Discussion on the Chinese Reform for Fair Income Distribution from the Perspective of Economic Law

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ABSTRACT

Income distribution problem has recently drawn the extensive concern regarding livelihood and economy. To solve the problem of income distribution, we should start with the reform for fairness. Furthermore, we need to begin settling completely and effectively the reform for fair income distribution from the perspective of economic law to achieve the strategy of ruling by law.

KEYWORDS

Income Distribution, Economic Law, Fairness Reform.

IMMINENT REFORM FOR FAIR INCOME DISTRIBUTION.

A Larger Gap of Income Distribution of the Chinese Residents.

WHILE GINI COEFFICIENT STAYS AT A HIGH LEVEL.

The resident wealth gap becomes larger. According to data issued by National Bureau of Statistics of the People’s Republic of China, Gini coefficients were respectively 0.469, 0.462 and 0.465 from 2014 to 2016. Gini coefficient, between 0 and 1, is a frequently-used index of measuring the resident wealth gap in the economics. A numerical value indicates the more distributed wealth among social members. There is an international agreement that 0.4 is used for “a warning line” of wealth gap, while the Chinese Gini coefficient is over 0.4, implying the larger wealth gap between the Chinese residents. Gini coefficient is characterized by digression. Once the income gap is not large, it is more sensitive to Gini coefficient. Not to mention gray incomes are not included into statistical range of above-mentioned incomes.

LARGE URBAN-RURAL INCOME GAP, WHICH IS OBVIOUSLY UNFAIR.

Urban-rural income gap in China is large. According to Chinese Statistical Yearbook-2016, urban residents’ disposable income in 2016 is 33,616 yuan with an increase of 7.8%, while rural residents disposable income is 12,363 yuan with an increase of 8.2%. Therefore, the income gap between urban and rural residents is 2.719:1. Though it has been decreasing in recent years, the gap is large in general. The large income gap between urban and rural residents is also a severe income distribution problem confronted by Chinese society, and the growth of income cannot make up the giant gap.

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INCOME GAP AMONG REGIONS BECOMES LARGE, AND THE DEVELOPMENT IS IMBALANCED.

Resource distribution, geographical environment and development policies in different regions of China are different. Moreover, in the early stage of the reform, eastern areas were at the priority of development, which leads to the large gap of PGDI in the east, west and the middle; the gap between the east and the west is still very large.

INCOME GAP AMONG DIFFERENT INDUSTRIES ENLARGES.

This phenomenon is especially obvious in some monopolized industries and new industries. For example, the income gap between tobacco, electricity, telecommunications and traditional industrial and manufacturing enterprises is large. Though they all participate in market competitions in the form of enterprises and conduct corresponding economic activities, industrial or corporate monopoly leads to the extension of industrial income gap.

Unfair income distribution would lead to the growth of social unstable elements

The unfairness of Chinese income distribution has become a focus for various classes in China. At present, the extension of income distribution among urban and rural areas, regions, industries, groups and classes is not restrained effectively. This leads to public opinions and dissatisfaction, including dissatisfaction with the extension of income distribution and unfairness in distribution process. Unfairness in distribution process leads to unfairness in social distribution order, which influences people’s acknowledgement of their own income and social status directly, thereby resulting in more severe negative influences on social psychology. This income distribution has led to distinct psychological imbalance in many social members, which is especially obvious for social vulnerable groups, such as laid-off workers, retired workers and migrant workers. Psychological imbalance would lead to revenge, thereby influencing social stability and development. Therefore, it is urgent to adjust income distribution and resolve unfair income distribution.

ECONOMIC LAW SOURCE FOR THE CREATION OF INCOME DISTRIBUTION

Among all the reasons that lead to the gap of income distribution, there are social, economic, natural or historical reasons. However, institutional arrangement reasons call for special attention, since distribution unfairness resulted from institutional reasons is artificial unfairness, and it is also the most obvious unfairness. Law is the most standard system with most compelling force, and it needs our attention. Among the series of legal system, Economic Law has the closest relation with market economy and it has the most influence on our economic life.
Fairness of Economic Law and income distribution.

Economic Law is an independent legal department that completes and develops in the process of overcoming market failure and government failure as well as promoting social harmony. It is the sum of various legal relations that are formed during the process of adjusting economic management and coordinating social economic activities. Its starting point is social standard, i.e., the overall benefits of the society. It mainly adjusts four social relations of market subjects, i.e., organizational management relation, microcosmic regulation relation, macro control relation and social security relation. Economic Law describes fairness in social and economic fields with legal language and unites economic fairness and social fairness in legal form.

Economic Law is comprehensive. It not only protects individual benefits of economic activity subjects, but also social benefits of the majority; meanwhile, it also protects benefits of the country as the owner of public power. Economic Law also has policy characteristics, and it changes with changes of economic system and economic policy. The fundamental purpose of Economic Law is to protect the overall benefits of the society and promote harmonious development of social economy. The intension of the fairness of Economic Law is to pursue interest balance of unspecific subjects, and this balance includes benefit balance among individuals, groups and between groups and individuals. Therefore, fairness of Economic Law is represented in three aspects: status fairness (ensuring the fair status of market subjects, which is the fairness of starting point), opportunity fairness (enjoying the same opportunities in competition, i.e., process fairness), income distribution fairness (having fair rights in distribution process, i.e., result fairness). Economic Laws corresponding to income distribution are Tax Law, Budget Law, Finance Law, Labor Law, Property Law, etc.

Incompletion of economic legal system and distribution unfairness.

From economic perspective, the current unfairness of income distribution is mainly because of the incompletion of legal system. For example, tax legislation system is incomplete, especially the role of individual income tax for adjusting income gap does not play. Therefore, the result is that in China, medium and low-income classes’ contribution rate to tax revenue is higher than that of high income class. There is no clear definition of public interests in Property Law, nor is there clear regulation of land transfer in rural areas. Also, in Budget Law, crucial financial and legal issues such as transfer payment from the exchequer, capital payment, debt management, etc. have not been included in law. The incompletion of these legal systems aggravated the severity of income distribution.

Irregular executing procedures lead to unfair income distribution.

From the perspective of legal execution, some supporting laws formulated by government department have deviated from legislation, which should be avoided by legal society. If regulations in law are not precise, and there are too many authorization regulations, it is easy to lead to these problems.

In addition, social security legal system in Economic Law has not played its due role, and there is also the problem of system defects, which results to the
unsuccessful realization of transfer payment of low income class, thereby further leading to the unsuccessful realization of fairness of initial income distribution.

RESOLVING FAIRNESS OF INCOME DISTRIBUTION FROM THE PERSPECTIVE OF ECONOMIC LAW.

The essence of fairness requires the intervention of Economic Law

As a comprehensive concept, fairness is a principle that all laws need to abide by. Specifically, it includes status fairness, opportunity fairness, distribution and result fairness, while what Economic Law adjusts is opportunity fairness and result fairness.

Ever since its birth, the pursuit of overall benefits is the value orientation of Economic Law, which is also the fundamental difference between Economic Law and civil law. As a basic law regulation in reallocation field, Economic Law pays more attention to fairness, the improvement of resource allocation efficiency and the shrinking of income gap. Economic Law has the function of reallocation, and it is reallocation of social benefits and resources on the basis of initial distribution of benefits from civil law and other laws.

The adjustment purpose of Economic Law is to guarantee social fairness and overall fairness, and it adjusts fields that civil law system cannot solve. Economic Law focuses on fairness in income reallocation stage, and its legal significance is to acknowledge individuals’ legal rights while maintaining social justice and fairness; meanwhile, it can avoid damaging overall benefits because of individual benefits.

Completing legal regulation and standardizing execution process.

To complete legal regulation, legal system of social fairness needs to be constructed as a united system first, and uniform principles and methods are needed for guidance and completion.

Firstly, prompting financial expenditure to incline towards industries and fields by Budget Law, such as health care, public service, transportation facilities, regional development, education, etc. Tax Law should accelerate structural tax reduction, adjust the threshold of individual income tax reasonably, implement integrated income tax system, take full consideration of the living cost of households and levy tax on income differently. Property tax should be levied, including housing property tax, inheritance tax, gift tax, etc. to realize fairness on the starting point of competition.

In addition, as for the detailed implementation of Property Law, detailed specifications should start from protecting legal estates from damage, especially from illegal damage of public rights. Law execution procedures and execution methods should be formulated by strictly abiding by the philosophy of rule by law. Legalization reforms should be conducted by combining a series of legal systems related to social fairness, such as Labor Law, Budget Law and so on, adhering to helping the poor and promoting social fairness.

Legal system is the root of a country, and ruling by law is the inevitable trend for state governance. Therefore, social fairness can be solved fundamentally only if unfairness of income distribution is reformed from the perspective of Economic
Law and a series of reform measures are confirmed in the form of legal specifications; meanwhile, the ream of rule by law can come true for real.

REFERENCES