

# Research on the Influence of People's Livelihood Fiscal Expenditure on Chinese Urban and Rural Income Inequality

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## Abstract

**This paper studies the impact of people's livelihood fiscal expenditure on urban-rural income inequality from the perspective of fiscal decentralization, and then puts forward the hypothesis that people's livelihood fiscal expenditure may affect urban-rural income inequality. With the government targets to gradually shift "social welfare maximization", fiscal policy with a characteristic "rural bias", the people's livelihood fiscal expenditure can effectively reduce the urban-rural income into inequality. Finally, the paper puts forward corresponding suggestions based on the conclusions drawn. In this paper the conclusions and recommendations of the new round of national fiscal decentralization reforms and promote social equity and reduce urban-rural income inequality is a reference intended.**

## Keywords

**People's livelihood fiscal expenditure; Urban and rural income inequality; Fiscal Policy.**

## 1. INTRODUCTION

The Nineteenth National Congress of the Communist Party of China make Chinese society principal contradiction has been transformed into the "contradiction between the inadequate development of people's increasing need for a better life and unbalanced" significant judgment. At the same time, Xi Jinping pointed out that the biggest imbalance in China's development is the imbalance between urban and rural development. The biggest insufficiency is inadequate rural development. The imbalance between urban and rural development and the inadequate rural development have led to a slow growth of income for rural Chinese residents and a large income inequality between urban and rural areas. Improving the people's livelihood and reshaping the fair and efficient distribution system are not only conducive to narrowing urban and rural income inequality, but also conducive to promoting social equity and solving major contradictions in Chinese society in the new era. Minsheng expenditure and people's lives, compared to other expense item projects in terms of a significant redistribution of income, can enhance the level of social welfare to some extent. Therefore, the relationship between the fiscal expenditure of people's livelihood and the income inequality between urban and rural areas has increasingly become the focus of scholars at home and abroad.

## 2. LITERATURE REVIEW

Regarding the people's livelihood finance, foreign scholars have not yet proposed a clear concept. In the 1880s, the famous German economist Adolf Wagner was the first foreign scholar to study this. He analyzed the public expenditure data of many countries and pointed out: As the per capita income level of a country increases, the proportion of fiscal expenditure

to GDP will increase accordingly. At the same time, the people's living standards will also increase, and the demand for spiritual life such as education, entertainment and culture will be higher and higher. In order to meet the needs of the people, the government will inevitably increase expenditures in these areas. Although Wagner did not explicitly put forward the concept of people's livelihood finance, some scholars later studied on Wagner's research and concluded that the experience of many developed countries in the West shows that after a certain stage of economic development, a country's medical care, public education and other social spending will account for expenditure of the main part of the study shows that the people's livelihood fiscal trend in Western countries. Domestic scholars have conducted in-depth research on the impact of people's livelihood fiscal expenditure on urban-rural income inequality. There are mainly two different viewpoints. One view is that under the influence of the GDP-oriented development concept, the growth momentum of China's economy comes from in urban areas, rural residents to influence decision-making in government spending is far below Chengshijumin can bring rapid economic growth, therefore, not only for the economic development of raw productive expenditure with the "town tendentious" and to improve The people's livelihood and the people's livelihood fiscal expenditures that promote the welfare of the residents also have "urban inclination", which leads to further widening of urban and rural income inequality (Fu Yong, 2 005 ; Tang Yugang and Fan Fangzhi, 2 007 ; Chen Binkai and Lin Yifu, 2 013 ). Another view is that with the development of the economy and society, the government's expenditure decision-making has begun to consider more improving people's livelihood, promoting social equity, and improving the overall welfare of the society. As a result, the total expenditure of the people's livelihood has grown rapidly and the direction of people's livelihood expenditure has been reduced. The "urban tendency" has been transformed into a "rural tendency", which has effectively reduced the income inequality of urban and rural residents (Hong Yuan et al., 2014; Chen Gong and He Pengfei, 2016).

### **3. THE INFLUENCE OF PEOPLE'S LIVELIHOOD FISCAL EXPENDITURE ON CHINESE URBAN AND RURAL INCOME INEQUALITY**

In the long period after the reform and opening up, China's rapid economic growth and the GDP-oriented development concept have made the fiscal policy as a whole characterized by "maximizing economic growth" and the government's fiscal expenditure has obvious "The characteristics of urban propensity, fiscal policy did not play a role in regulating income distribution. Since China implemented the people's livelihood finance in 2002, China's fiscal operation target has also gradually changed from pursuing "maximizing economic growth" to "maximizing social welfare", and the corresponding fiscal expenditure structure has also undergone corresponding changes, mainly in the form of education and medical care. The rapid growth of fiscal expenditures, such as social security, which are closely related to people's lives and can increase social welfare levels to a certain extent. When the government's fiscal expenditure decision is more about improving people's livelihood, improving social equity, and improving social welfare, the people's livelihood fiscal expenditure will be more biased toward rural areas where public goods supply is seriously insufficient. This kind of change in government spending preferences brings about rural "Federating" is conducive to narrowing income inequality between urban and rural areas (Hong Yuan et al., 2012). In addition, with the continuous development of the economy and society, people have a growing demand for higher levels of social welfare and social equity. In the context of the central government's continuous strengthening of local government's livelihood assessment, local governments are paying more attention to the people's livelihood. Pay more attention to balancing the level of urban and rural public services and promote the development of urban and rural integration, which is conducive to narrowing the income inequality between urban and rural areas and achieving a virtuous circle of economic growth and improvement of

people's livelihood (Chuide Yin et al, 2017). Therefore, fiscal revenue decentralization and fiscal expenditure decentralization are theoretically conducive to narrowing urban and rural income inequality.

**Table 1.** Per capita income of urban and rural residents in China

Year	Per capita disposable income in rural areas	Urban per capita disposable income	Urban-rural income ratio
2017	13432.4 RMB	36396.2 RMB	2.709583
2016	12363.4 RMB	33616.2 RMB	2.719009
2015	10772 RMB	31790.31 RMB	2.951198
2014	9892 RMB	29381 RMB	2.970178
2013	8895.91 RMB	26955.1 RMB	3.030055
2012	7916.58 RMB	24564.72 RMB	3.102946
2011	6977.29 RMB	21809.78 RMB	3.125824
2010	5919.01 RMB	19109.44 RMB	3.228486
2009	5153.17 RMB	17174.65 RMB	3.332832
2008	4760.62 RMB	15780.76 RMB	3.314854
2007	4140.4 RMB	13785.8 RMB	3.329582
2006	3587 RMB	11759.5 RMB	3.278366

Data sources: <http://www.stats.gov.cn>

## 4. CONCLUSIONS AND RECOMMENDATIONS

### 4.1. Conclusions

This article first from the analysis of people's livelihood expenditure of urban and rural residents income inequality mechanisms of action, and then proposed GOVERNMENT rights, people's livelihood expenditure may act on the urban-rural income inequality.. With the government's administrative goals, it gradually shifts to "the largest social welfare". and fiscal policy with the "characteristics of rural bias ", the people's livelihood fiscal expenditure effectively reducing the urban-rural income into inequality; Chinese fiscal decentralization system is still not perfect, powers and financial authority does not match the high expenditure decentralization and over The low fiscal revenue decentralization weakens the adjustment effect of the people's livelihood fiscal expenditure on urban-rural income inequality.

### 4.2. Recommendations

Scientific advance fiscal decentralization system reform, accelerate the establishment of modern financialfiscaltax System. At present, China's fiscal decentralization income decentralization is far lower than expenditure decentralization, and local government financial power and authority do not match. Therefore, the new round of fiscal and taxation system reform should be based on rational division of central and local government powers to improve local government revenue. The decentralization level is the main direction, and a standardized and reasonable tax sharing incentive mechanism is established between the central and local governments. For example, according to the actual situation of different regions, the local government is given a certain degree of tax legislative power to eliminate the vicious tax between local governments. Competition encourages local governments to work to eradicate poverty, improve people's livelihood, and reduce income inequality. In addition, the central and local between the government establish livelihood of powers and expenditure responsibilities to adapt to the financial system is based on the Zhongyangzhengfu should further increase transfer payments to Difangzhengfu correspondence in the livelihood of the region capital, financial resources play a livelihood Aggregation effects and diffusion effects, thereby further reducing income inequality between urban and rural residents.

Jian Li and improve people's livelihood and performance evaluation mechanism, continue to thoroughly implement the people's livelihood assessment. Jian Li and improve people's livelihood and performance evaluation system, continue to increase the assessment of education, employment, housing security and poor people relief and other livelihood categories of indicators, improving people's livelihood categories of indicators assessment weight, strengthen the people's livelihood categories of indicators assessment, the real performance evaluation system from emphasis The economic growth assessment has been transformed into a comprehensive assessment of people's livelihood improvement and economic development. In the performance evaluation indicators of local governments, not only pay attention to the overall level of public service supply, but also pay attention to the gap between urban and rural basic public services, and encourage local governments to improve the level of rural public services and improve education, medical care and social security in rural areas. Expenditure on the aspect of narrowing the gap between urban and rural basic public services.

Accelerate the implementation of the rural revitalization strategy and strive to increase the income of rural residents. Taking the "poverty alleviation" and "rural revitalization" strategies as opportunities for development, deepen the development of rural areas, enhance the attractiveness of rural areas to talents and capital, and make up for the shortcomings of rural economic development. At the same time, we will speed up the construction of new urbanization, actively carry out "work for agriculture" and "take town with township", attach great importance to fairness between urban and rural areas, integrate educational resources, optimize educational structure, and make educational resources more rural. The transfer of backward areas will increase the average years of education for rural residents, increase vocational training for rural workers, and comprehensively improve the skills of rural labor, thereby effectively increasing the income of rural residents and narrowing income inequality between urban and rural areas.

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