place Management Fee and Individual Industry and Commercial Entity Fee	0	0	0	0	0	0
Transfer for General Public Services	1	0	0	0	0	0
Transfer for Public Security	33	2	10	3	23	1
Transfer for Social Security and Employment	84	4	7	2	77	5
Transfer for Education	43	2	27	7	16	1
Others	56	3	9	2	47	3
Conditional Grant	1062	52	213	57	849	51
Total Grant	2042	100	372	100	1669	100

Source: China Local Fiscal Yearbooks, 2009.

**Annex Table 4: Shared Tax and Transfer: 2004 – 2009 (100 million Yuan)**

Year	Subnational Level			Prefecture Level			County Level					
	Shared Tax	As a Percent of Revenue	Transfer Payments	Shared Tax	As a Percent of Revenue	Transfer Payments	Shared Tax	As a Percent of Revenue	Transfer Payments			
2004	1000	45	1037	47	363	45	367	46	362	35	589	57
2005	1273	48	1146	43	459	49	390	42	462	36	716	55
2006	1473	46	1347	42	528	48	454	42	576	36	899	55
2007	1925	46	1810	43	658	50	513	39	783	36	1194	55
2008	2326	40	2889	50	778	49	634	40	976	34	1647	58
2009	2616	37	3859	54	861	45	852	44	1147	32	2130	60

Sources: calculated from data in the Fiscal Data of Local Governments and The Report of Ministry of Finance.

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# REFORMING THE PUBLIC FINANCE SYSTEM TO FIT A MORE URBANIZED CHINA

REFORMING