



Has Local Financial Capacity Raised the Level of Basic Public Services? --Empirical Evidence from 291 Cities in China

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Abstract. Providing basic public services accessible to all is the main responsibility of local governments. This paper focuses on the city level, and based on the panel data of 291 cities in China from 2011 to 2020, we select two core capabilities, namely, fiscal extraction capacity and fiscal allocation capacity, to comprehensively examine the impact of the fiscal capacity of local governments on the level of basic public services in China. The results of the study show that an increase in fiscal extraction capacity significantly promotes the level of basic public services, while an increase in fiscal allocation capacity significantly inhibits the level of basic public services, and the conclusions remain consistent in the case of significant spatial spillovers of basic public services. It is recommended that the fiscal extraction capacity be continuously strengthened to provide more adequate financial resources for the provision of basic public services. While improving the fiscal allocation capacity, and increasing the fiscal input in the field of basic public services. The increasing financial capacity of local governments will promote the development of basic public services to a high level and high quality.

Keywords: fiscal capacity of local governments; basic public services; entropy method; fixed effects; spatial econometric

1 Introduction

The financial capacity of local governments has a wide range of connotations and is a comprehensive manifestation of the ability of local governments to draw financial revenues, assume responsibility for public expenditures, provide basic public services, etc. Stable and sufficient access to financial revenues and reasonable and effective allocation of financial resources are the fundamental guarantees for local governments to realize their governmental functions. Basic public services help to enhance human capital and promote comprehensive human development and are a powerful means to promote common prosperity. The study of local financial capacity provides local governments with a scientific basis and reference, which can further optimize the structure of local financial expenditures, improve the efficiency of financial resource allocation, raise the level of basic public services, and enhance people's sense of happiness and satisfaction. In the context of China's economic and social structure is in a period of profound

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transformation, the people's livelihood demands are upgraded in all aspects, and constantly improving the level of basic public services is the key content of integrating urban and rural development, building a harmonious society and perfecting the system of public finance has become the basic focus and the core content of the Chinese government's efforts to ensure that people can share the fruits of development and continue to improve the people's livelihoods. The financial capacity of local governments, as an important component of local government capacity, is related to the supply of basic public services at the local level. Specifically, can local financial capacity improve the level of basic public services?

2 Literature Review

The discourse on fiscal capacity can be traced as far back as the 1960s when the U.S. Advisory Committee on Intergovernmental Relations (ACIR) interpreted the concept of fiscal capacity, defining fiscal capacity as the right to levy taxes within a jurisdiction to draw on revenues [1], i.e., the capacity to draw on fiscal resources, and since then the agency has extended the connotation of fiscal capacity to include the government's ability to finance public services, i.e., the capacity to allocate fiscal resources. resource allocation capacity. Coleman's (1975) [2] definition of fiscal capacity focuses on the government's ability to draw on society's resources to meet the public's needs and is the government's response to the public's needs. Lamborn (1983) [3], Evans (1985) [4], and Charles (1990) [5] argue that fiscal capacity primarily refers to the government's ability to ability to draw financial resources from society and is an important element that constitutes the capacity of the state. Barro (1987) [6] argues that local fiscal capacity is the ability of local governments to raise revenue to achieve their public service functions and to fulfill the objectives of their duties. Timothy et al. (2013) [7] suggest that fiscal drawing capacity should be the ability to obtain revenues that match the demand side of expenditures. Johnson et al. (2016) [8], on the other hand, argued that fiscal drawing capacity is the ability of the government to use public power to increase tax revenues through the development of a tax system and the adjustment of the tax structure. Yilmaz et al. (2002) [9] defined the fiscal capacity of the government as the ability to raise tax revenues that match the demand side of expenditures. Grisorio et al. (2015) [10] showed that the government's fiscal capacity does not necessarily lead to an increase in the level of local public goods provision. Sow et al. (2015) [11] argued that local government fiscal capacity contributes to the efficiency of public service provision. Baldwin et al. (2000) [12] define and distinguish the connotations of tax capacity, revenue capacity, and fiscal capacity, and argue that fiscal capacity has richer connotations and is a comprehensive capacity.

Chinese scholars have a richer understanding of the connotation of fiscal capacity, which mainly includes fiscal drawing capacity, fiscal self-sufficiency, and fiscal allocation capacity. Wang Shaoguang et al. (1993) [13] referred to the ability of local governments to mobilize and draw social resources as the fiscal drawing capacity, and took the fiscal drawing capacity as an important indicator of national capacity. Since then, domestic scholars have begun to follow this concept when studying issues related to

fiscal capacity. In addition, some scholars put forward a similar concept - financial self-sufficiency, Wang Yongjun (2000) [14] that local financial self-sufficiency is the ability of the local government not to rely on a higher level of financial assistance, the ability to independently raise revenue, which can be measured by the ratio of the level of financial revenue and the level of financial expenditure. Subsequently, domestic scholars have conducted extensive and in-depth research on the expansion of fiscal drawing capacity and fiscal self-sufficiency. Yang Bo (2013)[15], Xin Fangkun (2014)[16], and Xu Yingzhi et al. (2015)[17] all believe that the local fiscal capacity is mainly fiscal drawing capacity and fiscal allocation capacity. Feng Xingyuan (2015) [18] argues that local fiscal capacity is different from local financial capacity and has a broader connotation. In addition, scholars Zhao Dezhao (2022)[19], Zhang Shuhui et al. (2022)[20], and Zhou Shangsi (2022)[21] estimate and analyze local fiscal capacity by placing fiscal self-sufficiency or fiscal balancing capacity in the fiscal capacity evaluation system.

It can be summarized from the scholars' elaboration on financial capacity that local financial capacity has a wide range of connotations, which is a comprehensive manifestation of the ability of local governments to draw financial revenues, undertake public expenditure responsibilities, and provide basic public services, and that stable and sufficient access to financial revenues and reasonable and effective allocation of financial resources are the fundamental guarantee for local governments to realize their governmental functions. As for the measurement of local financial capacity, scholars mostly adopt three methods: absolute indicators, relative indicators, and comprehensive indicator systems. Among them, the measurement indexes of financial drawing capacity are more abundant, while the measurement indexes of financial allocation capacity and financial self-sufficiency capacity are more single. Fiscal allocation capacity is mostly measured by the ratio of fiscal expenditure to regional GDP, and fiscal self-sufficiency is mostly measured by the ratio of fiscal revenue to fiscal expenditure.

However, most of the existing studies have focused on the provincial government level, and there are fewer studies on the fiscal capacity of municipal governments. Moreover, scholars generally agree that the ability of local governments to meet public needs and provide public services is an important component of local fiscal capacity, but relatively few studies have examined the impact of local fiscal capacity on the level of basic public services. Based on the above analysis, this paper will focus on the two core competencies of local fiscal capacity, namely, fiscal extraction capacity and fiscal allocation capacity, and the research question focuses on the impact of local fiscal capacity on the level of basic public services.

Sow et al. (2015)[11] study that the local financial capacity helps to meet the residents' demand for public products. Yang Guang (2015)[22] study that financial capacity is the most basic guarantee for basic public services, and the supply of basic public services requires strong financial investment. Xu Yingzhi et al. (2015)[17] study that the stronger the local financial drawing capacity, the more obvious the role of public service supply level enhancement. Based on this, this paper puts forward hypothesis 1: under other conditions unchanged, the enhancement of local financial drawing capacity can improve the level of basic public services.

Xu Yingzhi et al. (2015)[17] argued that the reason why the impact of fiscal allocation capacity on public basic education is not significant is mainly because the main indicator of local government officials' performance appraisal and promotion is economic growth rather than the level and quality of public service provision. Zhao Dezhao (2017)[23] pointed out that due to the distortion of the local government's fiscal expenditure structure and the deviation of the fiscal expenditure target, the increase in the local fiscal allocation capacity did not bring about a simultaneous increase in the provision of public products. Wei Lihua et al. (2020)[24] argued that potential political incentives make local governments pay more attention to economic growth indicators, and fiscal expenditures are more skewed towards infrastructure construction or other productive areas, with a relative lack of investment in public services. Based on this, this paper puts forward hypothesis 2: All other things being equal, the improvement of local fiscal allocation capacity does not improve the level of basic public services.

3 Methods

3.1 Data and sample selection

In this paper, the panel data of 291 cities at the prefecture level and above in China from 2011 to 2020 are selected as the research sample. The explanatory variable is the level of basic public services, the explanatory variables are fiscal drawing capacity and fiscal allocation capacity, and the core control variables are per capita transfer payment, economic development level, population urbanization rate, and population density. The data come from the China Urban Database, China Regional Economy Database, China Urban and Rural Construction Database, Cathay Pacific (CSMAR) Database, CEIC Database, and National Economy and Development Statistical Bulletin of each city in previous years. The original data are supplemented by linear interpolation for a few missing years.

3.2 Definition of variables

(1) Fiscal drawing capacity (ecap).

This paper selects the relative index of local fiscal revenue and the ratio of regional gross domestic product to measure the fiscal drawing capacity and draws on the provincial local fiscal drawing capacity evaluation index system constructed by Xin Chongchong et al. (2019)[25], from which the indexes from which data are available are selected to measure the local fiscal drawing capacity of the municipalities, and are used to replace the explanatory variables (ecap) to carry out a robustness test. The comprehensive evaluation index system of local government financial drawing capacity is shown in Table 1.

Table 1. Comprehensive evaluation indicator system for financial drawing capacity

Level 1 indicators	Level 2 indicators	Level 3 indicators	weight	Indicator properties
		Local revenue per capita	0.356738	+
	Drawing scale	Local revenue growth rate	0.063270	+
		Share of fiscal revenues in provincial revenues	0.479562	+
Local fiscal absorptive capacity	Drawing Quality	Tax revenues as a share of local fiscal revenues	0.064640	+
		Transfer payments as a share of local revenue	0.034516	-
	Drawing on the level of effort	Fiscal extraction efforts = actual fiscal revenues/theoretical fiscal revenues; where theoretical fiscal revenues are the fitted values obtained by regressing the economic model with GDP and fiscal revenues as the independent and dependent variables, respectively.	0.001275	+

(2) Fiscal allocation capacity (dcap).

Previous studies have more often taken the ratio of fiscal expenditure to regional GDP to measure the fiscal allocation capacity of local governments. To a certain extent, this indicator reflects the intensity of local government's investment in the field of public service provision. Therefore, this paper follows this practice. On this basis, this paper selects three indicators to measure the fiscal allocation capacity of local governments, namely, the proportion of education, health care, social security and employment, per capita livelihood expenditure, and the proportion of fiscal expenditure to regional GDP and uses them to replace the explanatory variables (dcap) for the robustness test.

(3) Level of basic public services (bps).

In Chinese society, basic public services mainly cover many fields such as education, medical care and health, social security and employment, infrastructure, culture and media, and ecological environment. Based on the principle of comprehensively measuring the level of basic public services, and under the premise of data availability, this paper constructs a comprehensive evaluation index system of basic public services in the five major fields of education, health care, social security, and employment, infrastructure, and ecological environment, and applies the entropy method of objective assignment to comprehensively measure the level of basic public services (bps) in each city. The comprehensive evaluation index system of basic public services is shown in Table 2.

Table 2. Comprehensive evaluation index system for basic public services

Level 1 indicators	Level 2 indicators	Level 3 indicators	weight	Indicator properties	
Basic Public Services Comprehensive Evaluation Indicator System	Education	Ordinary Primary School Student Division Ratio	0.0236	-	
		Teacher-teacher ratio for secondary school students	0.0033	-	
	Healthcare	Number of beds per 1,000 population	0.0745	+	
		Number of health technicians per 1,000 population	0.1048	+	
	Social security and employment	The participation rate of basic medical insurance for urban workers	0.1772	+	
		The participation rate of basic pension insurance for urban workers	0.1680	+	
	Infrastructure	Unemployment insurance participation rate	Unemployment insurance participation rate	0.1325	+
			Registered unemployment rate	0.0177	-
			Road area per capita	0.1177	+
	Environment	Domestic Waste Disposal Rate	Cell phone subscribers per capita	0.1067	+
			Green space per capita	0.0543	+
			Sewage treatment rate	0.0134	+
			Domestic Waste Disposal Rate	0.0063	+

(4) Control variables.

The level of basic public services is affected by a variety of factors, and to try to control the interference of factors other than explanatory variables, the control variables selected in this paper include transfer payments (tras), which further excludes the impact of population size through per capita transfer payments; the level of economic development (edl), which selects per capita regional gross domestic product (RGDP) as a proxy variable; the level of urbanization of the population (urb), which is measured by the ratio of urban population to resident population; and population density (pd), measured by the calculation of the number of people/land area of the administrative region at the end of the year.

3.3 Modeling

This paper uses the fixed effects model and spatial econometric model to examine the relationship between the impact of local fiscal capacity on the level of basic public services. The double fixed effect model is constructed as Equation (1).

$$Y_{it} = \alpha + \sum \beta X_{it} + \sum \gamma Z_{it} + u_i + v_t + \varepsilon_{it} \tag{1}$$

Through the LR test and the Hausman test, the fixed effect model is better than the random effect model. Therefore, the fixed effect model is used as the benchmark model in this paper. Based on choosing the fixed effect model, the joint significance test of years is conducted, and the results significantly reject the original hypothesis. Finally, the double fixed effect model is selected as the benchmark model for empirical analysis.

Based on the spatial spillover effect of basic public services, this paper considers the use of spatial econometric models to analyze the role of local financial capacity in

influencing the level of basic public services under the spatial correlation of neighboring cities. The generalized nested spatial regression model is constructed as Equation (2)-Equation (3).

$$Y_{it} = \rho WY_{it} + \sum \beta X_{it} + \sum \gamma Z_{it} + \sum_{j=4}^7 \beta_j WX_{it} + \sum_{j=4}^7 \gamma_j WZ_{it} + U_{it} \tag{2}$$

$$U_{it} = \lambda WU_{it} + \varepsilon_{it} \tag{3}$$

Initial selection of spatial Durbin model, spatial lag model, and spatial error model by LM test. Accurate selection of spatial Durbin model, spatial lag model, and spatial error model by LR test, Wald test, and testing whether spatial Durbin model degrades to spatial lag model or spatial error model.

The spatial weight matrix is constructed to characterize the spatial geographic relationship between cities and reveal the interactions between cities. The formulas for constructing a geo-economic nesting matrix, geographic inverse distance matrix, and economic distance weight matrix are shown in Equation (4).

$$W_{ij}^{de} = W_{ij}^d \times W_{ij}^e \tag{4}$$

$$W_{ij}^d = \frac{1}{d_{ij}}, i \neq j$$

$$W_{ij}^e = \frac{1}{|PGDP_i - PGDP_j|}, i \neq j$$

W_{ij}^{de} is the geo-economic nesting matrix; W_{ij}^d is the geographic inverse distance matrix; W_{ij}^e is the economic distance weight matrix; d_{ij} is the latitude and longitude distance between city i and city j ; $PGDP$ is the per capita GDP of the city from 2011 to 2020.

Through the LM test, LR test, and Wald test, the spatial Durbin model will not degrade into the spatial lag model, spatial error model, fixed effect model is better than random effect model, and the choice of spatial individual and time double fixed model is better than individual fixed, time fixed, so this paper selects the spatial Durbin individual time double fixed model for spatial econometric regression analysis.

4 Results

Through model construction, selection, and testing, this paper uses the double fixed effects model as the benchmark model for analyzing the role of local fiscal capacity in influencing the level of basic public services. Table 3 reports the results of the benchmark regression between local fiscal capacity and the level of basic public services. The control variables are introduced on a line-by-line basis to facilitate the examination of the coefficient changes of the explanatory variables and, to some extent, to demonstrate the robustness of the model test results. Column (1) shows the regression results with the core explanatory variables introduced individually, while columns (2) to (5) show the regression results with the control variables added one by one. It can be seen that

the robustness of the regression results is further enhanced after adding the control variables one by one, indicating that the control variables are appropriately selected.

Table 3. Benchmark regression results

var	(1)	(2)	(3)	(4)	(5)
ecap	-0.00639 (-0.21)	0.0546* (1.74)	0.0596* (1.92)	0.0877*** (2.89)	0.102*** (3.38)
dcap	-0.0266** (-2.45)	-0.0674*** (-5.49)	-0.0422*** (-3.33)	-0.0608*** (-4.87)	-0.0700*** (-5.62)
tras		0.0200*** (6.90)	0.0188*** (6.54)	0.0180*** (6.42)	0.0187*** (6.70)
edl			0.00212*** (6.94)	0.00238*** (7.95)	0.00231*** (7.79)
urb				-0.165*** (-11.67)	-0.176*** (-12.44)
pd					-0.0484*** (-6.33)
cons	0.331*** (132.85)	0.329*** (131.77)	0.316*** (102.98)	0.399*** (51.60)	0.426*** (48.44)
both fixed effect	Yes	Yes	Yes	Yes	Yes
<i>N</i>	2910	2910	2910	2910	2910
<i>R</i> ²	0.709	0.714	0.719	0.733	0.737

Note: Robust standard errors are in parentheses. *** denotes $p < 0.01$, ** denotes $p < 0.05$, * denotes $p < 0.1$. Same below.

According to the baseline regression results reported in Column (5), the impact of local fiscal drawing capacity on the level of basic public services is significantly positive at the 1% level, with an impact coefficient of 0.102. It indicates that the stronger the fiscal drawing capacity is, the higher the level of basic public services is, and Hypothesis 1 is proved. The impact of local fiscal allocation capacity on the level of basic public services is significantly negative at the 1% level, with an impact coefficient of -0.070. higher fiscal allocation capacity does not promote the level of basic public services, hypothesis 2 is proved. The impact of transfer payments on the level of basic public services is significantly positive at the 1% level, with an impact coefficient of 0.0187. Per capita transfer payments have a significant impact on the level of basic public services, indicating that transfer payments to promote the equalization of local financial resources for the improvement of the level of local basic public services have a relatively considerable positive impact. The impact of the level of economic development on the level of basic public services is significantly positive at the 1% level, with an impact coefficient of 0.0023. The empirical evidence shows that the higher the level of urban economic development, the higher the level of basic public services. The impact of urbanization level on the level of basic public services is significantly negative at the 1% level, with an impact coefficient of -0.176. The level of basic public services in China's cities in general has not been able to keep up with the process of urbanization of the population, and there exists a large gap in the supply of basic public services.

The impact of population density on the level of basic public services is significantly negative at the 1% level, with an impact coefficient of -0.0484. It can be seen that the high population density in cities causes the crowding effect of basic public services, which hurts the comprehensive level of basic public services. The agglomeration effect of the city on the population makes the increase in density increase, exceeding the growth rate of the level of basic public service provision.

5 Discussion

5.1 Robustness test

To test the robustness of the benchmark regression results, this paper regresses the benchmark model by replacing the explanatory variables, replacing the explanatory variables, excluding the municipalities, and shrinking the tail of the variables in four ways. I. The specific ways of replacing the explanatory variables are: measuring the financial drawing capacity of each city according to the comprehensive evaluation index system of the financial drawing capacity of local governments constructed in Table 1; and comprehensively measuring the financial allocation capacity of each city by three indicators. Second, select the indicators of education, health care, social security, and employment in the comprehensive evaluation index system of basic public services to re-measure the level of basic public services for robustness testing. Third, the four municipalities of Beijing, Tianjin, Shanghai, and Chongqing are excluded. IV. Do (1%, 99%) shrinking of the variables. The regression results presented in columns (1) to (4) of Table 4 are consistent with the baseline regression results, and the correlation coefficients and significance of the explanatory variables and control variables remain unchanged, which further illustrates the robustness of the baseline regression results.

Table 4. Robustness test results

var	(1)	(2)	(3)	(4)
ecap	0.174*** (6.08)	0.128*** (3.37)	0.112*** (3.63)	0.106*** (3.38)
dcap	-0.0784*** (-3.73)	-0.0808*** (-5.16)	-0.0695*** (-5.56)	-0.0560*** (-4.15)
cons	0.399*** (36.04)	0.460*** (41.56)	0.423*** (48.36)	0.434*** (45.80)
controls	Yes	Yes	Yes	Yes
both fixed effect	Yes	Yes	Yes	Yes
<i>N</i>	2910	2910	2870	2910
<i>R</i> ²	0.738	0.699	0.734	0.740

5.2 Endogeneity analysis

In addition, to exclude the possible reverse causality between local fiscal capacity and the level of basic public services, concerning the research methods of Yan Kun and Huang Xiao (2022) [26], Liu Shuxin and Yang Senping (2021) [27], the benchmark regression results are tested by using the lagged one period of fiscal drawing capacity

as well as fiscal allocating capacity as instrumental variables, respectively, and adopting the two-stage least squares (2SLS) method to Tests are conducted. Columns (1) to (2) of Table 5 report the results of the two-stage regression with one period lag of fiscal absorptive capacity as an instrumental variable, while columns (3) to (4) report the results of the two-stage regression with one period lag of fiscal allocation capacity as an instrumental variable. The significance of the explanatory variables in the second-stage regression results remains consistent with the benchmark regression. This shows that the estimates in this paper are plausible after controlling for potential endogeneity.

Table 5. Endogeneity analysis test results

var	(1)	(2)	(3)	(4)
L.ecap	0.8818*** (62.39)			
L.dcap			0.8981*** (52.22)	
ecap		0.396*** (6.45)	0.1264*** (4.50)	0.415*** (7.33)
dcap	0.0285*** (4.67)	-0.0493** (-2.41)		-0.0652*** (-3.09)
cons	-0.0047*** (-2.86)	0.231*** (26.06)	0.0176*** (3.75)	0.235*** (26.22)
controls	Yes	Yes	Yes	Yes
both fixed effect	Yes	Yes	Yes	Yes
<i>N</i>	2619	2619	2619	2619
<i>R</i> ²	0.868	0.602	0.9478	0.602

5.3 Heterogeneity analysis

The regional heterogeneity analysis in this paper is divided into East, Central, and West. Columns (1) to (3) of Table 6 report the regression results for 101 cities in the east, 100 cities in the center, and 90 cities in the west, respectively. From the regression results in column (1), the effect of financial allocation capacity on the level of basic public services in eastern cities is insignificant; as shown in column (2), the effect of local financial capacity on the level of basic public services in central cities is insignificant.

Table 6. Heterogeneity analysis test results

var	(1)	(2)	(3)
ecap	0.180*** (2.95)	0.0182 (0.38)	0.124** (2.53)
dcap	-0.00491 (-0.15)	0.00164 (0.07)	-0.0812*** (-4.20)
cons	0.439*** (22.13)	0.393*** (28.67)	0.396*** (25.95)
controls	Yes	Yes	Yes
both fixed effect	Yes	Yes	Yes
<i>N</i>	1010	1000	900
<i>R</i> ²	0.666	0.794	0.823

5.4 Spatial effects analysis

By constructing a spatial weight matrix that characterizes the spatial correlation between cities, we analyze the relationship between local financial capacity and the level of basic public services under the influence of the spatial effect of neighboring cities in each city. The coefficient of Spatial rho is significantly positive, which indicates that basic public services have a significant positive spatial spillover effect. Columns (1) to (5) of Table 7 show the regression results of the geo-economic nested matrix, geographic inverse distance matrix, economic distance nested matrix, replacement of explanatory variables, and replacement of explanatory variables, respectively. The regression results are consistent with the benchmark regression results when geographic distance and economic disparity between cities are considered. It further indicates that the regression results of this paper are credible.

Table 7. Spatial effect analysis test results

var	(1)	(2)	(3)	(4)	(5)
ecap	0.0941*** (3.22)	0.0963*** (3.33)	0.0955*** (3.34)	0.1379*** (5.16)	0.1006*** (2.74)
dcap	-0.0502*** (-4.00)	-0.0506*** (-4.08)	-0.0674*** (-5.67)	-0.0523** (-2.47)	-0.0615*** (-3.90)
Spatial rho	0.5690*** (7.11)	0.8127*** (15.30)	0.0835** (2.37)	0.5450*** (6.52)	0.6088*** (8.15)
Sigma2_e	0.0002*** (38.04)	0.0002*** (38.01)	0.0002*** (38.12)	0.0002*** (38.04)	0.0004*** (38.16)
controls	Yes	Yes	Yes	Yes	Yes
both fixed effect	Yes	Yes	Yes	Yes	Yes
<i>N</i>	2910	2910	2910	2910	2910
<i>R</i> ²	0.232	0.012	0.193	0.227	0.225

6 Conclusions

In China, finance is the foundation and an important pillar of national governance, and fiscal capacity is an important part of government capacity. On the way to promote commonwealth with Chinese-style modernization, it is significant for local governments to provide higher levels and higher quality of basic public services for the people. This paper takes Chinese cities as the research object, based on the panel data of 291 Chinese cities from 2011 to 2020, and utilizes the fixed effect model and spatial econometric model to study the impact of local fiscal capacity on the level of basic public services. Through theoretical and empirical analyses, the following research conclusions are obtained: first, fiscal drawing capacity significantly increases the comprehensive level of basic public services. Second, fiscal allocation capacity significantly inhibits the comprehensive level of basic public services. Thirdly, considering the spatial economic relations between cities, the influence of fiscal extraction capacity on the level of basic public services is significantly positive, and the influence of fiscal

allocation capacity on the level of basic public services is significantly negative, due to the influence of neighboring cities.

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