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# Overcoming Difficulties in Public Finance at County & Township Level and Innovation in Fiscal System

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The current difficulties in public finance at county and township level in China reflect the accumulated contradictions in the governmental grass roots level financing which stem from the insufficient support of institutional transition in the social structural transition, and connects government system, fiscal system under the provincial level and productive elements' market formation lag in rural area closely. Based on the analysis for three major fiscal system factors aggravating the grass roots level financial difficulties, authors have the following proposals: (1) To reduce the governmental and fiscal system levels from five to three in China; (2) To promote fiscal system reform under the provincial level according the principle of corresponding regime power with responsibility, financial power, tax base, budget, property right and borrowing decision making at each level, and enhance the downwards intergovernmental transfer payments, so as to improve the tax repartition system; (3) To promote the institutional innovation of productive elements mobility in the rural and county township government jurisdiction areas.



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