

# Government spending and revenues in america and china

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Government spending and revenues in China and America International accounting four 0092962 Chen Yuting Publicfinance is a subject about the taxing and spending activities of government. Considering the function of government, two opposite views stand out. One is organic view of government. The main idea is that the government can be thought of as the society's heart. Another is mechanistic view of government. It insists that government is not an organic part of society while it is a contrivance created by individuals to better achieve their individual goals.

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Nevertheless, nobody can deny that the spending and revenues have a significant influence on our society. Our living standard is associated with government actions. As a result, it is meaningful to compare the government spending and revenues in China and America. Without doubt, the revenues of government is the root of spending of government. In addition, it gives the government the power and the ability to put policy into effect. At the beginning of 2011, a piece of news comes that it is the first time for China that its annual revenues are more than 8, 000 billion yuan. Details are from: [http://paper.people.com.cn/rmrbhwb/html/2011-01/22/content\\_730659.htm?div=-1](http://paper.people.com.cn/rmrbhwb/html/2011-01/22/content_730659.htm?div=-1)) Just in terms of the number of total revenues, American holds the number of 4214 billion dollars. (Details are from: <http://www.usgovernmentrevenue.com/>) If we convert the dollars to RMB, it is far more than China. However, in my opinion, the number of total revenues is not the unique factor affecting the size of government revenues. In my opinion, it is more rational to consider the rate of revenues in GDP. The rate of China is 20.88%. The number of GDP is from the website: <http://baike.baidu.com> <https://assignbuster.com/government-spending-and-revenues-in-america-and-china/>

/view/368359. htm) Compared to America, its rate is 29. 05%. ( The number of GDP is from the website: <http://www. usgovernmentrevenue. com/classic. html? year= 2010>) As a result, the shortfall between China and America shrinks. In spite of the analysis of government revenues's size, maybe the structure of the revenues is more attractive and more significant. In China, value-added tax play an important role in the revenues, accounting for almost 25%. (The tax is from: [http://gks. mof. ov. cn/zhengfuxinxi/tongjishuju/201101/t20110120\\_421479. html](http://gks. mof. ov. cn/zhengfuxinxi/tongjishuju/201101/t20110120_421479. html)) The following tax is business income tax and business tax. However, the major portion in America is income tax and ad-valorem taxes, accouting for 32. 99% and 26. 29%. ( The tax is from: <http://www. usgovernmentrevenue. com/classic. html? year= 2010> ) Actually, the considerable part of taxation in China almostly belong to commodity tax while that of America is income tax. As far as the function of regulating social incomes, America's revenue is more beneficial to accomplish the mission.

Because the commodity tax is nonexcludable. Everyone who buys the product will undertake the tax. On the contraty, the policy of America is progressive. The richer you are, the more you pay. So, I think it's more appropriate. In this day and age, a commonly held belief is that the size of revenue have a positive effect on the balance of social economy. Concretly, its object is that maximuming the social investment, maximuming the effiience of social resources and maximuming the social welfare. Another opinon is balancing revenues with spendings.

To some extend, it is reasonable. When the revenues is far more than spendings, it is a waste of resources. When the spendings is far more than <https://assignbuster.com/government-spending-and-revenues-in-america-and-china/>

revenues, it will add burden to government. So it is also important to compare the spending in China and America. The total spending of America is 5797 billion (The number is from the website: <http://www.usgovernmentspending.com/>) while the revenue of America is 4214. Compared to China, its spending is 8957.5 billion ([http://gks.mof.gov.cn/zhengfuxinxi/tongjishuju/201101/t20110120\\_421479.html](http://gks.mof.gov.cn/zhengfuxinxi/tongjishuju/201101/t20110120_421479.html)) while the revenue is 8308.

Just compare the revenue to spending, both America and China spend more than it received. To some extent, America is spending the money they haven't received yet. Personally, it is a bit dangerous and risky to do this. Because excessive deficits will have a negative effect on dollars and interest rate when investors look down on the ability of government to control the deficits. Eventually, it will present a serious drag on the economy. There is a world of difference between the structure in America and in China. The first three portions of American spending are pensions, healthcare and education.

The counterpart in China is economic construction spending and administrative spending. From what is said above, it is easy to see the primary function of each government. America is a developed country so that it does well in the social security. The percentages are almost 60%. (<http://www.usgovernmentspending.com/classic.html?year=2010>) As a result, people in America don't worry about the life when they are old. Then let us take a look on China. Because China is a developing country, its main aim is to develop economy. The economic construction spending is always taking an important part.

However, in recent years, the spending on economic construction is decreasing while the spending on education, health care and other things related to the people's livelihood is increasing. The impressive increasing items are spending on demnificatory housing and on environmental protection, accouting for 30. 7% and 25. 4%. ([http://gks.mof.gov.cn/zhengfuxinxi/tongjishuju/201101/t20110120\\_421479.html](http://gks.mof.gov.cn/zhengfuxinxi/tongjishuju/201101/t20110120_421479.html)) It is a neccesary and significant step to act on international convention and turn to developed country. As a rising power, it is time to shoulder theresponsibilityof the world and pay more attention to Gross NationalHappiness.

On the other hand, there are still some problems to deal with. The most urgent problem is the increasing administrative spending. Though administrative department is a huge institution, the percent in Ameirica is about 10%. So the efficiency and effect of Chinese department are supposed to be improved. The act of government should be more apparent and public. On March 14th, Premier Wen said corruption is the most dangerous thing in China. The best method to solve the problem is promoting the system of reform, both in politics and economy.

Comparing the revenues and spending in China and America, there is something we can learn from America. Firstly, increasing the percent of things related to people's livelihood, especially education. Secondly, improving the legislation of public finance. Thirdly, enhancing check and balance between people and government. It is a long and endless way for government to improve itself. But the same purpose is to make people live a

better life. For public finance, it is important for government to ensure what is taken from people is used in the