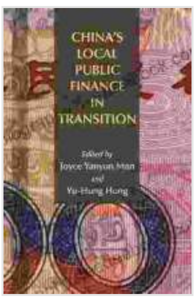
China's Local Public Finance: In Transition

China's local public finance has undergone significant changes in recent years, as part of the country's ongoing fiscal reforms. These reforms have sought to strengthen the central government's role in managing fiscal policy, while also giving local governments more autonomy over their finances.



China's Local Public Finance in Transition by James D. Fry

4.7 out of 5

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The most significant change has been the gradual shift away from "shared tax" arrangements to a more decentralized system of "tax assignments." Under the shared tax system, local governments were required to share a portion of their tax revenue with the central government. This gave the central government a significant degree of control over local government spending.

Under the tax assignment system, local governments are assigned specific taxes to collect. This gives them more autonomy over their revenue streams and allows them to tailor their spending to local needs.

Another key change has been the of a new system of intergovernmental transfers. These transfers are designed to help equalize fiscal resources across different regions of China. This is important because there are significant disparities in economic development between different regions of the country.

The fiscal reforms have also led to changes in the way that local governments borrow money. In the past, local governments were able to borrow heavily from state-owned banks. However, this led to a sharp increase in local government debt, which raised concerns about fiscal sustainability.

To address this issue, the central government has introduced a number of measures to limit local government borrowing. These measures include restrictions on the amount of debt that local governments can issue, as well as requirements for local governments to disclose their debt levels.

The fiscal reforms have had a significant impact on local government fiscal behavior. Local governments are now more constrained in their spending and borrowing, and they have less autonomy over their revenue streams.

However, the reforms have also had a number of positive effects. They have helped to reduce local government debt, and they have made local governments more accountable for their spending.

The fiscal reforms are still ongoing, and it is unclear what the long-term effects will be. However, it is clear that the reforms have already had a significant impact on China's local public finance.

Impact on Economic Growth

The fiscal reforms have also had a significant impact on economic growth. The shift away from the shared tax system to the tax assignment system has given local governments more autonomy over their spending. This has allowed them to invest more in local infrastructure and public services, which has stimulated economic growth.

The of a new system of intergovernmental transfers has also helped to equalize fiscal resources across different regions of China. This has helped to reduce regional disparities in development and has contributed to overall economic growth.

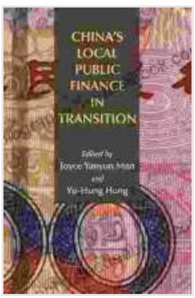
In addition, the fiscal reforms have helped to reduce local government debt. This has made it easier for local governments to borrow money to invest in infrastructure and public services, which has also stimulated economic growth.

However, the fiscal reforms have also had some negative effects on economic growth. The restrictions on local government borrowing have made it more difficult for local governments to finance infrastructure projects and public services. This has slowed economic growth in some areas.

Overall, the fiscal reforms have had a positive impact on economic growth. However, the reforms have also had some negative effects, and it is important to find a balance between the need for fiscal discipline and the need for economic growth.

The fiscal reforms in China have had a significant impact on local public finance and economic growth. The reforms have given local governments more autonomy over their revenue streams and spending, but they have also constrained their borrowing and made them more accountable for their spending.

The reforms have helped to reduce local government debt and have contributed to overall economic growth. However, the reforms have also had some negative effects, and it is important to find a balance between the need for fiscal discipline and the need for economic growth.



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