

# Analysis on the power and path of central financial system reform from the perspective of power

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**Abstract.** The Wang Anshi Reformation is a social reform aimed at saving Northern Song Dynasty from poverty and weakness that has mired the dynasty since its founding. The center of this reform lies in the central financial management system: the financial management system that used to be controlled by the Three Divisions since the beginning of Song Dynasty was transferred to direct leadership under the central administration, or, as the document puts it, “the imperial court sealed the money”. A series of new laws issued during the reform increased the revenue. On the basis of developing production and rebalancing the taxation system, the state’s fiscal revenue has increased significantly, effectively changing the predicament of “continuous poverty” in Northern Song Dynasty. Wang Anshi Reform of the central government system is analyzed from the perspective of power, with focus on reforms on the Three Divisions and establishment of the system of administration by Zhongshu Division. The methods of the reform and effects of relevant policies are also analyzed to provide reference for reforms on the modern financial management system.

## 1. Reasons for changing the financial management system of the Three Divisions

### 1.1 Overview of the Three-Division financial management system

From the foundation of Song Dynasty (960) to the Xining Period (1068), the central government's financial management system led by the Three Divisions was implemented. The Three Divisions included salt & iron, spending, and Hu department. The salt & iron department is responsible for the collection of additional taxes other than the national two taxes, covering tea, salt, iron, etc. In addition, it is also responsible for weapon manufacturing, river diversion, daily spending and other parts; The government is responsible for the national revenue and expenditure, the national fiscal revenue and various expenditures, and the transfer of local funds; The Hu department is responsible for the country's households, the collection of two taxes, the collection of alcohol and related construction matters. There are more than 20 subdivisions under the Three Divisions. In each subdivision, the local government was commanded by a decree to manage the local finances. The jurisdictions were different, and the degree of affairs was different. The Three Divisions also have a sub-division that undertakes special functions and is responsible for various financial special matters. Among them, Gouyuan and Moka Division focus on financial auditing and account cancellation; The Zhuxiazhishou department, the detention department, the arbitrage department and the Pingyou department focus on the management and distribution of the official property; The functions of the Kaichai division are similar to those of today's office division, and are responsible for the circulation of daily administrative affairs and administrative documents among the Three Divisions. The subdivisions of the Three Divisions cover all the cases, and they overlap with the ministries.

The Three Divisions integrate financial decision-making power and executive power, and the financial affairs decision-making power is driven by the deputy of the Three Divisions. Main responsibilities: 1. Organize and summarize all the roads and income. Comprehensively manage the state's fiscal revenues. Except for some remaining funds for the local, all the income is transferred to the capital. This part of property is Xishen money. 2. In charge of the country’s account. All kinds of accounts involving financial affairs in the country are reported to Three Divisions, and the Three

Divisions have the national account management review authority. 3. Have the decision-making and allocation power of the state's large-scale fiscal expenditure. In particular, the three departments set up specialized agencies to arrange and deal with matters related to river management projects and building repairs.

### **1.2 Drawbacks of the Three-Division financial management system**

The central power allocation structure: Three Divisions govern property, the Zhongshu Division govern people, and the Shumi division govern military. It reflects the ruling philosophy of "up and down phase, internal and external governance." The Three Divisions centrally control the state's fiscal power, and the inefficiency problem cannot be solved rooted in "political high concentration" and "departmental interest." In order to consolidate the political power, the ruling concept emphasized the "high concentration of unity". This kind of concept is also filled in the financial sector, the power is unprecedentedly concentrated, and the state finance is controlled. The Three Divisions are responsible only for the emperor, and the prime minister has no right to question the affairs of the Three Divisions. The closed management system within the Three Divisions has led to "power sectorization." It has three departments and twenty-four sub-departments and several sub-divisions. Each department is in charge of each special field according to its powers. The concentration of power and external isolation lead to the decentralization of power, which provides a breeding ground for administrative inefficiency and systemic corruption. The reform of the Three-Division system also stems from the financial conflict between it and the Zhongshu Division. When government departments compete for power and resources, if the interests cannot achieve the ideal balanced distribution, it will easily lead to conflicts between departments and between departments and higher-level management institutions. Under this circumstance, in order to realize their own interests, some departments often use the resources and political means to compete with the same-level government organizations or higher-level government organizations for interest and use administrative and political means to absorb and take public interests for the department. The financial affairs governed by the Three Divisions overlap with the civil affairs under the jurisdiction of the Zhongshu Division. The boundaries between the departments are vague, and the Three Divisions have the financial jurisdiction. As a state authority and a civil affairs department, Zhongshu Division can't circumvent the Three Divisions when dealing with major national financial affairs. When there are differences between the two divisions, there is often a conflict in the financial dominance, and such a conflict will result in failures in addressing financial problems timely and properly, and the best timing to solve problems might be missed.

## **2. Establishment of the financial management system of Zhongshu Division**

In the middle period of the Northern Song Dynasty, the "three redundant" problems of redundant officials, redundant soldiers, and redundant fees gradually became severe, and the country was in the predicament of poverty. In order to solve the financial crisis, in the second year of Xining (1069), Emperor Shenzong of Song appointed Wang Anshi as a political officer. He advocated the new law with the idea that "public and private often use poverty as a patient and financial management is not available", and that the reason for the inefficiency of financial management lies in the inefficiency of the Three Divisions and the lack of management power over the state finance. Therefore, the first step of the reform is to rectify the Three Divisions and build a financial management system led by Zhongshu Division.

### **2.1 Setting up the Three Division Regulation Department, reorganizing the Three Divisions, introducing new laws**

The first measure of reform that Wang Anshi took was to set up the Three Division Regulation Department and reorganize the Three Divisions from the following three aspects.

### *2.1.1 Leading the collection of opinions on financial management.*

The Regulation Department requires the Three Divisions and their subordinate financial affairs management agencies to report the use of their financial resources. First, to seek advice from officials in the financial system, and the Three Divisions set up specific timeframes to manage follow-up. Later, collection of financial opinions was expanded, and the internal and external ministers were asked to report the financial interests in the matter, or report to the Three Divisions. By collecting opinions inside and outside the financial system, the attention of officials at all levels to the central financial system has been widely promoted, creating a favorable atmosphere for public opinion. By soliciting opinions, officials will design solutions for the problems existing in the Three Divisions, and timely find officials who are good at financial management, and effectively enrich the team of reformers.

### *2.1.2 Leading the formulation and implementation of the new law, and dispatching messengers to the inspectors of the provinces to implement the law, and to supervise the income of the new law.*

The Regulation Department formulates and implements new laws relating to the development of social economy and government finance, mainly including the equalization method, the farmland water conservancy law, the young cropping law, and the military service exemption law. By issuing various new financial management laws, the country has gained much income, such as borrowing young crop money to pay 2% dividends, collecting net profit from the market, and exempting the remaining money. Except for some expenses for building water conservancy, paying for pre-existence, and collecting and storing in Changping, most of them were accumulated and accepted by the Zhongshu Division, and they were called "sealing the money."

### *2.1.3 Cooperating with the implementation of the equalization method and rectify the financial institutions such as the capital Treasury Department.*

The Department of Regulations controls the quantity of stocks and demand in the treasury of capital. After dispatching personnel to check the inventory of treasury, the Regulations Department will check the summary of the treasury accounts in capital and exercise the right to audit the accounts. In the short period of several months in the second year of Xining, the Division of Regulations of the Three Divisions conducted a series of rectifications and reforms in the Division of Treasury of the capital Divisions by investigating the inventory, reviewing the accounts and formulating the plan for the loss. Through the means of equalization, the supply and dispatch of capital goods are guaranteed to be stable, and the imbalance of fiscal revenue and expenditure caused by poor circulation of goods is reduced. These measures have made it easier for the Regulation Division to understand the financial situation of the Three Divisions and to some extent improve the efficiency of the Three Divisions.

## **2.2 Setting up the official in the Zhongshu Division, reduce the small cases in Zhongshu Division**

Under the three-division financial management system, there is a conflict between the Zhongshu and the Three Divisions in the ownership of the financial authority. One of the measures of the reform is to clean up the small cases of Zhongshu Division. On the one hand, in order to ensure the effective implementation of the reform concept and policies, it is necessary for the Zhongshu Division to operate efficiently; On the other hand, focusing on cleaning up the affairs that hinder Zhongshu Division from playing a decision-making role. Through the partial adjustment of functions, the system of the government affairs operation of the Zhongshu is rationalized, and the financial management authority is in charge, so that Zhongshu Division guarantees the operation of the new law. In addition, the establishment of the Central Prosecutor, the introduction of a large number of middle and lower-level officials supporting the new law, has become an important force to lead the formulation and implementation of the new law, stationed in the Si Nong Temple, introducing Shiyi division for important new law enforcement departments, or stationed as Zaishu to inspect the implementation of the new law. Wang Anshi used the prosecutor as the main force of the reform, strengthened the financial affairs of the Zhongshu Division, and made the necessary talent reserve for the implementation of the new law.

### **2.3 Enhancing the financial jurisdiction of Si Nong Temple and leading the income of the new law**

Si Nong Temple became the institution in charge of the implementation of the new law and developed into the “Changping – Si Nong Temple – Zhongshu”, the imperial court system to allocate money. The original jurisdiction of Si Nong Temple was limited to Chang Ping Cang. After the Xining Reform, the power of Si Nong Temple was expanded and absorbed into the new law of income and expenditure management system. “The new law of Changping should be paid to Si Nong Temple, and the official will be the judge, and lead the field service water conservancy. Si Nong Temple is responsible for the implementation of the new law in Changping, Guanghui, and farmland water conservancy. It manages Changping's interest, workshop money, exemption money, city interest money, water conservancy bank money, riverbank water mill tea money, stacking money and Caohe River crossing and other new law income. Si Nong Temple changed from the idle institution in the early Song Dynasty to the financial management institution alongside the Three Divisions now. It is in charge of the implementation of the new law affairs and the management of revenue and expenditure in the country. Si Nong Temple, as one of the important financial institutions of the central government, formed the financial management system from the central government to local: the “Zhongsong – Si Nong Temple – Tiju Changping Division”.

### **2.4 Effective improvement of the financial power of the Zhongshu Division**

Through the rectification of the Three Divisions and the clearing of the Zhongshu, the central financial management system of the Northern Song Dynasty was changed from the Three Divisions to the Sinong Temple and the Three Divisions under the leadership of the Zhongshu. The financial management power unique to the Three Divisions was forcibly divided, and the financial management power of the Zhongshu was significantly improved. The outcome is that Zhongshu Division introduces the Three Divisions Regulation Department, audit accounts, and responsible for local assessment and other aspects.

#### *2.4.1 Compiling and editing the three commanders by Zhongshu Division*

In Xining Period, Zhongshu Division sent a number of prosecutors to participate in the three-siling-style editing, which means that the Three Divisions no longer have the right to independently prepare the budget, adjust the national plan. The budget preparation right begins to transfer to the Zhongshu Division. The Three Divisions can only make all the income and expenditure within the scope determined by the Zhongshu, and the excess must be supplemented by the new law income or the hidden money.

#### *2.4.2 Zhongshu takes charge of the country's account and has the right to financial assessment.*

The Three Divisions system is inefficient, and the books of accounts cannot be audited for many years. There is a lack of contrast in fiscal revenues and expenditures over the years. Xi Ning's seven-year book recommended the establishment of a specialized agency to compare the number of money-savings and expenditures managed by the Three Divisions each year. There is a lack of contrast in fiscal revenues and expenditures over the years. In Xi Ning's seventh year, Zhongshu Division recommended the establishment of a specialized agency to compare the number of money-savings and expenditures managed by the Three Divisions each year. The Three Divisions of the accounting department are directly under the leadership of the prime minister, Zhongshu Division has the right to compare the Three Divisions of the provincial account, and determine the performance of officials by examining the profit and loss situation of the local financial institutions. The central financial institution's right to supervise and assess the local state military was transferred from the Three Divisions to the Zhongshu Division.

### **3. Evaluation of the financial management system of the Zhongshu Division**

Public policy analysis mainly focuses on describing and explaining the causes and consequences of various policies. From this, we will study the actual functions of the government, understand why the government has formulated such policies, what kind of consequences will be implemented by these

policies, and so on. Investigating the process of transforming the Three Divisions in Wang Anshi's reform, upgrading the Sionsi Temple, and constructing the financial management system of the Zhongshu Division, we will find that the value orientation of pragmatism runs through it. Pragmatism emphasizes the ability to solve all the social problems. For pragmatic advocates, "use is truth" pragmatism clearly emphasizes that the construction of scientific methods should be used to guide practice and solve social problems, not to construct theory and methods. "The rich country and the strong military" are the core purpose of Wang Anshi's reform. He used the principle of "public and private often use poverty as a patient, and financial management has no way to get it", focusing on the rectification of financial institutions and the development of financial resources. With the implementation of the new law by Zhongshu Division, the state's financial resources have been enriched, alleviating the financial pressure, and to a certain extent, the expectation of Xining administrivia's reform is realized. However, from the perspective of the adjustment of state institutions, Wang Anshi's reform has some problems with the reform of the central fiscal system:

### **3.1 Lack of institutional basis for the establishment of reform institutions**

The Three Divisions Regulation Department is a financial institution independent of the Zhongshu and Three Divisions, and is the decision-making and enforcement agency for the new law. However, the Regulation Department is neither a Zhongshu Division nor one of three division, and it has been criticized at the beginning of its establishment. The opposition believes that the establishment of the Three Division Regulations has led to a number of political makers. The new law is negotiated and executed by the Department of Regulations. It is directly executed without collective discussion at the decision-making level, and lacks the necessary checks and balances and supervision in the power operation. Sima Guang believes that the Department of Regulations is independent of the Zhongshu Division and the Three Divisions. The decision-making content is completely in accordance with Wang Anshi's personal wishes and is the greatest threat to the entire country's political system. The accusations of the official for the establishment of the Three Division Regulations focused on the independence, the qualification of the selected officials and the rationality of the new law. The establishment of the Three Division Regulations violated the conventional path and disrupted the original institutional setup and the principle of selecting officials. Wang Anshi insisted on retaining the fundamental reason of the Regulations Department. It was difficult to control the situation of the Zhongshu Division in the early stage of the reform. The new law encounters obstacles that cannot be effectively avoid. It is intended to circumvent other ministers, avoid the existing system hierarchy, and reduce the resistance on the new law. The Division of Regulations of the Three Divisions is the temporary setting of Wang Anshi's "smuggling system for national use", and the decision-making is mostly out of his own intention. Although it was supported by Song Shenzong, its reasonable legitimacy has been questioned. Decision-making and execution are short-term and lack long-term planning. Although the plausible system design has been carried out, it is difficult to implement it in detail.

### **3.2 Problems with personnel authority and distribution**

The candidates for the prosecutors are all from Wang Anshi's preference. At the same time of increasing talents, the new recruits were introduced to implement the new law, disrupting the original selection procedures and fairness, and touching the red line of the bureaucratic system, causing rebounds and conflicts among other officials. At the operational level, the promotion of the Central Prosecutor is "over-level", breaking the original bottom-up bureaucratic selection model. From the perspective of maximizing personal interests, officials will do their best to implement the new law provisions. In the short term, the implementation of the new law will be effective, and the fiscal revenue will be greatly improved. However, from the perspective of long-term and continuous implementation of the system, if the new law is not promoted, or some aspects cannot meet the conditions for the implementation of the new law in the short term, these officials will often use the central political power to clear the obstacles or even distorted the original essence of the new law. Taking extreme measures such as hard appraisal to implement the new law will greatly damage the authority of the new system.

### **3.3 The original institution was dismantled excessively, and gap appeared in the new system.**

The three-division financial management system has become the financial management system of Zhongshu Division, and the original financial management functions of the Three Divisions have been forcibly broken up by the Zhongshu Division. This situation was continued with the implementation of the new law and was solidified in Yuanfeng's restructuring. It became the "Shangshu Province - Hubu - Temple Supervisor" system, that is, decision-making, decree announcement and specific implementation separation. Shangshu Province mainly issued administrative orders, the Ministry of Housing and the supervision of the monasteries specifically implemented the law, in order to subdivide power for the improvement of administrative efficiency. However, due to the ruling concepts of "balance", "decentralization" and "containment", financial affairs are not all belong to Hu department like the Three Divisions system, eliminating the possibility of the Hu department taking politic powers. There is no administrative affiliation between the temple supervisor and Hu department, and the division of powers and responsibilities is unclear. According to the "follow-ups", similar to the "business guidance" in modern administrative relations, there is a higher possibility for chasing fiscal power among departments, and there is a contradiction between the coordination and implementation issues. At the end of the Northern Song Dynasty, the actual efficiency of the temple supervisor was low, and the Hu department's rights were scattered.

### **3.4 Lack of effective coordination mechanism within the new system**

The unification of functional integration and departmental integration should be based on functional integration. Management involves a wide range of content. Even if the mechanism of centralized power is re-improved, it will not be able to fully respond to the various specific problems that arise. In the horizontal and vertical management, it will cause "segmentation" and form a pattern of "excessive dispersion". In this context, the political "over-concentration" and the "disorder" in management often reinforce each other, thus causing the continuation of the traditional drawbacks of governance. Taking Wang Anshi's fiscal system reform as an example, the focus of Zhongshu Division is to monopolize fiscal power. However, after the concentration of power, there is no clear regulation on the internal authority of the Three Divisions after the reform and the internal authority of SiNong Temple. There is no effective coordination mechanism between the two sides, and it is difficult to respond effectively in the face of problems arising from the implementation of the new law. At the level of Zhongshu Division, the functions of the two are divided by income type. The Three Divisions are unable to form a strong contrast with the large surplus of Si Nong Temple, and there is a lack of resource allocation mechanism between the two. In accordance with the logic of modern public policy, institutional reform is not only a one-sided pursuit of institutional mergers and reductions, but on the basis of the integration of government functions, in order to ensure the organic unity of the same and similar functions, and the corresponding integration of higher authority for integrated management. An efficient system must take into account both the "outside the department" and the "inside the department". In the process of exploring reforms, it is necessary not only to integrate relevant functions in accordance with the principle of organic unification, but also to adjust and set up corresponding unified departments. We must also attach equal importance to the powers and responsibilities within the department and between departments and prepare points to promote the reconstruction and optimization of the horizontal relationship within the system.

### **3.5 Lack of continuity in the follow-up policies**

Relying on the will of the upper level to promote change, there will be short-term results, but if the policy lacks endogenous motivation and continuity, it is vulnerable to external conditions. Especially under the premise of changes in authoritarian figures, policies are easily deformed and even go to the opposite side of the system. Take the reform of the financial system of Wang Anshi as an example. Its policy implementation relies entirely on Wang Anshi's authority and takes three measures to ensure the control of fiscal power. The first is to transform the original three division system according to the logic that is conducive to reform, and to control the country's account, reorganize the treasury, and select financial personnel to make the Three Divisions become the executive agencies

that adapt to the new law. The new law will be implemented nationwide using the three-level system from the central to the local. The second is to clean up the original complicated affairs of Zhongshu Division, and to make room for the implementation of the new law from the system and mechanism. The middle and lower level officials who advocated the new law were selected to be the prosecutors to supervise the implementation of the new law. The third is to upgrade the status of Si Nong Temple, which manages the income of the new law and creates a new system of income and expenditure of the Sinong Temple to support the political ambition of Shenzong's "rich country and strong military". From the perspective of increasing fiscal revenue, the reform financial authorities have achieved the expected policy objectives. However, with the resign of Wang Anshi, the power of the Zhongshu prosecutor was strictly controlled, and the newly constructed Zhongshu Division financial management system lost Wang Anshi's strong reliance. The basic system and mechanism have not matured with the implementation of the reform, and still need to be attached to the Three Divisions financial management system. The policy orientation of quick success and instant benefit leads to deviations between expectations and implementation. The new system is too focused on expanding financial resources and delays the construction of the system as a supplement. The new and old systems have not been bridged, and the new system has not built up the subsequent integration capabilities. It was not optimized until the Yuanfeng reform system was built, and it was determined to be the financial management system of the Shangshu division-Hubu-Zhusijian.

#### **4. Conclusions**

Reforms are necessary for the government to adapt to new social changes. The government proactively change the combination of existing policy resources and regroup various policy element, implement and improve new and appropriate policies to promote effective resolution of social issues. In turn, the process of effectively solving social problems is promoted. Institutional integration and institutional restructuring, power adjustment and release are the essence of the fiscal system reform in Wang Anshi's reform, and one of the basic problems that need to be resolved in the study of public policy implementation. How to grasp the dismantling, integration and release of power is the key to studying institutional reform. The institutional arrangements adopted in the reform of the fiscal system in different periods in Chinese history are different, and the backgrounds of these systems are also very different. It is these differences that lead to different socio-economic effects of the fiscal system in different eras. There are no good or bad financial systems. What really matters is the institutional arrangement of the fiscal system and the operational mechanism of power.

During the Xining period of the Northern Song Dynasty, the reformist officials represented by Wang Anshi carried out a profound reform movement under the impetus of the environment of the internal and external difficulties and the concept of the rich country and powerful military. Among them, the reform of the fiscal system is not only a review and reflection on the fiscal system of the third divisions of the Song Dynasty, but also a conscious adaptation to the implementation of the new law. The financial management system under the leadership of the Zhongshu Division demonstrated a huge integration ability at the time of the implementation of the new law. The fiscal revenue has grown rapidly, and the state's financial difficulty has been alleviated. The fiscal surplus has supported Song Shenzong's war against Xia Dynasty and the short-lived prosperity of the Northern Song Dynasty. However, this system has problems such as unclear division of functions among departments, cross-disciplinary powers, decentralization of powers, and personnel arrangements. Later, after undergoing adjustment and repetition, the system design for the prime minister was preserved. And finally, in the Yuanfeng Reform, the "Shangshu Province – Hubu – Temple Supervisor" was established as the central financial management system and was continued by the later generations.

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