

*Compulsory Education Finance in China: Adequacy, Efficiency, and Equity**

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Abstract

China announced the development of a more equitable and higher efficiency education on 5 March 2021. The expenditure on compulsory education in China over the past three decades has been greatly improved through a series of adjustments to educational policy. In this article, we divide these policies broadly into three phases corresponding to respective policy goals and priorities of government work during specific times. We focus primarily on the adequacy, efficiency, and equity in education finance and review the literature on the effectiveness of the various policies from these three perspectives. Although the priority of the government work has been shifted from revenue collection to expenditure assurance, it is observed that the urban-rural and regional disparities in educational spending have made little progress

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over time. The equity issue around groups of students with different educational needs is less emphasized by policies or in the literature because of the challenge of tracking and measuring educational inputs and outputs at the student level in China. This challenge is also one of many that hinders research on the efficiency of compulsory education finance. We conclude with a discussion of some implications for future research.

In May 1985, the Department of Education of the People's Republic of China issued the Decision of the Central Committee of the Chinese Communist Party Regarding Reforms on Education System to establish a nine-year compulsory education system step by step. The extension of compulsory education from six to nine years was enacted in Compulsory Education Law, which took effect on 1 July 1986 in China. Since then, China's compulsory education has been developed with various efforts of the central and local governments, which played different roles across different periods. The fiscal effort made by the governments has not only had immediate impacts on resources available for compulsory education but also profoundly influenced efficiency and equity of educational outcomes. A glimpse of the progress of compulsory education since 1985 in China indicates that once institutional reforms on compulsory education have carefully addressed the problems concerning finance, compulsory education in following years will have a significant breakthrough. Therefore, it is very important to understand compulsory education in China with a focus on finance. There have been numerous domestic studies on compulsory education finance since the late 1980s. A comprehensive review of the existing evidence will help us understand the development of China's compulsory education in the past 30 years and identify critical issues to advance compulsory education in the future.

The paper proceeds as follows. Section 1 introduces policies and institutional changes in compulsory education finance in the past three decades, divided into three phases with the main feature of the policies in each phase. Section 2 reviews the Chinese literature on the effects of reforms and policy changes in compulsory education from the perspective of adequacy, efficiency, and equity, respectively. Section 3 discusses some weaknesses of current research on China's compulsory education finance and provides extensions on future research. It is noted that previous Chinese literature has focused more on empirical and policy