Bringing the Welfare Back in:

Bridging the Gap between Public Finance and Social Policy Formulation in China

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Abstract

The economic reform started in the late 1970s has significantly transformed the economy and society in China. After more than three decades of economic reforms, people living in the coastal areas or in major Chinese cities have enjoyed very high living standard. Nonetheless, the same process of economic restructuring has also resulted in intensified social inequality and income disparity in Mainland China. In view of the growing regional disparity and widening gap between the rich and the poor, the idea of harmonious society was introduced as China's millennium policy goal in the context of intensified social conflicts and the rise of various kinds of social problems. Since 2004, public policy in China has begun to experience significant transformation from primarily taking an economic policy orientation to a social policy orientation. Realizing adverse social consequences resulting from the rapid economic growth might lead to social instability and political turmoil, the Chinese government has made attempts to reverse the tide of excessive marketization of social policy and social welfare in order to address people's changing social needs and welfare demands. This paper sets out in the above policy context to examine how the Chinese government has tried to transform its social policy model by bridging the gap between public finance and social policy delivery. This article argues that China's public expenditure should be correspondingly restructured, particularly allocating more public resources to social policy areas such as education, healthcare and social security. Without reforming public finance arrangements in China, the promotion of the harmonious society would end in empty slogan. More specifically, this paper argues the necessity to restructure China's public expenditure in order to turn the recent paradigm shift towards a more 'people-oriented' social policy and welfare approach into reality to address rapid socio-economic changes in China.