

Rethinking the Construction of Fiscal Discipline: From the Perspective of the Development of Chinese Fiscal Theory

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Abstract: This paper takes the changes in the financial and tax system of China as the main thread, and explores the financial history of China from 1993 to the present. To construct the discipline of public finance, this paper proposes the necessity to break away from public finance, and even from economics, and extend to the overall cause of the country, extracting from the interconnection and interaction between public finance and various fields such as economy, politics, culture, society, and ecological civilization. Exploring and researching the fiscal foundation theories that belong to China and serve the world provides a solid theoretical foundation for the discipline of public finance, which is of great practical significance for the construction of China's fiscal discipline.

Keywords: Public finance; Discipline construction; Fiscal theory

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1. Introduction

From the initial establishment of the financial and tax system in the early days of the founding of the People's Republic of China, to the release of national economic vitality through the reform and opening up policy of "delegating power and benefits"; From comprehensively deepening reform and opening up to establishing the goal of modernizing national governance, the fiscal system is connected to both the socialist market economy and modern national governance. The reform and development of the fiscal system cannot be separated from the support of fiscal theory. The development and inheritance of fiscal theory in China is not only a result of the development of the market economy in China, but also a manifestation of China's fiscal modernization. Looking back at the changes in the fiscal theory of China from a historical perspective is also the foundation for the construction of the fiscal discipline in our new era.

2. Innovation of Fiscal Theory under the Socialist Market Economy System (1993-2012)

From 1993 to 2012, it was a stage of further innovation in fiscal theory under the socialist market economy system. During this stage, not only was the "market economy" separated from "capitalism", but the reform goals and connotations of the socialist market economy system were also clarified. During this period, fiscal theory and fiscal practice were mostly 'walking side by side'.

The first twenty years of reform and opening up were the early stage of China's transition from a planned economy to a market economy. During this period, with the promotion of economic system reform by the state's fiscal policy of "delegating power and giving benefits", fiscal theory also underwent changes. However, due to the inertia of the system and the incomplete development of outdated new theories, the development of fiscal models can only be marginal and gradual.

In the first half of the 1990s, Comrade Deng Xiaoping's Southern Tour proposed accelerating reform, opening up, and economic development; The convening of the Third Plenum of the 14th Central Committee of the Communist Party of China put forward the strategic goal of "establishing a socialist market economy system" and the goal of political system reform. As a result, after exploring

the relationship between planning and the market for nearly 40 years, people's understanding of the relationship between planning and the market has undergone a qualitative leap, triggering a new round of ideological liberation and embarking on a new journey of fiscal system reform.

The establishment of market-oriented reform goals and the economic system reform in 1994 initially established the basic framework for the reform of the socialist market economy system. Under this framework, there has been a fierce discussion in the field of public finance about "fiscal functions". Representative theories include "national financial independence theory", "dual finance theory", and the "public finance theory" that emerged in the late 1990s. The following will discuss the background, basic content, and support or questioning received by these theories.

The theory of national financial independence. The continuous promotion of reform and opening up, as well as the emergence of behaviors such as "separation of powers" and "separation of government and enterprises", have prompted scholars to reflect on the transformation of traditional government roles. The traditional fiscal theory conflates the roles of managers and owners in the economy and society, which is clearly unreasonable. Guo Fuchu proposed and improved the theory of "national financial independence", advocating the separation of the financial activities of the state (as administrative managers) from the input and output activities of the enterprise's financial scope (as owners of means of production). The proposal and improvement of this theory have promoted the process of state-owned enterprise reform.

The dual fiscal theory. Based on the practice of fiscal reform, Zhenpeng Ye and Xin Zhang further proposed the "dual fiscal theory" after Fuchu Guo proposed the "national financial independence theory". Under market economy conditions, finance consists of two parts: public finance and state-owned asset finance. The dual structure formed by the coexistence of public finance and state-owned asset finance is called the "dual fiscal model". This theoretical idea is also supported by the content of the government's public budget and state-owned asset management budget in the Decision of the Third Plenary Session of the 14th Central Committee of the Communist Party of China.

Public finance theory. The idea of public finance originated from concepts such as market failure and public goods in Western economics. The proposal of this theory went through initial definitions by scholars such as Wang (1990), An and Gao (1993), but it was not until Xin Zhang published her article "On Public Finance" in 1997 that it received widespread attention. The definition of public finance proposed by Zhang Xin is the most representative and influential. He believes that "publicness" is the fundamental characteristic of market finance, and "public finance" is the distribution or economic activity of the state or government providing public services to the market. It is a type and model of finance that is compatible with the market economy. To establish a socialist market economy in our country, it is also necessary to establish a corresponding public finance. Public finance has four major characteristics, namely: the purpose of public finance is to compensate for market failures; Provide fair and consistent services for market activities; Having the nature of non market profitability; It is a rule of law based finance. Although there are many advocates for this theory, it has also been debated and criticized by many peers, such as the "state distribution theory" questioning which class's interests the public finance theory represents, and Chen (1999) believing that the public finance model was not suitable for China's fiscal practice at that time.

The typical manifestation of the re innovation stage of fiscal theory under the socialist market economy system from 1993 to 2012 is the debate around the "public finance theory", which reflects the differences in concepts, research paradigms, and research tools among scholars of different schools. The reflection after the debate has promoted the progress of the fiscal discipline and the formation of consensus, which has certain significance. First, to consolidate academic consensus and encourage scholars to reflect. Second, promote the construction of the public finance system.

3. Development of Fiscal Theory under the Comprehensive Deepening Reform (2013-present)

Foundation and Pillar Theory: In 2014, Peiyong Gao elaborated on the theoretical construction of fiscal foundation under the framework of modernization of national governance in accordance with the spirit of the Third and Fourth Plenary Sessions of the 18th Central Committee of the Communist Party of China (Gao, 2014). In 2015, he referred to the new positioning of public finance at the Third Plenum of the 18th Central Committee of the Communist Party of China as the "Foundation and Pillar Theory". The "foundation and pillar theory" essentially transcends the fields of politics, economy, culture, society, ecological civilization, and party building, elevating the status of public finance to the level of national governance and meeting the needs of modernizing the national governance system and governance capacity (Gao, 2015). Regarding the concept of public finance, it is believed that public finance is positioned at the level of national governance, and the elements of national governance are diverse, which means that the "diverse"

characteristics of public finance span across multiple disciplines and fields. From the perspective of national governance, fiscal revenue and expenditure activities should meet the common needs of society. Regarding the fiscal function, it transcends the characteristics of general government behavior and includes multiple types of government functions rather than a single type of government function. Regarding the subject of fiscal activities, it is not a single entity, including government organizations, corporate social organizations, and resident autonomous organizations. The government is both the governing subject and the governing object, while society is both the governing object and the governing subject. Fiscal activities are a form of social participatory finance. Regarding the attributes of public finance, public finance is a multidisciplinary field dominated by economics. Regarding the theoretical system of public finance, it should return to the original intention of “governing the country” and establish a logical framework with “governing the country” as the central thread.

National Governance Finance: In 2015, Gong Chen rethought the subject of public finance and proposed the establishment of financial and tax systems to promote the modernization of the national governance system and governance capacity. Based on Chen Gong’s ideas, relevant scholars proposed the concept of “National Governance Finance”. This theory holds that fiscal research should not abandon the concept of “state”, nor blindly oppose China’s fiscal theory formed under the unique historical environment by blindly copying Western theories. It advocates treating public order as the core issue of fiscal research. The development of market economy has impacted public order. By providing public goods, legal protection, macroeconomic regulation and other means that reflect the “national capacity”, a good public order can be established to achieve national governance goals.

Public Risk Theory: In 2018, Shangxi Liu proposed the viewpoint of reconstructing fiscal theory with “public risk”. This viewpoint holds that the fiscal logic based on “market failure” has flaws, resulting in the separation and opposition between the government and the market. The philosophical foundation of public finance should start from the collective, and the two centers of individuals and collectives cannot be mutually denied. Due to the strong uncertainty in the world we live in, public risk should be taken as the logical premise of the new fiscal theory. Minimizing public risk maximizes people’s welfare, and public risk is the invisible hand guiding fiscal reform. The ultimate goal of economic system reform is to resolve public risk and ultimately achieve the great rejuvenation of the Chinese nation (Liu, 2005).

Sociology of Finance and Politics of Finance: Some scholars advocate innovating the fundamental theories of public finance from interdisciplinary perspectives such as sociology, political science, and history. These views emphasize that positioning public finance as a branch of economics restricts the development of public finance, advocating for the development of fiscal sociology and fiscal politics from a global historical perspective and political science path, and integrating existing fiscal theories through the introduction of new perspectives. The combination of public finance with history, sociology, and political science actually responds to the need for modernization of the national governance system and governance capacity, further clarifying the relationship between national governance and public finance.

4. Conclusion

Since the Third Plenary Session of the 18th Central Committee of the Communist Party of China, in accordance with the decisions and arrangements of the Party Central Committee and the State Council, efforts have been made to comprehensively deepen the reform of the financial and tax system, with multiple breakthroughs and in-depth promotion. Efforts have been made to enhance the systematic, holistic, and coordinated nature of the reform, improve the budget management system, further perfect the fiscal system, make significant progress in tax system reform, and establish the basic framework of the modern fiscal system. However, while significant achievements have been made in China’s fiscal reform and development practice, the construction of the fiscal discipline is relatively lagging behind, especially as socialism with Chinese characteristics enters a new era, relevant theories and concepts need to keep pace with the times. From the perspective of fiscal theory, since the founding of the People’s Republic of China, most of the mainstream fiscal theories in our country have been developed by drawing on the theoretical viewpoints of the Soviet Union, the United Kingdom, the United States, and the European Continental School, and have a narrow historical perspective. For the historical logic of China’s public finance, it is definitely not possible to discuss public finance based on public finance, nor can it discuss public finance based on economics. Instead, it is necessary to break away from public finance, and even from economics, and extend to the overall cause of the Party and the country, extracting from the interconnection and interaction between public finance and various fields such as economy, politics, culture, society, and ecological civilization. Therefore, exploring and researching the fiscal foundation theories that belong to China and serve the world provides a solid theoretical foundation for the discipline of public finance, which is of great practical significance for the construction of China’s fiscal discipline. At the same time, it also provides theoretical support for the reform of China’s fiscal and taxation system, the improvement of its budget management system, and other related work.

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