

Research on the Reform Process of Urban Finance System from the Perspective of New Urbanization

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Abstract. Since the new century, the process of urbanization in our country has accelerated significantly, and the rate of urbanization has increased significantly. Although this kind of agglomeration effect has contributed to the rapid development of the national economy, but at the same time this process of agglomeration has spawned the problems of bad “city disease” and the “urbanization of rural migrant workers”. The basic guarantee for effectively promoting the provision of urban public goods and improving the ability to govern is the finance of a city. Therefore, we can use finance as the “key” to solve the “urban disease” problem and the “urbanization of migrant workers.” This article defines the concept of a new type of urbanization and sorts out the historical evolution of the fiscal system. Finally, it proposes proposals for future development.

1. Research Background

Since the beginning of the new century, the process of urbanization in our country has accelerated significantly, and the urbanization rate has significantly increased. From 2000 to 2015, the urban population in China has increased by about 300 million people, and the urbanization rate has increased by about 20 percentage points. The agglomeration effect generated by the city itself has attracted abundant rural surplus production factors, including labor force and capital. It can be seen that cities have played a crucial role in the process of urbanization. Although this kind of agglomeration effect has contributed to the rapid development of the national economy, but at the same time this process of agglomeration has spawned the problems of bad “city disease” and the “urbanization of rural migrant workers”.

The reason for these kinds of problems is that due to the process of agglomeration of labor forces, capital, and other factors of production to urban scale, the supply of urban public service products under the market mechanism is weak, and the urban governance capacity and governance system are lagging behind. The basic guarantee for effectively promoting the provision of urban public goods and improving the ability to govern is the finance of a city. Therefore, we can use finance as the “key” to solve the “urban disease” problem and the “urbanization of migrant workers.” From this perspective, in the process of new urbanization, the reform of the urban financial system is particularly important. We should understand the process of urban fiscal reform and find ways to promote the development of urban health.

2. Definition of Core Concepts

2.1 New Urbanization

Compared with “traditional urbanization”, new urbanization is based on human-centered urbanization. It calls for promoting the optimization and upgrading of industrial structure and promoting the improvement of the urban environment. It is an organic unity of social economic development and natural environmental protection.

2.2 City Financial System

The urban financial system refers to the sum of the financial relations between the city and other levels of government, that is, the system of the division of fiscal responsibility and the definition of

budgetary revenue and expenditure between the city and other levels of government. It concerns both the higher-level government and the lower district and county governments.

3. The History of Urban Financial System

China's fiscal system reforms have roughly gone through the process of “dividing stoves to eat — contract system — dividing the tax system”. The fiscal distribution system before the reform and opening up was “collective revenue and expenditure.” After the reform and opening up, it was changed to “dividing revenues and expenditures, graded contract system.” After the “Southern Talk” in 1992, China established the economic development path of the “socialist market economic system”, which laid the foundation for the fiscal reform of the “tax division system”. Finally, in fiscal reform in 1994, the fiscal system of “tax division system” was implemented.

3.1 1950-1978: A Highly Centralized Financial System

Since the founding of New China, China has implemented a highly centralized system of planned economy, and on this basis has implemented a highly centralized urban financial system. Due to the exceptionally backward social and economic situation at that time, the highly centralized “collective revenue and expenditure” fiscal system was implemented from the second year after the founding of the People's Republic of China. Although China's financial system has been adjusted many times before the reform and opening up, it has always been presented as an essential feature of “high concentration”. The typical feature of this type of fiscal system is that local governments at all levels only serve as management agencies and do not have independent financial power. Apart from the central government, they are local governments at all levels.

3.2 1978-1994: "Dividing Stoves to Eat" Financial System

The financial system of this period can be roughly divided into two stages, namely, hierarchical and hierarchical budgets. The former has gone through the process of “dividing revenue and expenditure, classified contracting”, and “dividing taxes, approving income and expenditure, and classified contracting”. From this period onwards, city finances began to gradually develop independence. Local finances have gradually been given modern significance. Since then, the status of urban finance independence has been greatly enhanced.

3.3 1994-: " Tax Division System"

The reason why tax-sharing reform was born is because the central government needs the reform of the distribution relationship between the central and local governments. Therefore, the central government divides the scope of expenditure of local governments according to their powers, including the two-major means of tax distribution and transfer payments. By matching power and financial power, taxes are divided into central taxes, local taxes and shared taxes (shared by the central and local governments). Therefore, the tax-sharing reform of the current year can be summarized as “tax separation” and “decentralization.” “Tax separation” refers to the determination of the scope of fiscal revenue of various levels of government based on the classification of taxes. “Decentralization” refers to the clarification of the powers of governments at all levels, and to determine the scope of fiscal expenditures at all levels of government. The establishment of a milestone reform of the tax division system has effectively contributed to the formal establishment of urban finance as a primary financial sector.

4. The Internal Requirements of Developing Urban Finance Under the Background of New Urbanization

The birth and development of the city is under the assumption of “rational economic man” that people seek to achieve the lowest cost in the transaction while achieving the agglomeration effect. Therefore, a responsible city government should create new conditions for reducing transaction costs in order to achieve an agglomeration effect. Urban finance has thus become a guarantee for the government to implement public policies. Under the background of new urbanization, the following requirements are required for the development of urban finance: (1) Supporting urban economic development and expanding the scale of employment; (2) Raising the level of equalization of basic

public services in the area; (3) Protecting the ecological environment and promoting sustainable development (4) Improve urban public governance and reduce social conflicts and conflicts.

5. Urban Financial System Reform Path in the Process of New Urbanization

The fiscal system is a key institutional guarantee channel for cities to achieve their specific fiscal policy goals. As one of its important components, the urban financial system needs to play the role of: On the one hand, it must promote the city's own economic growth. On the other hand, it is necessary to satisfy citizens' needs for public products and public services. Therefore, the construction of the reform path of the urban financial system should seek the best dynamic balance between efficiency and fairness. Therefore, looking specifically at the reform of the urban financial system, we should proceed from the following four aspects in the new stage: (1) Reasonably divide the powers of governments at all levels, and the higher-level government should collect some of the expenditure responsibilities. (2) A reasonable division of government-level income at all levels and enhancement of urban financial security capabilities. (3) To adjust and improve the division of expenditure responsibilities and properly concentrate the city's authority and expenditure responsibilities. (4) Constructing the fiscal system of "income-public service" bilateral incentives.

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