

FISCAL DECENTRALIZATION AND REGIONAL STABILIZATION DURING
TRANSITION: EVIDENCE FROM CHINA

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DISSERTATION

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Abstract

The introduction of market reforms in China resulted in rapid economic growth but also in the widening of regional income disparities. Two differing views emerged from a controversy over the impact of fiscal decentralization: one suggesting that fiscal decentralization minimized the impact of inequitable transfers provided by the central government, and the second arguing that fiscal decentralization hindered redistribution and amplified regional disparities.

The present study contributes to the debate in the literature by examining the role of taxes and transfers in providing regional stabilization in China. In particular, the cyclical behavior of interregional net transfers is investigated in order to determine the amount of insurance against regional income shocks offered by the tax-transfer system. The results indicate that transfers were countercyclical due to the stronger response of revenue to movements in regional income as compared to expenditure. However, the amount of insurance via the fiscal system was modest given that the labor and capital markets were not able to provide any additional smoothing. By using a long sample period (1952-2001), it was possible to trace the changes in the amount of income smoothing over time. The findings suggest that fiscal decentralization led to a large decline in the acyclicity of interregional transfers and in the smoothing of shocks to provincial revenue. Moreover, poor provinces received significantly lower amounts of insurance than rich ones, and were affected to a larger extent by fiscal decentralization.

This study concludes that fiscal decentralization had a negative impact on regional stabilization in China and offers policy recommendations on how to improve the sensibility of net transfers to income fluctuations.

财政分权和区域稳定，在过渡期间：来自中国的证据

Kiril Tochkov

摘要

引进中国市场化改革在经济快速增长，而且在地区收入差距的扩大。出现了两种不同的意见，从财政分权的影响的争论表明财政分权的影响，由中央财政提供的不公平的转移，第二个争辩说，财政分权阻碍重新分配和放大区域差距最小。本研究的贡献的辩论中的文学研究在中国区域稳定的税收和转移支付的作用。特别是，周期性行为。区域间净转移的调查，以确定保险金额的，对地区的收入冲击所提供的税收传输系统。结果表明，转移反周期相比，由于强烈的反应的收入，地区收入变动的开支。然而，通过财政制度的保险金额是适度的，因为劳动力和资本市场不能提供任何额外的平滑。通过使用一个采样周期长（1952年 - 2001年），这是可以跟踪的收入平滑随着时间的推移量的变化。研究结果表明，财政分权导致大幅下跌在acyclicality间转移支付和省级财政收入的冲击的平滑。此外，贫困省份比富国收到显著降低保险金额，并在更大程度上由财政分权的影响。这项研究的结论是，中国的财政分权对区域稳定造成了负面影响，并提供政策建议，关于如何提高净转移收入波动的敏感性。