# The Examination and Correction of the Mainstream Macroeconomic Theory in China's Economic Practice

## Thinking Based on China's Fiscal Policy Practice

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**ABSTRACT**

Macroeconomic policy is a central component of mainstream macroeconomics and a core issue in the application and research of macroeconomic theory. It has always been a focal point of interest for both economists and the public. By analyzing the guiding principles, objectives, content, and system of China's fiscal policy during the 13th and 14th Five-Year Plan periods, it is argued that China's fiscal policy differs from the short-term aggregate demand management policies primarily aimed at stimulating the economy and promoting employment as seen in mainstream macroeconomics. Its content is richer and has transcended the theoretical framework of Western mainstream macroeconomics on fiscal policy. China's fiscal policy is people-centered, with the vision of shared prosperity, emphasizing both aggregate balance and structural coordination on the demand side and supply side, while also balancing long-term and short-term goals. It possesses continuity, stability, and sustainability, and is more forward-looking and flexible.

***Keywords:*** *China, Fiscal policy practice, Mainstream macroeconomics, Examination and correction.*

## 1. INTRODUCTION

The mainstream macroeconomic theory of modern Western economics originated from John Maynard Keynes's (John Maynard Keynes) famous work "The General Theory of Employment, Interest Rates, and Money" in 1936. By the 1980s, a relatively complete macroeconomic system had been largely established, encompassing fundamental research areas such as the determination of national income, inflation and unemployment theories, economic growth and business cycle theories, as well as macroeconomic policies.[1] This formed a basic framework and different perspectives of macroeconomic principles, models, and policies. However, it is important to recognize that Western macroeconomics developed against the backdrop of economic conditions and issues in developed countries like Western Europe and the United States. Although it contains many universally applicable general principles and methods, it is not a universal theory. Therefore, when using macroeconomic theory to interpret economic realities, explain macroeconomic policies, or address economic issues, especially when interpreting China's economic policy practices, one should not apply the basic principles of macroeconomics without analysis or consideration of China's national conditions. Instead, one should start from China's social system, actual national conditions, long-term goals for economic development, and combine these with China's historical, political, economic, and cultural backgrounds and development concepts to study and research macroeconomic policies from multiple perspectives and levels, avoiding the linear thinking logic of Western macroeconomic fiscal policy analysis that is overly model-based, structured, and mathematical. China, with a population of 1.4 billion and the world's second-largest GDP, stands as a socialist market economy. Its economic development achievements have captured global attention. A wealth of literature has been accumulated in macroeconomic policy, theory, practice, and development experience, offering vast and valuable Chinese material for theoretical innovation and development, summarization of experiences, and analysis of policy effects.[2] This paper uses recent practices of China's fiscal policy as an example to explore the gaps in mainstream macroeconomic fiscal policy theory regarding the objectives, content, and system of China's fiscal policy, and attempts to make corrections and improvements.

## 2. FISCAL POLICY THEORY IN MAINSTREAM MACROECONOMICS AND ITS DEFECTS

Fiscal policy is a crucial component of mainstream macroeconomics courses and one of the primary policies used by governments to intervene in macroeconomic conditions, drawing significant attention from economists and the public. The general definition of fiscal policy in mainstream macroeconomics is: the choices made regarding government spending, taxation, and borrowing levels, or decisions about the levels of government revenue and expenditure, aimed at promoting employment growth, mitigating economic fluctuations, preventing inflation, and achieving stable growth. Fiscal policy primarily operates through government fiscal revenues and expenditures, with national finance encompassing both government revenue and expenditure. The dominant fiscal policy ideology is represented by Keynesianism, which emphasizes the expansionary role of government deficit spending on aggregate demand. It posits that when aggregate demand is insufficient, i.e., the economy is operating at a level far below its potential output, increasing government purchases will boost aggregate demand, thereby stimulating economic growth. Commonly used analytical models include the IS-LM model and the AD-AS model.[3] Domestic textbooks often use the IS-LM model to explain types, content, and effects of fiscal policy. Key topics covered include the types of fiscal policy, crowding-out effects, and the shortcomings of fiscal policy. In terms of its basic principle and content, there are many defects in the discussion of fiscal policy in mainstream macroeconomics.

### *2.1 Limitations in the Theoretical Basis and Analytical Tools*

Firstly, the IS-LM model has long served as the primary analytical tool in macroeconomics textbooks for macroeconomic policy theory, yet it inherently contains multiple flaws and fundamental shortcomings.[4] These include: (1) rigidly applying classical economic paradigms and mathematical expressions by combining the IS curve (for product market flows and income) with the LM curve (for money market stock liquidity); (2) conducting purely static analyses that fail to account for real-world economic dynamics and uncertainties; (3) neglecting price effects on aggregate demand and supply; and (4) focusing on short-term impacts while overlooking long-term factors influencing policy effectiveness.

Secondly, there exists a one-sided understanding of money's functions. Mainstream macroeconomics textbooks still adopt the classical economic perspective of commodity exchange, labor division, and productivity as the foundational framework, treating money as a general equivalent or neutral asset. This approach leads to fiscal policy theories failing to adequately account for the complexity and significance of money market impacts on product markets when analyzing economic issues, resulting in insufficient comprehension of the interplay between monetary and fiscal policies in modern economies.

### *2.2 Neglecting of the Important Areas Such as the Creditor Market and the Public Sector*

The conventional macroeconomic framework for fiscal policy analysis fails to account for the substantial debt and property markets, while overlooking the macroeconomic impacts of less commodityized assets like municipal infrastructure and residential properties, as well as sectors such as public utilities, residential services, and healthcare.[5] This oversight creates uncertainties in fiscal policy theory when addressing economic crises and bubbles, particularly in situations where public services and government spending face constraints.

### *2.3 One-sided Understanding of Fiscal Deficit and Debt*

The functional finance theory in mainstream macroeconomics and the effects of debt financing have long been controversial. Critics argue that government borrowing could undermine future private investment potential, leading to sluggish economic growth. Moreover, it might cause future generations to reduce their expected disposable income due to heavier tax burdens, triggering a chain reaction of weak consumption and unsustainable economic growth. This effectively nullifies the policy benefits of borrowing, while increasing both the government's debt ratio and the tax burden on future generations. Additionally, using debt to cover fiscal deficits could result in severe inflation in the long run.

### 2.4 The Judgment Criteria of Government Deficit and Debt Security and risk are Far below the Reality

The safety thresholds for fiscal deficits and government debt proposed by mainstream Western scholars[6] —such as a deficit-to-GDP ratio of 2% to 3%, or the EU's warning line of "3% deficit and 60% debt-to-GDP ratio" —have seen little compliance from developed nations. Following the 2008 global financial crisis and the 2020 COVID-19 pandemic, these countries' fiscal deficit ratios skyrocketed, far exceeding the warning levels. This reality demonstrates that current macro-fiscal theories have failed to address the core issues at hand.

### 2.5 Multiple Conflicts Between Fiscal Policy Objectives and Resource Allocation Efficiency

Mainstream Western fiscal policy theories overemphasize short-term market equilibrium and fixate on resolving immediate imbalances, while neglecting long-term growth and development objectives. This approach contradicts the fundamental macro-regulatory role of fiscal policy. As governments become active market participants through fiscal interventions, fiscal policy must not only restore short-term market equilibrium but also account for its enduring impact on economic systems, particularly in enhancing long-term resource allocation efficiency. However, the short-term focus of these theories not only undermines the effectiveness of intertemporal fiscal resource coordination but also restricts the strategic deployment of policy tools across different economic phases. For instance, cash stimulus measures implemented by developed nations during COVID-19 pandemics and economic downturns have faced widespread criticism, with issues like excessive costs, inefficiency, resource wastage, and inflationary pressures emerging as major drawbacks.

### 2.6 Overemphasis on the Crowding out Effect in the Analysis of Policy Effects

One of the core theoretical foundations in mainstream macroeconomic analysis of fiscal policy effects is the crowding-out theory. This theory implicitly assumes that government spending, as part of aggregate demand, inevitably drives up interest rates when it is used to stimulate the economy, thereby displacing private investment. In reality, public investment within government spending is not a competitive sector – how could it possibly crowd out private investment? Furthermore, the traditional mainstream macroeconomics 'view of government spending as non-productive misdefines the government's role. In fact, a significant portion of public investment in government spending is productive. In most countries, public expenditure inevitably boosts private investment. For instance, global leadership in key technological fields not only enables nations to maintain dynamic advantages in international competition but also drives continuous innovation, R&D investment, and productive investments from private sectors across industrial chains. This reveals that mainstream macroeconomic analysis frameworks have deviated from the true nature of fiscal policy, severed the relationship between fiscal policies and both the state and enterprises, and consequently led to theoretical assessments of fiscal policy efficiency, fiscal deficits, government debt, and fiscal sustainability that diverge from reality.

### 2.7 The Gap Between Macro-fiscal Policy Theory and Reality Is Serious

The mainstream macro-fiscal policy theory in the West has evolved through a cycle of innovation, crisis, and reinvention.[6] Yet its persistent disconnect from policy implementation and inherent contradictions have significantly diminished its explanatory power. Particularly since the COVID-19 pandemic in 2020 and the post-pandemic era, many nations have shifted from traditional macro-fiscal logic to a new paradigm. Their approaches now extend beyond supply-demand adjustments and market equilibrium restoration, instead prioritizing integrated socioeconomic strategies that emphasize infrastructure investment, social security, technological innovation, and national security.

# 3. PRACTICE OF CHINA'S FISCAL POLICY IN RECENT YEARS

The guiding ideology of China's fiscal policy practice has always adhered to a people-centered approach and a vision of long-term economic and social goals, rather than treating "economic stimulus" as the sole objective in mainstream macroeconomics. China's fiscal policy practice is characterized by distinct Chinese features and has been continuously adjusted and improved with the development of the economy and society. The main aspects of China's fiscal policy practice from the 13th Five-Year Plan period to 2025:

## *3.1 Implementing a More Proactive Fiscal Policy*

To cope with the downward pressure of the global economy and promote the steady and rapid development of economy and society, the Chinese government has implemented a series of active fiscal policies, including increasing fiscal expenditure, reducing taxes and fees, and expanding the issuance of government bonds. The Central Economic Work Conference and the National Finance Work Conference both clearly stated that a more proactive fiscal policy will be implemented in 2025. This is mainly reflected in increasing the fiscal deficit ratio, boosting the intensity of fiscal spending, and accelerating the pace of expenditure. These policies have played an important role in "maintaining growth, stabilizing employment, and promoting people's livelihood".

## *3.2 Continuously Optimizing the Structure of Fiscal Expenditure*

In recent years, the Chinese government has allocated more fiscal funds to livelihood sectors such as education, healthcare, social security, and infrastructure construction, as well as key areas like supporting scientific and technological innovation and industrial upgrading. This means that fiscal funds focused more on benefiting people's livelihoods, boosting consumption, and increasing momentum for future growth. In particular, there will be increased investment in areas such as education, elderly care, healthcare, and other social security sectors, as well as in supporting small and medium-sized enterprises and promoting technological innovation. The optimization and adjustment of the fiscal expenditure structure help improve the efficiency of fund utilization, better meet the needs of the people, and promote high-quality economic development. In the first three quarters of 2025, China's fiscal expenditure saw a year-on-year increase of 5.4% in education, 6.5% in science and technology, 4% in culture, tourism, sports, and media, 10% in social security and employment, and 4.7% in health and wellness.

## *3.3 Preventing and Resolving Various Risks in a Timely Manner*

In fiscal policy implementation, the Chinese government prioritizes risk prevention and resolution. By strengthening local government debt management, optimizing debt structures, and reducing debt costs, it has effectively mitigated local government debt risks. Meanwhile, the government enhances fiscal oversight to ensure compliant use and maximum efficiency of fiscal funds. For instance, in 2024, the Chinese government issued multiple special bonds to address various debt risks, achieving positive outcomes. Efforts will continue to be made in 2025 to prevent and defuse risks in key areas, including local government debt risks and real estate market risks. By strengthening fiscal oversight and advancing debt resolution plans, the stable operation and sustainable development of the fiscal system can be ensured.

## *3.4 Actively Promoting the Reform of the Fiscal and Taxation Systems*

The Chinese government has continuously advanced the reform of the fiscal and taxation system, establishing a more scientific, rational, and efficient fiscal and taxation framework. This includes measures such as improving the tax system, optimizing the tax structure, and strengthening tax collection and administration, which have enhanced the fairness and efficiency of taxation and provided more stable and sustainable fiscal support for economic and social development. In the first three quarters of 2025, China's fiscal revenue, including China's value-added tax, domestic consumption tax, corporate income tax, and individual income tax, increased by 3.6%,2.2%,0.8%, and 9.7% respectively. Meanwhile, the value-added tax and consumption tax on imported goods decreased by 5.7%, tariffs by 4.6%, export tax rebates by 8.6%, and vehicle purchase tax by 16.2%.

### 3.5 Strengthening Government Budget Management

Government budget management is a crucial component of fiscal policy implementation. By strengthening budget management, the integrity and transparency of government budgets can be enhanced; through improved oversight of budget preparation, execution, and supervision, the compliant and efficient use of government fiscal funds can be ensured. For instance, in the first three quarters of 2024, China's non-tax revenue increased by 13.5% year-on-year, primarily due to governments at all levels revitalizing state-owned resources and assets through multiple channels, which led to higher revenue from the paid use of state-owned resources (assets) and state-owned capital operations. Together, these factors contributed to a 10.8 percentage point increase in non-tax revenue growth.

### 3.6 Taking Initiative to Respond to External Shocks and Challenges

The Chinese government actively adjusts fiscal policies to address economic downward pressure caused by external shocks and challenges such as trade protectionism. By implementing measures like tax and fee reductions and increasing export tax rebates, the government ensures the high-quality development of foreign trade enterprises. In the face of emergencies such as natural disasters, the government promptly and fully allocates disaster relief funds and supplies to guarantee the basic living standards of affected populations and post-disaster reconstruction and self-rescue efforts. For example, China's export tax rebates have increased for two consecutive years, with an additional 147.2 billion yuan refunded in the first three quarters of 2024 compared to the same period last year. In the first three quarters of 2025, export tax rebates grew by 8.6% year-on-year, strongly supporting the growth of foreign trade exports.

In 2025, China's fiscal policy introduces new innovative measures in more proactive ways, including arranging larger-scale government bonds, optimizing expenditure structure, preventing and defusing risks in key areas, and increasing transfer payments to local governments. These measures will help promote sustained economic recovery and provide strong support for achieving the goals and tasks of the 14th Five-Year Plan and realizing a good start for the 15th Five-Year Plan.

It can be seen that the practice of China's fiscal policy in recent years has distinct socialist characteristics and features of the times. Through the implementation of proactive fiscal policies, optimization of fiscal expenditure structure, prevention and resolution of various risks, steady progress in fiscal and taxation system reform, strengthening of budget management, and proactive response to external shocks and challenges, these fiscal policy measures have continuously promoted high-quality economic and social development.

## 4. CHARACTERISTICS AND INNOVATIONS IN CHINA'S FISCAL POLICY PRACTICE

From the 13th Five-Year Plan period to 2025, China has made significant contributions through proactive fiscal policies to alleviate the burden on the real economy, activate economic potential, promote high-quality economic development, expand domestic demand, prevent and defuse major risks, achieve targeted poverty alleviation, combat pollution, improve and ensure the level of people's livelihood, effectively control the epidemic, and resume work and production. These efforts have demonstrated the people-centered development philosophy and profoundly revealed the necessity of better leveraging the role of the government under the socialist market economy. Moreover, the practice of China's proactive fiscal policies in recent years has shown marked differences from mainstream macroeconomic fiscal policy theories.

The characteristics of China's fiscal policy are mainly reflected in the following aspects:

- The fundamental purpose of China's macroeconomic regulation differs from that of developed Western countries. China's proactive fiscal policy has always prioritized and aimed to ensure and improve people's living standards as its primary goal and ultimate purpose, adhering to the development philosophy of putting people first and centering on them. It emphasizes the public and equitable nature of finance, ensuring that the fruits of reform and development benefit the broad masses of the people more extensively and equitably. This is determined by the essence of China's socialist system. From a higher perspective, the goal of China's proactive fiscal policy is to make the macroeconomic operation more stable and continuously develop productivity, striving to resolve the contradiction between the people's growing needs for a better life and unbalanced and inadequate development.

- China's macro-control system is more comprehensive and diverse. Traditional Western macroeconomic policies focus on the short term and are limited to aggregate demand management. China's macro-control system not only emphasizes the balance of aggregate and structural coordination between the demand and supply sides, but also balances long-term and short-term goals, demonstrating continuity, stability, and sustainability, as well as greater foresight and flexibility. Supply and demand are two fundamental aspects of the intrinsic relationship in a market economy, representing a dialectical unity of opposites. Supply-side management and demand-side management are naturally the two key approaches to macroeconomic regulation. The former focuses on structural issues, emphasizing long-term goals and stimulating economic growth momentum; the latter focuses on aggregate issues, emphasizing short-term regulation and maintaining economic stability.
- The guiding principle of China's macroeconomic regulation is to ensure that the market plays a decisive role in resource allocation while better leveraging the positive role of the government, that is, the coordinated cooperation between an effective market and an active government. Under China's socialist market economy system, the responsibilities and roles of the government mainly include maintaining market order, ensuring fair competition, maintaining macroeconomic stability, strengthening and optimizing public services, promoting sustainable development, and advancing common prosperity. The roles of the market and the government are organically unified, not mutually negating or opposing each other.
- China's fiscal stock policy and incremental policy are advancing in tandem, coordinating and complementing each other. Fiscal increment policy refers to a policy tool that stimulates economic growth by increasing public spending on top of existing fiscal expenditures. This approach typically involves boosting investments in infrastructure, social security, education, and technological innovation to drive comprehensive economic development. Such policies reflect the government's strong emphasis on economic growth, employment stability, and improving people's livelihoods. By increasing fiscal spending, the government can stimulate aggregate demand, boost economic growth, and enhance social welfare. Existing fiscal policy, on the other hand, focuses on adjusting the distribution of national income. It emphasizes the rational allocation and optimization of existing fiscal resources and national income. Key targets of existing fiscal policy include asset stock, income stock, and benefit stock. For example, the proportion and method of corporate profit remittances serve as a tool for stock adjustment. Through optimizing existing fiscal policies, the government can improve resource allocation, enhance economic efficiency, stabilize prices, and promote sustained economic growth. The fiscal increment policy is mainly used to stimulate economic growth and expand employment, while the stock fiscal policy is more focused on optimizing resource allocation and improving economic efficiency. It is obvious that the Chinese government has better regulated the macro-economy and achieved the sustainable, stable and healthy development of economy through the comprehensive application of these two policies.

The innovation of China's fiscal policy is mainly reflected in the following aspects:

- Implementation of a more proactive fiscal policy: In recent years, China has continued to implement a more proactive fiscal policy to address economic downward pressure and promote high-quality economic development. The innovation of this proactive fiscal policy lies in its precise grasp of the intensity and direction. For example, the fiscal policy for 2025 will increase the fiscal deficit ratio, intensify spending, and accelerate the pace of expenditure, while arranging a larger scale of government bonds to provide more support for stabilizing growth and adjusting the structure.
- Paying more attention to optimizing the structure of expenditure and targeted investment: Innovations in fiscal policy are also reflected in optimizing expenditure structures and enhancing targeted allocation. The government is placing greater emphasis on directing fiscal funds toward areas that benefit people's livelihoods, boost consumption, and strengthen long-term development

potential, thereby improving the efficiency of fiscal fund utilization and policy effectiveness. For instance, in 2025, fiscal support will prioritize expanding domestic demand, including appropriately raising basic pensions for retirees, basic pensions for urban and rural residents, and fiscal subsidies for medical insurance, to stimulate consumption and expand domestic demand.

- Preventing and resolving risks and giving equal importance to sustainable development: While actively implementing fiscal policies, the Chinese government also prioritizes risk prevention and resolution in key sectors to ensure stable fiscal operations and sustainable development. This includes measures such as strengthening local government debt management, optimizing debt structures, and reducing debt costs. Additionally, the government enhances the sustainability and stability of fiscal policies through reforms in the fiscal and taxation systems and improved scientific fiscal management.
- Strengthening the innovation and coordination of budget management: Innovation in budget management is also an important part of China's fiscal policy innovation. The government continuously strengthens the coordination among the "four budgets" (general public budget, government fund budget, state-owned capital operating budget, and social insurance fund budget) to improve the integrity and transparency of the budget. This innovation in budget management helps optimize the allocation of fiscal resources and enhance the efficiency of fiscal fund utilization.
- Efficient and precise implementation of tax and fee preferential policies and collection policies: The targeted implementation of tax and fee preferential policies stands out as a hallmark of China's fiscal policy innovation. By refining existing measures such as tax reductions, fee cuts, tax refunds, and deferred payments, the government ensures policy continuity and precision. These tailored incentives effectively alleviate corporate burdens, stimulate market vitality, and drive high-quality economic development.

In summary, the innovation of China's fiscal policy is reflected in multiple aspects, including the implementation of a more proactive fiscal policy, the optimization of expenditure structure and precise allocation, the prevention and resolution of risks and sustainable development, the innovation and coordination of budget management, as well as the precise implementation of preferential tax policies. These innovative measures help to address economic downward pressure, promote high-quality economic development, and provide more benefits to the people.

# 5. REFLECTIONS AND CORRECTIONS ON THE MAINSTREAM MACROECONOMIC POLICY THEORY IN MACROECONOMICS

By reviewing China's fiscal policy practices in recent years, it is found that China's macro-control policies form a self-contained system, covering long-term, medium-term, and short-term aspects, as well as central, provincial, and regional levels, with a focus on balanced development and sustainability. Fiscal policies include proactive, prudent, and contractionary measures. Such a rich and innovative practice of fiscal policies can fully correct and improve many shortcomings in the mainstream macroeconomic fiscal policy theories of the West.

## *5.1 Deepening and Improving the Theoretical Foundation*

First, the analytical methods and tools should avoid relying solely on mathematical modeling approaches and instead balance qualitative and quantitative analysis. When selecting analytical tools, the AD-AS model should be prioritized, which incorporates both price and supply factors. Second, the commodity-money perspective should be replaced with the creditor-money perspective, fully recognizing the complex role of money in modern economies and the interplay and constraints between monetary and fiscal policies. This allows fiscal policy theory to more accurately reflect economic realities and provide a more scientific basis for macroeconomic policy formulation. Third, the crowding-out effect is merely a possible inference in Western macroeconomic policy theory and does not hold in practice, especially during economic downturns when the crowding-out effect is negligible. In fact, the "pulling-in effect" of China's fiscal policy is more pronounced, as China consistently emphasizes the amplifying and stimulating effects of fiscal policy on private investment.

### *5.2 Expanding the Research Scope*

First, the theoretical framework of fiscal policy should incorporate major asset categories such as debt markets, property rights markets, municipal infrastructure and housing, as well as key employment sectors including public utilities, residential services, and education and healthcare. Second, a balanced approach should be adopted to integrate discretionary fiscal policies with rule-based monetary theories, thereby enhancing the theory's alignment with real-world conditions and improving the applicability and effectiveness of macroeconomic policies in addressing diverse economic challenges. Third, continuous efforts should be made to enrich the repository of beneficial and diverse policy practices from developing countries, which will help refine and systematize existing macroeconomic policy theories.

### *5.3 Correctly Understanding of Fiscal Deficit and Debt*

Amid the lingering effects of the COVID-19 pandemic, spillover impacts of international disputes, and the persistent threat of frequent natural disasters, it is imperative to reassess the scale and role of government fiscal deficits, the rationality of government debt, and the criteria for evaluating them. Based on current economic conditions and national development strategies, the assessment standards for the safety and risks of fiscal deficits and government debt must be flexibly adjusted. This will enable fiscal policies to strike a better balance between promoting harmonious socioeconomic development, ensuring people's livelihoods during critical periods, safeguarding national security, and maintaining fiscal sustainability.

### *5.4 Coordination of Policy Objectives and Resource Allocation Efficiency*

First, countries need to creatively develop macroeconomic regulatory systems tailored to their national conditions. When formulating and implementing fiscal policies, they should not only focus on short-term market equilibrium and economic stability but also prioritize long-term socio-economic coordination and sustainable development. The role of fiscal policy should evolve from merely restoring short-term market balance to actively intervening in and guiding the entire process of high-quality socioeconomic reproduction. This requires fully leveraging the directional guidance and stimulating effects of government infrastructure investments, livelihood expenditures, and incentives for technological innovation in key sectors to enhance a nation's potential growth rate, thereby balancing short-term and long-term objectives. Second, it is essential to break free from the mindset that overemphasizes short-term market equilibrium in fiscal spending. This involves strengthening intertemporal planning for fiscal expenditures, rationally arranging their scale, structure, and timing, improving the flexibility in selecting and using fiscal policy tools, and enhancing the allocation ratio and efficiency of fiscal resources. These measures aim to avoid resource waste and inefficiency caused by short-term stimulus policies, thereby optimizing the intertemporal coordination and rational utilization of fiscal resources.

### *5.5 Strengthening the Combination of Theory and Reality*

First, the crucial role of government expenditure in driving economic growth, promoting social equity, and enhancing national competitiveness must be fully recognized. The government should be viewed as both a proactive guide and active participant in socioeconomic development. When formulating fiscal policies, the productive and guiding functions of government spending must be fully considered. It is essential to clarify that the primary entity of fiscal governance is the nation rather than individual government departments. National fiscal behavior, policies, and efficiency should be understood from a holistic economic perspective, avoiding tendencies toward "micro-level" or "departmentalized" fiscal management. This approach ensures fiscal policies better serve the nation's overall interests and long-term development goals, fostering positive interactions between fiscal authorities, the state, and enterprises, thereby strengthening the national attributes of fiscal governance. Second, changes in economic conditions and emerging challenges must be closely monitored. Starting from practical issues, fiscal policy theories should be promptly adjusted and enriched to enhance their explanatory power and guiding effectiveness. For instance, during major emergencies like the COVID-19 pandemic, effective fiscal policy responses should be swiftly proposed rather than rigidly adhering to traditional theoretical frameworks. Third, the productive functions of government finance must be emphasized. Fiscal policy theories should fully recognize the productive role of fiscal measures—not only in providing public goods but also in promoting productive activities through fiscal instruments. This includes increasing investments in key areas such as infrastructure, technological innovation, education, and healthcare. By doing so, we can boost society's overall productive capacity, optimize economic structures, and raise potential growth rates. Ultimately, this enables fiscal policies to play a greater role in driving economic growth, advancing social progress, and strengthening national development and security.

## 6. CONCLUSION

Regarding mainstream macroeconomic fiscal policy theory and practice, there has yet to be a broad consensus, such as the effectiveness of macroeconomic policies in stabilizing the economy, the pros and cons of government fiscal deficit policies, etc., which remain hotly debated. How to view these debates and disagreements is indeed a considerable challenge. For the integration of China's fiscal policy theory and practice, as long as we consistently adhere to the standards of people's interests, the criterion of practice testing truth, and the standard of common prosperity, and uphold the basic starting points and general principles of China's socialist system and economic practice, such as analyzing specific problems specifically and deriving theory from practice, many so-called academic disputes will be resolved effortlessly. With China's rise, China has provided the world with numerous Chinese solutions and Chinese wisdom in economic, political, institutional, and cultural development. Explaining the connotation and objectives of China's fiscal policy not only provides fertile ground for the unification and elevation of 21st-century macroeconomic fiscal policy theory and practice but also offers the Chinese economics community unparalleled resources and opportunities for theoretical innovation. It can be said that economists need to continuously improve their understanding of the purpose, internal mechanisms, and laws of fiscal policy. They should explore and reveal the essence of fiscal policy and the intrinsic mechanisms of its coordination with socioeconomic development from various research perspectives, avoiding the single-minded and unidirectional nature of Western macroeconomic fiscal policy objectives, as well as the linear thinking logic of structural and mathematical analysis of fiscal policy effects. To sort out and interpret the practice of China's fiscal policy, we must not only absorb the beneficial achievements of modern Western economics but also continuously draw on the essence of China's excellent traditional economic thoughts, so as to achieve the dialectical unity of fiscal policy theory in macroeconomics and the practice of China's fiscal policy.

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