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“In the Shadow of the Revolutions: China’s Fiscal Institution and its Deficiencies from a Historical Perspective”

Abstract

Since Xi Jinping, the head of the Chinese Communist Party, came to office in October 2012, exposure of Chinese officials involved in scandals at levels of hundreds of millions of dollars has not been rare, and reports of corrupted cadres have increased. The scale and frequency of these scandals are a reflection of some fundamental deficiencies in the fiscal institution of the People's Republic of China. The prototype of this institution, *tongshou tongzhi* (unified revenue and unified expenditure), without independent oversight or parliamentary control of the purse strings, took shape in the spring of 1940. The formation of this institution was attributed to the deficiencies of the taxation system of the time, the *tianfu*, which resulted in severe social tension and provided fuel for the Communist Revolution. Although the People's Republic has undergone a number of fiscal reforms since Deng's market-oriented reform, the core of this fiscal institution remains intact. Without independent auditing and parliamentary debate and approval of budgets, corruption becomes inevitable and is exposed only when it leads to violent protests or relates to power struggles among the Communist elite. As external checks of the Communists' monopoly of power do not touch on internal financial corruption, this institutional flaw has not been raised in China, except in a small number of recent MA dissertations that have expressed concern about potential social turmoil and even revolution.