

## Analysis on the Path of Governing the Land Finance Behavior of Local Government

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### Abstract

"Land Finance" is a comprehensive reflection of the internal and external contradictions of the economic system and organizational system in my country's industrialization and urbanization environment. In the short term, it has indeed promoted the urbanization of local governments, and injected new vigor and vitality into the rapid growth of the local economy. However, in the long run, the financial behavior of local governments relying on land will cause the distorted economic development methods of local government officials and hinder the smooth operation of the overall economy. In order to manage the relevant social problems brought about by my country's "land finance", it is necessary to legally improve and implement the organizational system, financial system, and land system, as well as regulate and supervise the behavior of local government officials. Complement each other, and at the same time straighten out the relationship between the government and the market in the process of my country's land market transactions, transform government functions, and jointly guide my country's "land finance" issues to a healthy and harmonious development path, and truly benefit the country and the people.

### Keywords

Land Finance; Local Economy; System.

### 1. Research origin

Since my country entered the 21st century, under the central government's policy goal of focusing on economic construction, local governments at all levels have vigorously developed the regional economy. Especially in the past 10 years, with the rapid advancement of industrialization and urbanization in various regions, the land transaction market has been extremely active, and local governments at all levels have gradually formed a pattern of using "land finance" as the main means to promote economic development. The scale of land transfers across the country has expanded rapidly, and revenue from land transfers has repeatedly hit new highs. It has become a veritable "second fiscal" for local governments, and local governments are increasingly dependent on "land finances." At the same time, the local government's "land finance" over-reliance on farmers' land loss and unemployment, urban housing problems, land acquisition and demolition, urban housing problems, massive loss of arable land resources, financial risks and other public issues have become increasingly prominent in daily life. If it is not resolved in time, it will affect the harmony and stability of the society and the sustainable development of the economy.

### 2. Reasons for the formation of local government land finance

With the accelerated development of industrialization and urbanization in my country, local governments need a large amount of capital guarantee to develop urban construction. However, due to the upward concentration of tax power in the tax-sharing system, the strict performance evaluation system of local governments, and the "prisoner's dilemma" promoted under the pressure of regional competition, the local government budget revenue cannot meet the huge financial needs of the local government for vigorous economic development. Under the joint effect, local government officials had to break through budgetary revenues to seek extra-budgetary revenues, thus forming the local

government's "land finance" behavior, creating huge capital revenues for local governments, and undoubtedly becoming a powerful boost to their economic development .

### **3. Path analysis of governing local government land finance behavior**

#### **3.1 Promote my country's land system reform and improve relevant land laws**

Land system reform includes land property rights system, land expropriation system, and land transfer system. First, gradually improve the land property rights system of public ownership from the land-related laws, break the pattern of "dual division" between state-owned land and collectively-owned land, build a new collective land use right system, and grant rural collective land use rights and state-owned land The right to use the same legal status and market status, allowing non-agricultural construction land to enter the market directly under the premise of conforming to the urban development plan, and actively explore ways to enter the market, which is conducive to promoting the sharing of land development income, and ultimately realizing the land value-added income in the government-market —Mutual benefit between society (farmers); second, reform the land acquisition system, improve the laws and regulations related to land acquisition, clearly define the standards and scope of land acquisition by the government for the purpose of "public interest", and strictly control the use of land acquisition Within the scope defined by "public interest" (such as public welfare land for national defense, education, transportation, public health, etc.), the expropriation of all profitable construction land shall be eliminated. In addition, it is necessary to continuously improve the compensation standard for land acquisition and abolish the current compensation standard "compensation according to the original purpose of the land acquired." In addition to considering the productive income of the land, the non-productive income and the employment and social As for the security issue, reasonable increase of the compensation standard for land acquisition in accordance with the current land price and the implementation of a land price announcement system to ensure that the rights and interests of land-losing farmers are fully protected. At the same time, it is necessary to legally regulate the land requisition procedures, and ensure the right to know and speak of land-expropriated farmers during the hearings at the project approval stage, the bargaining at the land requisition compensation stage, and the public expropriation process, and negotiate on an equal footing and exchange at equal value; third, reform The land transfer system implements a sharing system for land transfer revenue, strictly regulates the "bidding, auction and listing" procedures, adheres to the principle of openness and transparency, and incorporates land transfer fees into the scope of formal budget management from the legal and regulatory level, and increases the violation of land laws. The degree of punishment. Strict regulations are imposed on the scope of land use for industrial land, residential land, commercial use land and other land use. The bidding of housing with reasonable prices will help curb the current boom of high housing prices. Appropriate macro-control of the low price of industrial land and the high price of commercial land will promote the development of the tertiary industry. At the same time, it is necessary to further clarify the direction and scope of expenditures for land transfer income and establish a strict audit and supervision system<sup>[1-6]</sup>.

#### **3.2 Further deepen the reform of fiscal decentralization and improve the transfer payment system**

Straighten out the relationship between the government and the market, rationally divide and determine the power and financial power between the central government and local governments, strengthen and improve the transfer payment system, and the relationship between the higher-level government and the lower-level government. Specifically, it is necessary to clarify the division of labor between the government and the market, with the former providing public products and the latter providing private products, breaking the government's monopoly on the primary land market; the central government and local governments at all levels should be responsible in the form of laws and regulations. The authority of the government is determined to establish a legal framework for the division of authority; to expand the power of local taxation, to clarify the main tax types of local finance, to impose different levels of real estate taxes to improve the local fiscal and taxation system, and to establish and improve the budget management system to transfer local land Revenues and land-

related financial revenues and expenditures are included in comprehensive budget management, and are subject to the approval and supervision of the National People's Congress to restrain local governments' large-scale overdraft of land transfer proceeds; relevant laws and regulations are issued to provide legal guarantees for the smooth operation of China's fiscal transfer payment system, Construct a transfer payment system with general transfer payments as the mainstay and special transfer payments as a supplement. At the same time, improve the transfer payment system below the provincial level, and directly allocate funds from the provincial level to the county level to prevent the transfer of funds through the municipal government.

### **3.3 Transform the performance evaluation mechanism of local governments and promote the transformation of the government to a service-oriented government**

#### **3.4 Strengthen the design of organizational systems and improve external supervision**

Multi-faceted investigations and field surveys, combined with actual conditions to comprehensively design a macro-organization system, promote the development of a flattened organizational structure between the central and local governments, and improve the speed and authenticity of information circulation between the central government and local governments. In view of the uneven distribution of land requisition and transfer income of local governments caused by information asymmetry, the central government must strengthen the incentive and restraint of local governments, and emphasize the restraint and supervision of lower-level governments on higher-level governments. In the design of organizational systems Achieve compatibility of incentives and mutual restraint, build an organization-level management model of "vertical responsibility to the end, horizontal responsibility to the side", and promote the real transformation of my country's government functions into a "service-oriented" government. At the same time, it is necessary to improve the self-government mechanism at the grassroots level and the rural self-government mechanism. Local governments shall be responsible to residents in their jurisdictions and actively listen to the voices of the general public during the land acquisition process. The establishment of a civil parliamentary system in the vast rural areas and the open selection of representatives from the villagers can play a good role in restraining the contradictions and disputes in the process of land acquisition and achieve grassroots democratic autonomy<sup>[7]</sup>.

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### **References**

- [1] The "Decision" of the Third Plenary Session of the 18th Central Committee clearly stipulates: "Under the premise of compliance with planning and use control, collective business construction land is allowed to sell, lease, and buy shares, and implement the same access to the market as state-owned land and the same rights with the same price."
- [2] Liao Hongbin et al. Research on Risk Control of Rural Land Circulation [M]. Social Science Archives Press, November 2015, p. 91.
- [3] Article 47 of my country's Land Administration Law (2004) stipulates: "The expropriated land shall be compensated according to the original purpose of the expropriated land."
- [4] A land requisition compensation system adopted in Taiwan in my country is based on the announcement of land prices, and adjustments are made on this basis in consideration of market factors, so that the land requisition compensation fees are as close to the market price as possible.
- [5] Chen Zhiyong, Chen Lili. Research on "Land Finance" and Its Governance[M]. Beijing: Economic Science Press, December 2012, p.181. There are three levels of sharing by the central, provincial, and city (county) governments. The specific sharing ratio is determined and adjusted

by the difference between industrialization and urbanization development and the needs of economic regulation.

- [6] Chen Yan.Promote the reform of the land system and solve the land financial dilemma in my country[J].Globalization,2015(2), p.75
- [7] Liao Hongbin et al. Research on Risk Control of Rural Land Circulation [M]. Social Science Archives Press, November 2015, p. 89.