METROPOLITAN GOVERNANCE AND FINANCE

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OUTLINE

• What is the Problem
• Areas in Need of Reform
• Options for Local Government Taxation
• Structuring a Reform Program
China’s Economic Growing Pains

• The Role of Government
• The Developing Middle Class
• The Developing Service Economy
• Outgrowing Local Government Boundaries
• Outgrowing the Fiscal System
Why so Problematic?

- Slower Economic Growth
- Continued Urbanization
- Environment and Congestion Backlogs
- Fiscal Disparities
- History and Politics
- Policy Changes Take Time
Important Areas for Fiscal Reform

• Expenditure Assignment
• Intergovernmental Transfers
• Local Taxation
• Capital Finance and Borrowing
METROPOLITAN GOVERNANCE PATTERNS

• Metropolitan Governance vs City Governance
• Types of Metropolitan Governance
  • Jurisdictional Fragmentation
  • Functional Fragmentation
  • Metropolitan Government
Local Government Taxes

• Does China Need Local Taxes?
• Land and Property Taxes
• Motor Vehicle Taxes
• Payroll Taxes
• Sales Taxes
Comprehensive Reform

• Fiscal interdependencies in China
• China Could benefit from Fiscal Decentralization
• Fiscal Disparities could are a Complication
• Comprehensive Reform requires a Master Plan
• Roy Bahl, Johannes Linn, and Deborah Wetzel, *Financing Metropolitan Governments in Developing Countries*, Lincoln Institute of Land Policy, 2013 (Now available as a free PDF download on the Lincoln Institute website)