



Across the middle-income trap needs to improve the ability of economic governance

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ABSTRACT

Along with our country entered the stage of middle income countries, growth is slowing, and into the rapid growth in the "new normal". China has high attention to how to move higher income stage after entering and how to keep it, because of the nature of crossing the middle-income trap not quantity problem, but the quality problem of the level of management. Therefore, China in a critical period of crossing the middle-income trap, it is necessary to learn the successful experience of other countries across the middle-income trap stage and lessons of failure, improve the ability of economic governance, to make our fiscal and monetary policy to better mix, building the mechanism of economic governance of the state under the rule of law and the implementation path, in promoting national governance on the orbit of law.

KEYWORDS : Middle-income trap; economic governance; China

Throughout most of China's economic development, the government and the market relations through development over 30 years of reform in China. Economic take-off is dependent on the market in allocating resources, play a decisive role, but also must further across the middle-income trap, continue to promote the reform of marketization, and release the economic vitality (Doner, 2016).

We will deepen reform of the economic system and the transformation government function. The communist party of China, the third plenary session points out that the economic system reform is the key of the comprehensively deepen reform, the core problem is to correctly handle the relationship between government and market, the market plays a decisive role in the allocation of resources and better give play to the role of the government. The government's role and responsibilities are mainly to maintain macroeconomic stability, strengthen and optimize the public services, safeguard fair competition, to strengthen market supervision, maintaining the market order, promote the sustainable development, promote the common prosperity, make up for market failure (Barry 2013).

To expand the market openness, eliminate market barriers. Due to historical reasons, the Chinese government and the enterprise for a long time together, in the early stages of the establishing and perfecting the market economy system, the separation of government and enterprises in China is incomplete, enterprise operational mechanism and management concept has not yet been thoroughly change, some industry admittance don't let go, and critical resource pricing is still in the hand of the government, reduce the economic efficiency; Some companies especially large state-owned enterprises used to rely on the government, are used to obey the government's command and arrangement. At the same in order to increase the tax and guarantee employment, local governments tend to have very strong again rely on impulse investment economy, thus in the aspects of policy, credit support and protection of the low efficiency of large enterprises.

Continue to further open the market, break barriers of the market. At present, China's economy faces downward pressure, but economic growth is still having a huge space. Some good investment opportunities, however, by the various market access restrictions, and a large number of social capital, has affected the market vigor and efficiency (Felipe 2012). Therefore, we need to continue to further open the market, to break barriers, plays a decisive role in the allocation of resources, create a fair competition environment for social capital, thus releasing the huge investment potential.

Improve the ability of government and market complementary governance, adjust the good relationship between the government and the market

At the heart of the crossing the middle-income trap, handle the relationship between the government and the market, better play to the role of the government, and make the market plays a decisive role in the allocation of resources, the core is to rationally define the appropriate boundaries between the government and the market, and the key is to determine the boundary of the government behavior (Ohno, K. 2009).

At the same time, improve the government functions of economic adjustment and market regulatory functions, especially in view of the current widespread "absence" of the situation, strengthen and improve the government's social management and public service functions, to change public goods supply situation as soon as possible, to gradually realize the equalization of basic public services.

It should be pointed out that, in the government's leading economic development mode of government behavior of granular, under the background of enterprise, interests, especially to prevent the emergence of the "bad" of the market economy, which is produced in the process of government strong into the collusion of power and capital, power and power marketization of interest exchange. Some countries in the world (as some Latin American countries and southeast Asian nations) because of a ubiquitous, extremely strong fickle kinds of government and the harm is warning (Jankowska 2012). These controlled by power and dominant countries trapped by the development of market economy, not the smooth realization of modernization is a lesson we learn.

Meanwhile, we must correctly understand and grasp modern governance capacity. One is from the governance body point of view, effective governance, cooperation governance emphasizes the social public affairs. In the past we have a fundamental problem in the social management, government monopoly management is main body, market, society and people's strength is weak, or absent, this led to excessive security administration of social governance, caused the social resource allocation efficiency is low.

From the power point of view, effective governance, must be reasonable positioning the functions of the government. The government took on the subject of many other functions, is now through and decentralization, decentralization in the market, decentralization in the enterprise, to delegate to the society, clear the government and market, government and social power boundaries. On this basis, to keep up with the situation and

requirement of economic and social development to accelerate the development of the functions of the government to create a good environment, provide high-quality public services, safeguard social fairness and justice.

From the organizational structure point of view, effective governance, must be based on the scientific and reasonable government organization structure. The key is to optimize the distribution of the functions of the government, institutions, work flow, improve the decision-making power, executive power and supervision power is mutual restriction and mutual coordination of administrative operation mechanism, with the mechanism of reengineering process, fee reduction, strengthen supervision and improve efficiency.

To improve fiscal and monetary management ability as a whole, deal with the relation between fiscal policy and monetary policy

Improve people's livelihood is the focus of fiscal spending. The operation of the active fiscal policy has always been work has two clues: increased spending and tax cuts. The reason why the main carrier of fiscal expansion from the "payment increase" to "tax cuts", an important consideration is that in the steady growth and restructuring to seek balance between two goals.

Specifically, about "payment increase" arrangement, in addition to continue to focus on optimizing the investment structure, the most important work, is to through a series of in order to improve the livelihood of the people as the main clue of spending the increase of the project and its scale, to boost consumer demand.

Among them, the more important is: to carry out the minimum wage system, improve the low-income labor remuneration; Promote increase farmers' income; Basic implementation new rural social endowment insurance system of social endowment insurance covers all urban residents, and improve the level of subsistence allowances for urban and rural residents, partial treatment of entitled groups and enterprise retiree basic annuities; Support the establishment of a normal growth and enterprise employees salary pay security mechanism; Increase financial aid scale, improve urban and rural residents especially low and middle income earners, reduce the difficulties people in education, health care, housing and other aspects of the burden; Support of affordable housing projects construction, etc.

Increase financial system requirements should be adjusted. At present, the Chinese economy faces the challenge is unbalanced and unsustainable economic growth. The important reason, on the one hand, is obviously inadequate; On the other hand, supply side reform does not reach the designated position. Before the global financial crisis, China's rapid economic growth, in part due to strong external demand from the United States and Europe, and these requirements are now gradually decreases, and China's investment rate will decline.

To solve the problem of expanding demand and continuous growth of China's economy, one of the first approach should be to adjust China's financial system, which will be conducive to make up for the slowdown in investment growth and weaker export markets. China's unreasonable budget lies in its limited scale, as well as the distribution of income and expenditure of the central and local governments do not match the way. The characteristics of the socialist economy is able to own and control all key resources and dominate all the major strategic activities, and China's fiscal budget accounts for only 28% of the gross national product (GDP). This ratio is small compared to similar to other countries, such as upper middle income countries is 35%, the organization for economic and cooperation development (OECD) most economies is 40%-45%. According to the world bank report analysis of China in 2030, compared with other similar countries, social services provided by China's fiscal budget and other consumer demand as a percentage of GDP ranked third from bottom. This explains China's overall

consumption ratio (households and governments) to 10%- 15% lower than in other similar countries. If the implementation of the financial reform, the reform to increase government spending, adding 4% to 5% of GDP. In this way, can make sure there is enough demand in China, in order to maintain the average growth rate of 6% to 7%.

The orientation of monetary policy and the train of thought. We will continue to implement prudent monetary policy, at the same time, correctly handle the economic steady development, structural adjustment and managing inflation expectations, the relationships between the three best to maintain good economic growth, price stability and risk prevention of balance. The main ideas include:

One is to promote standardize the establishment of the financial market, deepening the reform of financial institutions. Continue to deepen the reform of the big commercial Banks, improve the company management, gradually realize the modern financial enterprise system, continue to deepen the internal management and risk prevention management, improve the innovation capacity and international competitiveness.

Two is to improve the efficiency of the financial system configuration, improve the financial regulation and control mechanism, solid and promote the reform of interest rate marketization and RMB exchange rate formation mechanism reform. To speed up the complete market benchmark interest rate system is completed, efforts to improve the level of the central bank to market interest rates, efficient guide financial institutions to price risk correctly.

Continue to deepen the reform of the RMB exchange rate formation mechanism innovation, strengthen the two-way floating elasticity of RMB exchange rate, make the laws of supply and demand market can play a bigger role in the exchange rate, in order to keep the RMB exchange rate basically stable at a reasonable and balanced level. Speed up the development of the foreign exchange market at the same time, encourage innovation in the exchange rate risk management tools, pay close attention to the international situation changes impact on capital flows, to strengthen the effective monitoring of international capital.

Three is the full support of the economic structure adjustment, continuously optimizes the allocation of credit resources, better serve the real economy development. Cultivate a multi-level, diversified, benign competition of rural financial service system, in order to promote agricultural production, increasing farmers' income, rural development to provide more financial support, efforts to create a financial support employment, poverty alleviation, assistance and so on the new situation of the people's livelihood project; For small and medium enterprises especially small micro enterprise financial support; Increase in global will guide of whole construction machinery, key projects and science and technology, cultural industry, tourism, strategic emerging industries such as key support in the field of national economy.

Four is comprehensive guide of money and credit and social financing scale steadily healthy growth, deepening the macro-prudential policy framework, comprehensive use of various monetary policy tools to maintain a reasonable market liquidity. Continue to play a counter-cyclical macro-prudential policy regulation, according to the economic climate changes, financial institutions, health and credit policy implementation to moderate adjustment of related parameters, such as encourage financial institutions to targeted and flexibility to support the development of the real economy. According to the international macro economic situation, comprehensive, and liquidity supply and demand, monetary payments by central bank bills, the deposit reserve rate, reverse repurchase, is to buy back all sorts of liquidity management tools, such as comprehensive adjust good liquidity in the banking system, guide the market steady floating interest rates.

Five is to safeguard the financial system stability, prevent systemic

financial risks. Consolidate the sound in the prevention of systemic financial risk early warning and assessment system, strengthen the different industries, different market and international financial risk monitoring and evaluation, to prevent parts, industry, business entities such as economic risks and the informal transmission of financial risks to the financial system. To establish risk early warning and response plans, promote the construction of the deposit insurance system. Supervise and urge financial institutions to strengthen internal control and risk management, financial institutions continue to strengthen the off-balance sheet business, local government financing platform loans and risk assessment and monitoring management of the real estate industry.

In the world financial structure adjustment, change the pattern of economic governance across the middle-income trap is the improvement of financial governance. As a result, China's financial sector in order to realize the global strategic positioning must clarify face major difficulties and challenges. Financial marketization degree remains to be improved. From the evolution of the international financial system and the historical experience of developed countries, especially like China a country from the planned economy to market economy of developing countries, if you want to find a place in the global financial landscape, to achieve the strategic orientation of the financial crisis era and span development, a free and open macro financial environment is necessary, therefore, in the future period, China should continue to deepen financial reform, increase the degree of financial liberalization, try to overcome the following three major obstacles:

Interest rate marketization obstacles. Interest rate is the basic price of financial products and services, is many other financial innovation and derivatives pricing reference, so in play a role of market allocation resources has very important significance. China's interest rate marketization is a process, which forms a connecting link between the preceding and experience of the domestic foreign currency lending and deposit rates, and respectively expand the floating range of bank lending and deposit rates, in terms of corporate bonds, debt-financed, commercial paper and money market transactions implement market pricing, and expand the commercial individual housing loan interest rate floating range stage, but it is far from the socialist market economy to the inherent requirement of capital price marketization, therefore must continue to have a plan, step by step, unswervingly promote market-oriented interest rate reform.

Capital flows obstacles. With the steady progress of China's economic reforms and economic space of expanding, capital market has gained rapid development, its importance is becoming more and more obvious. At present, China's role in the international economy is more and more big, and have little influence in the international capital markets, one of the important reasons is the openness of capital market is not high, thus hinders the international capital inflows. Despite the restrictions on capital flows can effectively prevent the capital flow of risk, but also lost the benefits of optimizing the allocation of resources on a global scale. The future China to find a balance between economic development and resource utilization, to expand in the international financial market, will be appropriate to remove of the capital flow barriers, to ensure fair competition in under the condition of market economy.

Currency obstacles. According to krugman "impossible triangle" model, a country cannot simultaneously realize the free flow of capital, the independence of monetary policy and exchange rate stability. For China to realize global configuration at the same time, have an independent monetary policy, exchange rate marketization reform is imperative. More importantly, also to the internationalization of the RMB exchange rate system reform to create a good monetary conditions. In the future still need to further promote the RMB exchange rate formation mechanism reform, enhance the flexibility of the RMB exchange rate, improve the ability to resist risks in the process of capital and opening for the strategic target of the RMB to become one of the world's major currencies.

Financial structure remains to be further optimized. At present, China's financial system is still in the bank is given priority to, the outstanding performance in: bank assets occupies absolute advantage in all financial assets, the development of capital markets despite increased the proportion of direct financing, but the dominance of indirect financing is still not been a fundamental shift, and the slow development of financial leasing, insurance and trust social financing risk highly concentrated on the former. Excessive monetary assets will no doubt be compressed social financing way and space, reduce the financial innovation ability and motivation, make enterprise's high debt levels, is not conducive to the optimization of financial structure and the development of the real economy. Its resource allocation and mainly focused on state-owned enterprises and large enterprises, so as to exclude most of the small and medium-sized enterprises and private enterprises outside organized financial markets, this objectively has given rise to various forms of folk financial markets, the increase in the financial system of unstable factors at the same time, increased the difficulty of financial regulation.

China's financial dual structure between urban and rural areas needs to be narrowed. On the one hand, the low degree of industrialization in rural and underdeveloped areas, the economic efficiency is not obvious, information cost is higher, and the lack of enough mortgage collateral and alternative means of risk prevention, which can lead to financial institutions are often reluctant to do business in the region, "market failure"; On the other hand, through the government subsidies and nonprofit organizations into the form of donations, due to reasons such as adverse selection and moral hazard, low efficiency in practice, defaults, affect the circulation of money in use, and reduce the overall credit in rural and underdeveloped areas, resulting in "government failure". The above two kinds of "failure", in turn, will produce obvious siphon effect, cause capital from rural to urban, from the west to the east of the reverse flow, further hinder local economic development and the reasonable and balanced the formation of financial structure.

Therefore, China's financial if you want to play an important role in crossing the middle-income trap phase, and implement strategic rise after the international financial crisis, must first address the own existence of structural problem, constantly optimize the internal structure of the financial sector, establish a unified national financial markets, and promote the healthy development of the financial system.

To improve the recognition of importance of financial management. Throughout the world in the middle - income stage to high income stage in the process of development, will face the challenge of huge economic and social transformation, among them, the importance of financial management plays a decisive role in this stage. Middle-income trap is the result of middle-income economies economic instability, while economic instability due to the frequent outbreak of the financial crisis. Middle-income economies are frequent financial crises because of its economic and social transformation has triggered a series of structural problems.

To avoid the middle-income trap, is the key to prevent financial crisis: politically, to build a powerful supporting reforms and prudential supervision system; Policy, should be timely and prudent to promote the reform of fiscal and financial reform; Technology, to implement the macro-prudential regulation, maintaining financial stability, and establish an effective response to crisis and accelerate the recovery mechanism. China is in the middle-income stage, to cross the middle-income trap, the key is the same to avoid the financial crisis. And the key to guard against financial crisis, main is to prevent the unsound financial liberalization and the problems for the debts of the enterprise improper processing.

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