

Spatial Structure of China's Finance and Regional Finance Safety

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Abstract: *Under new economic background, such as deregulation, fast development of information technology, globalization, financial spatial system evolution takes on some new trends, such as mainstream financial space integration, outstanding spatial ranking characteristics, alternative financial space forming and appearing. It is because of the existence of institutional, systemic causes and the uneven development of the financial structure, the development of China's financial sector in each region is full of intricate structural contradictions and inconsistencies performance. To give the new changes of regional financial differences a positive response, we must increase the regional financial safety innovation and raise the level of China's regional financial security to a new level.*

Keywords: *Regional Financial Differences; Financial Ecosystem, Regional Financial Security*

1. The Development of Finance Spatial Structure Presents a New Different Trend

Financial spatial structure is defined as a spatial structure which formed by various financial elements interaction in an area, and refers to different degrees of spatial concentration and dispersion of financial institutions and financial capital. As a macro spatial structure power, financial spatial structure affects local development through trading efficiency, credit demand and finance eco-system. Fundamentally speaking, it is the different spatial profit which financial institute and financial capital pursue that drives financial spatial system evolution. Meanwhile, financial spatial system evolution increasingly is driven by some macro, top-town factors, such as globalization, information technology development, national financial regulation and financial crisis. Under new economic background, such as deregulation, fast development of information technology, globalization, financial spatial system evolution takes on some new trends, such as mainstream financial space integration, outstanding spatial ranking characteristics, alternative financial space forming and appearing.

Restructure mainstream finance space. Power and geographic expansion of the financial system has formed the homogeneity of social relationships in space, economic space convergence in the natural require of financial capital, showing significant non-rooted nature. Financial space is increasingly defined by a variety of social space, including financial transactions and relationships, rather than political boundaries which are defined by geographic boundaries. Under the impact of the various financial flows, regional areas lost the integrity and uniqueness of regional finance. Geographical boundaries are no longer important. All the space is connected under the new organizational logic of the capital.

The significant level feature of finance space. With the promotion of financial integration and globalization, financial space systems show significant spatial level features. From the perspective of urban functions, we can divide the city into three kinds of financial level types which include financial fulcrum, financial growth pole and financial center. Spatial contact between cities shows as vertical contact between different financial level cities and horizontal linkages between the same financial level cities. In the process of spatial level, financial centers own rising status, and are becoming the cores and nodes of the financial space systems. Through these nodes, local areas participate in large regional financial space systems, while node and core-level spatial structure is formed according to their relative position in the financial space systems.

Formation and emergence of the alternative finance space. In the course of mainstream financial space re-organization, but some places are outside the reorganization and form alternative financial space, such as finance exclusion space and local currency systems. Financial exclusion refers to the process of preventing certain social groups and individuals from closing to the financial system, mainly in poor area of big cities and rural, whose object is generally small businesses and minority customers.

Local currency system is the use of a separate local currency makes consumption, production and exchange in the local circulate, the purpose is to allow the production, consumption and exchange process, which has been prevented by the reproduction relations of social and economic in the formal economy, through the use of an independent currency in local place to facilitate easily. In poor or rural areas of developing countries, industrialized countries and the place abandoned by the mainstream financial system, the local monetary system make 'to rebuild local communities' as its goal, representing the effort of constructing an independent, local self-governed economic geography, which become another fixing space in the adjustment process of mainstream financial space.

2. The New Changes of Regional Differences in Financial Space Are Important Cause of Financial Insecurity

From the perspective of system theory, financial security can be divided into macro-level financial security, medium-level financial security and micro-level financial security. Modern finance is at least one national system, it makes currency as a tool, banks and other financial institutions as the main body, and is regulated by one of the function departments of government, the central bank. The main signs of macro financial security are the relative stability of central bank's monetary policy and currency, especially currency stability is most important. Macro security depends primarily on macroeconomic policy, design and reform of the financial system, the financial market's gradual, controllable and maneuverable factors. Micro-finance security is the security issue of individual banks or financial institutions. To a large extent, micro-finance security is a technical financial security issues, study individual subjects how to overcome the endogenous financial fragility, and establish effective risk control mechanism under asymmetric information and uncertainty, adapt to market changes and changes in the system, forming a series of effective risk prevention measures. Medium financial security is structured financial security issues, including regional financial security and industry financial security. Industry financial security is a financial security issues in one financial sector, regional financial safety refers to the financial security of a region: whether a region's financial system is running stably, orderly and normatively. Therefore, the concept of regional financial safety includes the concept of capacity, but also is with regional characteristics, it must be combined with the reality of regions or local economic characteristics and backgrounds to study.

It has a big difference between 'hot' and 'cold' of eastern and western regions, which makes a great difference in the withstand and reaction abilities of macro-control, thus the macro-control is in accordance with the 'hot', 'cold' fluctuations, but also is impacted greatly by regional 'hot', 'cold' differences. In the western region, high proportion of state-owned economy and the low level of development of financial markets make corporate financing depends on the National Bank. The tight money policy has a much bigger effect in the West regions than in the East regions. Eastern enterprises have multiple financing channels in the market. In the tightening-money conditions, they have a strong ability to adjust corporate finance. When the macro-economic tightening policy just makes east regions so cool from overheating state, it already makes the western economy stagnated recession from the normal growth; while a relaxation of control measures will appear vigorous economy and inflation in eastern again.

Meanwhile, inflation also has a spatial structural feature. Pathogenesis and manifestations of inflation in the eastern and western regions are quite different. When macroeconomic bottomed out, developed areas first start to invest, and as investment expansion and economic growth prices began to rise, forming a demand-pull inflation. Then rapidly growing sector has a sharp rise in demand for its products, employment levels will improve, so that wages in other sectors in the region will increase, especially labor flows make infrastructure and social facilities within the region raise and the rent increase, the result lead to cost-push inflation. Since economic growth is first started and led by the developed regions, and economic ties of developed and undeveloped areas, caused inflation transfer from developed regions to backward areas.

This transfer mainly include: (1) when the economic growth transfers from the developed areas to the backward areas, prices of a variety of factors of production have risen, so underdeveloped areas in economic growth must face cost-push inflation at the beginning; (2) In underdeveloped regions, due to strong demand in developed regions and increased exports, the actual production cost increase in the export sector, product supply shortage in the region, and therefore the price level rise in the region; (3) In underdeveloped areas, the products are mainly primary products, which own low added value and low elasticity of demand, while in developed regions the products own higher elasticity of demand and greater added value, so the status of the backward areas in the inter-regional trade makes inflation easier to transfer from developed areas to the backward regions.

Thus a combination of factors pushed inflation in the eastern region makes the Midwest CPI rise, in the regulatory process of inflation suppression, the situation appears far complicated in Midwest. When the eastern coastal areas are in demand-pull inflation, the regions can achieve significant results with the tightening of regulatory measures. But the causes of inflation in the Midwest are more complex, difficult. In the process of market integration, the Midwest regional economy has been greatly affected by eastern regional economic changes, in the eastern region's leading economic boom, the prices of Midwest will keep pace with east regions.

During this period, in the Midwest and eastern regions, investment and industrial production both are affected by the austerity measures, although the Midwest price index may still suffering from the delayed impact of demand-pull, but the demand-pull at least has not become a major factor. Austerity measures make investment and consumption demand 'cool', product sales market depress, product used funds rise, many western companies in trouble. The ability for Midwest companies to cope with the economic crunch is weak, and because of the low income level of resident its ability to withstand inflation is weaker. Troubled state-owned enterprises should give priority to ensuring workers a living wage income, thereby producing funds for wages and living allowance make the capital of production more intense and the bigger corporate dilemma. Macro-control authorities must implement austerity policies to curb inflation, but they cannot take into account the implementation of austerity resulting Midwest business and staff in aggravated difficulties. This makes the macro-control operation is unavoidable trade-off, it is difficult to "tight" or "loose" a clear choice.

Time is difference for the development of inflation in the eastern and western regions, the same macro-control for the eastern region has shown a good effect: cool the overheated economy and economic growth adjusted to a more appropriate level; but the same control measures for Midwest normal economic growth or low degree state is very inappropriate. The reason for this result is unbalanced economic development in the regions, the capacity of the regional economic subjects is different and so is different economic behavior, thus a unified monetary policy in different regions will produce different effects. The main contradiction is that the cost of a unified monetary policy on controlling the financial activities of the spatial structure is too high. Because the unified theory of monetary policy according to the most modest currency area, in the most modest monetary currency area, once the larger economic fluctuations occur, the full development of the market, trading normally, will not cause a region over the long-term development and low development in another region. In such area, a single monetary policy has a zero cost. But when the big fluctuations in the economy occurs, the phenomenon of over-development of an area and low development to another area is difficult to avoid, then in the entire large area (the equivalent of a country), the cost of the single monetary policy is greater than zero. If the cost can be paid by transfer payments, and such transfers are acceptable, single monetary policy can continue in the region; if transfer payments and money transfers on fiscal policy can still not restore the original normal development, it must introduces flexible monetary and financial policies.

It is because of the existence of institutional, systemic causes and the uneven development of the financial structure, the development of China's financial sector in each region is full of intricate structural contradictions and inconsistencies performance. China's financial industry is in an important period of transition and development, the conflict, collision of old and new systems have been very clear:

The strength of the financial market is growing, but still remaining financial plan; variety of new financial instruments, financial products, financial institutions continue to emerge, but the allocation of financial resources compared to the requirements of the market is still a large gap, the pace of innovation in the financial system is more slow, the overall allocated efficiency of financial resources is not high; some important financial aggregates have made great progress, but are still lagged behind the pace of financial structure optimization. From our regional economy level visits, due to each region has a different degree of market, the decisive difference of the inter-regional price between capital flows extend to the factors of production, making the configuration of economic activities form a significant difference which is far more than the different effect of the implementation of inter-regional preferential policies.

We can see that regional differences will inevitably lead China's financial operation to different degrees of cumulative financial risks. Midwest still basically follow the traditional extensive economic growth mode, high input and low output, serious waste of resources, low economic efficiency, endogenous mechanisms for funding and the 'blood' function is poor, showing 'two high and one low' feature that high debt, high interest rates, low rates of return, which resulted in the input and output ratio of bank loans very uncoordinated, a lot of credit funds precipitate and loss, bad credit assets remains high.

Currently, the quality of credit assets of the central and western regional banks, especially state-owned commercial banks continue to decline, doubtful loans has reached a considerable degree of seriousness, Midwest state-owned commercial banks non-performing loan ratio was significantly higher than the eastern region, some as high as 40 percent.

In a market economy, regional financial ecological environment affects not only the effectiveness of transmission mechanism of monetary policy at the regional level, constraints sustained, rapid and healthy development of the regional financial sector, but also directly determine the regional economic attractiveness of the financial resources and regional financial resource differences, which determines the size of core function of the regional finance. Based on Regional Financial Discrepancies compensate perspective, the prevention of the country's financial security outbreaks in the first place, for the healthy development of the national finance, there are extremely important.

3. Think of Actively Promoting Regional Financial Security

Based on the above analysis, we believe that in the emergence of new changes in the regional differences in the financial space, even in the overall balance of the macro-economic environment, if the financial risks is accumulated in some areas to a certain extent, it is also possible to form a regional financial crisis, and may even affect the financial stability in other regions through some specific channels. In order to give the new changes of regional financial differences a positive response, we must increase the regional financial safety innovation and raise the level of China's regional financial security to a new level. The author believes that to promote regional financial security and actively respond to the new changes in the regional differences in the financial space, efforts should focus on the following aspects:

Firstly, we should improve the strategic position of the regional financial security, to actively respond to the new changes in regional differences in the financial space. In the era of economic globalization, it is necessary for China's financial sector to continue to bear the costs of economic reform, and not be able to allow potential financial insecurity transfer to the financial crisis. To this end, we must leave no stone unturned to fully stabilize people's confidence in the prospects for economic development and the domestic financial system, we must commit to enhancing the overall economic risk tolerance and absorption capacity, at the same time, it must be emphasized that the state should enhance the capabilities in grasping the reform direction, and controlling the reform process. Efforts of the state should be that, to ensure a positive accumulation of regional net wealth and social stability, and to promote timely financial reform. As emphasized by Evolution Institutional Economics, the achievement of the efficiency of market mechanisms must basis on the appropriate institutional infrastructure. Only the skillful operation of macroeconomic policies is not enough to stifle all regional financial risks. In other words, we must also simultaneously take into account regional social order, economic stability, and financial security. It is the only way to form a stable development structure. It is worth noting that these three objectives promote each other, and are indispensable. Without regional economic growth and regional financial stability, there will not be regional social harmony and progress; without regional financial safety and regional social order, it will be difficult to achieve stable economic growth in the region; without regional economic growth and regional social harmony and progress, microscopic subjects lack of confidence, the nature of the vulnerability of the region's financial system could readily lead to a crisis. Thus, for a modern, open economy, to insist comprehensive national development strategies, and to improve the strategic position of the regional financial security is very important.

Secondly, through the plan of regional financial coordinated development, we should actively respond to new changes in the regional financial space differences. From the theoretical analysis and realistic thinking departure, regional financial coordination is of importance and necessity to reduce regional disparities, maintain regional financial security. All levels of central and local governments, regulatory authorities and financial institutions should have some consensus in this regard, and have a long-term perspective, join together to research the overall strategic plans to promote the coordinated development of regional finance. To coordinate economic development, the subjects should be to develop a coordinated overall goal of financial development, then according to regional differences, develop regional financial sub-goals which are in the characteristics of the coordinated development, and adapted to inter-regional differences, so that make regional differences reflect in the specific operational objectives.

Determine the framework of coordinated development of regional finance, from the policy level, district level, the regulatory level, the level of financial institutions to develop coordinated development policies, and make a profound study of the interaction between the various levels of interdependence and mutual restraint, mutual relationship, to promote and strengthen policy coordination at all levels between the measures. Clear the main focus of the coordinated development of regional finance. Empirical studies show that the financial structure is a concrete manifestation of financial development, to some extent, it reflects the level of the financial and economic and the depth of the economic financial development, but also reflects the virtual economy and finance and risk levels of the process. Therefore, we can achieve the coordinated development of regional finance by optimizing the regional financial structure.

The third is to improve regional financial safety supervision and decision-making agencies, and actively respond to the new changes of regional differences of the financial space. It is necessary to establish specialized regional financial security research and decision-making agencies, and develop regional financial security policies and standards. As the regional financial safety related to China's economic security and even national security, therefore, the country should pay great attention on the area of regional financial security. We recommend that to establish some specialized regional financial safety research and policy-making agencies, make full analysis of differences inside and outside the region, between the national and foreign currency market, then develop realistic regional financial risk-prevention measures and regional financial security policies, and with international standards to measure the implementation .

Only in this way, China's regional financial safety work can be carried out smoothly. To strengthen regional financial safety legal system, enhance regional financial regulatory level, and gradually form 'the laws are strictly observed and enforced and that law - breakers are punished' regional financial standardization and legal environment. In regional financial markets, some important laws, regulations are incomplete, and some important financial activities have no legal basis, we should change these phenomena as soon as possible. While also we should strengthen the research on the operability problems of laws and regulations, timely eliminate regional financial safety hazards. To strengthen the regional financial laws enforcement. To improve external auditors of regional financial security, external audit of financial institutions is indispensable regulatory power. With the gradual development and improvement of CPAs and accounting firms, we should make full use of its audit resources to ease the audited power shortage of financial regulatory authorities. Midwest financial institutions can employ social audit agencies which are recognized by large district branches or the business management Ministry of People's Bank of China, to periodically review its financial position, its audit of the financial statements and intern-control report system.

Fourthly, through the establishment of regional financial security early warning system, and actively respond to the new changes in regional financial space differences. To establish a regional early warning indicators of financial security systems, including the safe operation of the regional economy, monetary security, banking security, balance of payments security, safety and other indicators of the stock market and real estate, and according to the financial liberalization process of regional economy, dynamically adjusting the weights of various types of indicators and statistics interval, early warning financial risks. To establish a risk capital flow monitoring system, including the risk control policy system and the risk monitoring system of capital flows.

To establish institutionalized mechanisms, for communication and coordination among regulatory supervision departments to share information, build a linkage analysis mechanism for monitoring cross-border capital flows of hot money and the statistical monitoring mechanism of the foreign exchange market; and to establish statistical monitoring and analysis mechanisms of foreign capital flows into the real estate market, the stock market and foreign exchange market, to strengthen international cooperation, to reduce or eliminate the threat of international short-term capital flows to China's financial security. To explore the establishment of a regional financial crisis contingency plans, through simulate the occurrence paths, coverage and degree of harm of a variety of crisis, to develop a reasonable emergency measures, restore programs and development plans, and preset combinations of different policy measures to address the financial crisis reasonably, ensure the long-term development of China's financial system.

Midwest need establish financial risk early warning mechanism, for the weak economic conditions in these regions. This requires us to estimate the degree and the exposure level of financial risk and, in liquid assets and mutation theory, including individual financial institutions risk prediction, forecasting regional financial risk exposure, set risk observed levels, to determine the dynamic observation points, and according to different regulatory functions, propose preparatory programs to prevent and defuse financial risks. Midwest should be combined with the current actual and statistics obtained possibility to combine all aspects of the regional economy and financial system together, select comprehensive, highly sensitive financial early warning indicators.

Lastly, exercise moderating differentiated regional financial policies, to actively respond the new changes of regional financial space differences. Many countries take regional differences into account, when they make and implement monetary policies, and to implement special policies in the backward areas, or in a coherent policy framework, through a combination of monetary policy tools to achieve distinction, effectively promoting the economic development of backward areas. Now the power of adjusting of the current financial policies remains at the central level, the central financial policies often take across the board, tend to ignore that the development of central and western regions have been not very comprehensive financial status. In China, regional differences in the economic development are obvious, so monetary and financial policies cannot simply form a uniform, should be implemented moderately differentiated regional financial policy, based on economic and financial development in different regions. Moderately differentiated regional financial policy is from the overall development strategy of the national economy and central bank monetary orderly way.

According to natural conditions, regional location, cultural background, economic base, industry structure, demand for credit and other regional characteristics, and at the premise of insisting of the overall objective of monetary and financial stability, to determine the regional financial policies, so as to strengthen the central bank branch function, enhance the level of financial regulation and supervision and targeted. Regional financial policy has different standard, its core is to allow each region to have a certain financial policy-making power within the extent permit of the central bank head office. Based on the geographical division of labor and regional advantages, and through regional financial policy that can take advantage of nature, economic, social conditions and many other aspects of regional economic, to achieve a accelerated and coordinated development, and gradually reduce regional economic disparities.

Implementation of the regional financial policies must adhere to the following principles: first, there must be conducive to coordinated sustainable and healthy development of regional economic; second, should help stimulate the regional financial activity and guard against financial risks; third, should be conducive to achieve macroeconomic and financial policies; fourth, there must be conducive to regional financial cooperation and international development. Implementing differentiated regional financial policy the attention should focus on the reform and portfolio optimization of financial regulation tools. People's Bank of China should focus on the exercise of the right to issue currency, the benchmark interest rate adjustment authority, the central management of the funds, the total amount of credit and other regulatory authority; the head office should devolve appropriate permissions to the branch banks at interest rates, discount rates, deposit reserve ratio and other aspects of financial control means.

The overall principle is: the head office only requires to set the general level and the floating range of interest rates, the discount rate, the deposit reserve ratio, to determine specific levels of each region need consider regional differences, clear the different of the floating range for each level branches, so that the country's macro financial policy with macro-seriousness, meanwhile, each branch has a certain elasticity in making financial decisions. Therefore, under a unified framework for financial macro-control policies, by selecting the appropriate regulatory tools, and control means, optimizing the combination of policy instruments, to implement regional regulatory operations, is an inevitable requirement to narrow the gap and promote balanced regional development.

However, it needs to be emphasized that the market price-based instruments is not suitable for area differentiation, such as interest rates, in order to ensure a flexible operation of the market mechanism. Pure quantity rationing type of tools (such as agriculture refinancing), the non-market-based price instruments (such as agriculture refinancing rate), and qualitative tools (such as credit guidance) can be selected to explore the regional differentiation. Reflect on the possibility of regional differences, the monetary policy tools can be put into four categories.

The first category has been used in regional space and reflects regional differences, but in the future, can be further differentiated based on the actual area of the region, such as refinancing and window guidance. There is no regional differentiation in the second category, but they are worth regional differentiated research, such as the rediscount, the use of some direct regulating means, deposit reserve ratio. There is no need to make regional differentiation artificially in the third category, but they may have regional differences in themselves, such as interest rates. The fourth category cannot be regional differentiated, but can impact the regional economy and finance, such as open market operations.

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