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## Introduction: Symposium on China Studies

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## SYMPOSIUM ON CHINA STUDIES

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### ABSTRACT

*To meet the increasing scholarly interest in China, this symposium provides a forum for scholars in public budgeting and finance to exchange research on China-related issues. There have been new initiatives to reform China's public fiscal system in the past two decades. The papers in this symposium examine advances and associated issues in fiscal decentralization, local budgeting, and urban infrastructure financing. The papers not only analyze the existing issues, but also make recommendations on how to develop an accountable local budgeting system, how to finance sustainable urban infrastructure, and how to pursue a more balanced approach to fiscal decentralization in contemporary China.*

### INTRODUCTION TO SYMPOSIUM

Interest in China studies has steadily and substantially increased in recent years within and among the public administration research community, which has created a momentum and an associated need for a platform of academic exchanges for such research. In order to meet this need, the China-America Association for Public Affairs (CAAPA) and the School of Public Administration, University of Nebraska at Omaha jointly organized and sponsored a one-day symposium on China studies on October 6<sup>th</sup>, 2010. The symposium consisted of four panels including fiscal decentralization and regional development, financing infrastructure and public debt, financing public education and population migration, and budgeting reform and comparative studies. This section includes three papers that were selected from about twenty papers presented at the symposium.

The article by Jin and Sun examines the impact of China's fiscal decentralization on a widely used measure of health outcomes—infant mortality rate in China. The passage of the 1994 Tax Sharing System (TSS) was a milestone in reforming public finance system in China. Government revenues in China were recentralized while expenditure responsibilities on some major public

services such as healthcare were primarily placed on the shoulders of sub-national governments. Lacking incentives to invest in public health, sub-national governments had reduced their healthcare spending, which led to deteriorating public health outcomes in China. The authors run the model on a panel data set that includes all 31 provinces in six select years. The statistical results indicate that fiscal decentralization represented by the 1994 TSS reform has increased infant mortality nationwide significantly. The authors argue that deteriorating infant mortality in the post-TSS era was the result of the fact that sub-national governments in China have focused on GDP-centered economic growth while ignoring the basic livelihood of local residents, and thus the fiscal decentralization has had an adverse impact on public health in China.

This study has some important policy implications. First, the GDP-centered economic growth was pursued at the expense of reduced investment in social services such as public healthcare. The authors call for a more comprehensive development strategy to achieve a sustainable livelihoods as well as economic development. Second, the authors recommend the establishment of a more equalized intergovernmental transfer system to divert certain public resources from relatively developed to less developed regions so as to narrow the gap in health outcomes among different geographical locations. Third, the current urbanization process may also help to lower the infant mortality rates probably because healthcare can be delivered more efficiently in urbanized areas.

The article by Wu and Wang analyzes the driving forces behind and procedures of participatory budgeting initiative in Wuxi City, evaluates the outcomes of participation budgeting, and discusses some future challenges in implementing the reform in China. The market-oriented economic reforms have fundamentally changed China's economic structure and led to rapid economic growth in China. However, the lagged transformation of the political and administrative systems has increasingly restrained further economic and societal development. In order to build a harmonious society, a number of reform initiatives have been experimented to reduce social dissatisfaction about decision-making in China. Citizen participation in public budgeting processes, often called participatory budgeting, has been introduced to some local governments as a new way to improve financial accountability of the governments.

The authors apply a framework of budgeting rationalities to explore the participatory budgeting experiment in Wuxi City. Based on data collected from field research, the paper finds that Wuxi has made some progress in enhancing social, political, economic and technical rationalities of public budgeting. However, the initiative fell short in improving legal rationality of budgeting because the city had not passed any law to institutionalize the participatory budgeting practice. The effectiveness of Wuxi's participatory budgeting reform has been restrained by China's contemporary Party-state system. Citi-

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zen participation was limited because the fiscal funds to be decided by citizens mostly cover a small amount of short-term construction projects. The authors argue that the focus on specific projects only may lead to discordance with a democratic reform in the future. The government should involve participatory deliberations on longer-term and broader policy issues. The authors call for improved evaluation and reflection on participatory reform in China, and also recommend accelerating the institutionalization of participatory budgeting by law.

The third article, by Zhao and Cao, examines financial resources for China's urban infrastructure investment in recent decades. Urban infrastructure has become increasingly important in China with its rapid urbanization and economic development. However, many questions remain unanswered about how different levels of governments in China gather financial resources to fund its urban infrastructure development, and whether the system is sufficient or sustainable. This article traces the history of China's urban infrastructure investment since 1949, which may be categorized in three stages: the shortage period before 1978, the central-government-promotion period during 1978-1994, and the increasing-local-initiatives period after 1994.

Using data mainly from the China Urban Construction Yearbook (2000–2008), the article examines revenue structure and financial approaches for China's urban infrastructure finance. In recent decades, local governments took strong initiatives to widen their revenue resources and diversify financing approaches. The overall funding level for urban infrastructure has grown significantly but with alarming regional disparities. The article evaluates unique characteristics of the China-style urban infrastructure investment based on a "W5s" research framework for infrastructure finance. Chinese governments have increasingly used market mechanisms to fund urban infrastructure development, but the distinction between governmental and market role is blurred in China. The governments also increasingly used future revenue strategies, including debt financing, equity financing, and local transfer fees, to fund urban infrastructure development. The strong reliance on market financing or other financial instruments with future obligations has led to questions about the sustainability of the current funding system. Finally, the article discusses some issues regarding the use of quasi-governmental authorities and land transfer fees.