New Productive Forces Boosting High-Quality Development: A Theoretical Analysis from the Perspective of Fiscal and Tax Policies

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Abstract. One of the main issues discussed during China's "Two Sessions" is how to utilize new productive forces to drive high-quality development. Since enhancing new productive forces inherently involves improving total factor productivity, this paper analyzes from the perspective of fiscal and tax policies, discussing how total factor productivity can boost high-quality development. The theoretical logic of fiscal and tax policies driving new productive forces is mainly reflected in promoting the efficiency of capital allocation and corporate innovation. Through structural reforms of fiscal and tax policies, it promotes the benign development of capital allocation efficiency and technological innovation. In terms of policy tools, targeting digitalization and intelligence, tax incentives are used to encourage corporate technological innovation and achieve industrial intelligence. At the same time, fiscal subsidies are used to enhance the ability of enterprises to transform scientific and technological achievements, promoting the rapid development of new industries and new models. Therefore, the future focus of fiscal and tax policies will be on promoting the integration of innovation chains and industrial chains, driving the development of new industries and new models, and providing a strong policy and material foundation for new productive forces to boost high-quality development.

Keywords: New Productive Forces, High-Quality Development, Fiscal and Tax Policies.

1. Introduction

In September 2023, Xi Jinping emphasized the need to drive industrial innovation through technological innovation. He pointed out that it is crucial to actively cultivate industrial parks, strategic emerging industries, and future industries, including new energy, new materials, advanced manufacturing, and electronic information, to accelerate the formation of new productive forces and enhance new development momentum [1]. In January 2024, Xi Jinping once again stressed that new productive forces have already been formed in practice and have demonstrated strong driving and supporting forces for high-quality development. In March, during his participation in the second session of the 14th National People's Congress representing Jiangsu, he mentioned the need to firmly grasp high-quality development as the primary task and to develop new productive forces in accordance with local conditions [2]. By the time of the "Two Sessions" (China’s 'two sessions'), the main direction for the development of new productive forces was clearly defined [3]. From the initial mention during last year's local inspections to the focused discussion at the national Two Sessions, enhancing new productive forces and advancing modernization construction is not only of great significance for the revitalization of the Northeast region but also a major issue for promoting high-quality development in China. Currently, as China is in a critical period of modernization construction, on the one hand, new productive forces have placed technological innovation at the core of development, integrating knowledge, technology, and innovation into traditional theories of productive forces, guiding China towards building emerging markets, accelerating technological innovation, and solidly promoting high-quality development. On the other hand, facing the contradiction between the people's growing needs for a better life and unbalanced and inadequate development, how to use new productive forces to solve various economic and social problems, achieve industrial upgrading, and improve economic quality is a primary goal that China urgently

needs to address. Therefore, this paper discusses and researches how to use new productive forces to promote breakthrough directions and overall layout for high-quality development in China.

Most current studies mainly compare the relationship between Marxist theories of productive forces and new productive forces or analyze the literal penetration and implications of new productive forces. Hu and Fang believe that the characteristics of new productive forces are based on traditional productive forces with upgrades and reshaping of the labor subject, technological features, structural characteristics, and forms. Their main features are reflected in the transition from physical to intellectual labor, the development from capital productive forces to innovative productive forces, the combination of tangible and penetrating elements, and the widespread adoption of green industries [4]. Guo and others think that new productive forces can be interpreted from three aspects: new, quality, and force—namely, the upgrading of industrial carriers, new organizational forms, a leap in productivity to digital, networked, and intelligent quality, and the transition from thermal and electric power to network power [5]. This paper uses such methods, aiming fundamentally at high-quality development, and conducts an elemental analysis from the aspects of new, quality, and productive forces.

"New" represents technological innovation driving technological renewal, industrial innovation, and market updates. With the push of the Fourth Industrial Revolution, a new round of technological revolutions and industrial transformations are deeply progressing, bringing forth a variety of cutting-edge technologies and disruptive innovations that are emerging, developing, applying, and spreading across various fields, thereby forming a series of new industries. These technological innovations and industrial innovations have updated the material means of production in the primary market, constituting a new market characterized by high-tech material carriers and innovative talents as the labor force. This creates a virtuous cycle where supply breeds demand, demand drives innovation, and innovation improve supply, which exactly aligns with the characteristics of high efficiency in high-quality development.

"Quality" involves integrating quality, state, and efficiency to drive industrial modernization. Quality is about elevating the production level of products based on traditional industries and pushing forward the general level of productivity, with a key focus on superior quality. State refers to the transformation of traditional productive forces' material carriers, where new productive forces should regard data and networks as key elements driving economic operations, utilizing the smart manufacturing of the Fourth Industrial Revolution to link the Internet of Things, big data, and artificial intelligence. Combining people, data, and machines breaks the shackles of the previously singular material resources of productive forces. From the perspective of efficiency, new productive forces aim to increase production efficiency, reduce production costs, promote collaborative industrial development, thereby enhancing the capital allocation efficiency of enterprises and improving total factor productivity. New productive forces are a manifestation of high-quality development, bringing about quality transformation and efficiency transformation, and form the basis of productive forces for achieving a high-quality life.

"Productive force" is the ultimate focus, where each breakthrough and development in productive forces forms a massive driving force for societal transformations [6]. Building on the previously discussed "new" and "quality," human productive resources have made a qualitative leap. In the 21st century, innovative workers using computational and network power bring more disruptive innovations, thus forging a mechanism path that uses fewer original productive inputs, achieves higher resource allocation efficiency, and better economic returns.

As the main elements and core of developing new productive forces are innovation, this development process breaks away from traditional productive force development trajectories and economic growth models [7]. With technological innovations brought by scientific advances and deep industrial transformation, new productive forces rapidly give rise to new industries and new momentum, exhibiting characteristics such as high technology and high efficiency, and thereby indicating a new direction for high-quality development.

The proposal of new productive forces stems from the global developmental challenges and China's exploration of ways to reform productive forces. Current research on new productive forces can focus on exploring pathways based on "two focal points": first, taking new productive forces as the main focal point, discussing how to advance the development of new productive forces from the perspective of the future development directions of various industries; second, taking the promotion of high-quality development as the focal point, empirically analyzing how to use new productive forces to promote high-quality industrial development. This paper mainly focuses on the role of fiscal and tax policies in promoting high-quality development through new productive forces, with the core internal goal of improving total factor productivity.

2. Analysis of the Mechanism Based on Fiscal and Tax Policies

2.1. Fiscal and Tax Policy Structurally Promoting the Growth of Capital Allocation Efficiency

Since the economic reforms, China has achieved rapid economic growth, not only accumulating a vast amount of material wealth conducive to sustained economic development but also creating a miracle of rapid modernization. However, the overall logic of "the rich leading the poor" has led to problems of unbalanced and insufficient growth in various industries and regions, to some extent causing a lack of healthy mobility of resources between regions, resulting in inefficient resource allocation. This is mainly manifested in disordered capital expansion, uneven distribution of labor, and insufficient supply of public goods. These long-standing issues have led to the predicament of resource misallocation, posing significant challenges to enhancing total factor productivity, developing new productive forces, and promoting high-quality development. Disordered capital expansion is evident in industries, supply chains, and market shares being occupied by few, deviating from the national policy direction, gradually raising entry barriers for new enterprises, forming monopolistic markets, and hindering the development of corporate technological innovation. The root of uneven labor distribution lies in the household registration system. Most citizens move to regions with better employment, education, and social welfare, leading to a mismatch between the skills some workers possess and the market demands of the regions, reducing labor productivity. This phenomenon is particularly evident in regions with uneven resource distribution and significant disparities in public service provision. Therefore, to address the configuration issues left under extensive economic growth in China, it is urgent to carry out structured fiscal policy reforms to promote healthy development of capital allocation efficiency and ensure stable improvement in total factor productivity.

In the process of macroeconomic development, fiscal and tax policies facilitate the distribution of capital across regions, regulate income from human capital, and provide public goods among regions, thereby adjusting the distribution effects of new productive forces and promoting high-quality development. Firstly, under the theory of capital allocation, fiscal and tax policies can maintain the best ratio and value orientation of scarce resources, improving resource utilization efficiency and meeting people's production and living needs [8]. Secondly, based on various endogenous growth models, the ultimate driving force for enterprise growth is human capital and technological change [9]. Externalities and spillover effects that occur during knowledge accumulation require government policy intervention. Fiscal and tax policies subsidize education and training for talent, enhancing labor quality, thereby improving corporate technological innovation levels and driving the overall industry innovation capacity. Lastly, to maintain balanced development across regions, fiscal and tax policies support economic development in underdeveloped areas, based on regional development theories, and strive to build local characteristic industries, such as revitalizing the Northeast industrial base and developing the West with relevant policies, promoting balanced national regional development [10]. Additionally, based on increasingly developed digital technologies, new productive forces have facilitated the rational flow of factor resources and reduced losses during their flow, achieving a reasonable alignment of supply and demand, realizing growth in capital allocation efficiency, and promoting high-quality development [11].

2.2. Fiscal and Tax Policy Structurally Incentivizing Corporate Technological Innovation

Corporate autonomous innovation, as the origin of frontier technologies in society, plays a crucial role in the process of national high-quality development. As early as the 18th National Congress of the Communist Party of China, China had already proposed an innovation-driven development strategy, emphasizing that "a nation thrives with science and technology, a nation strengthens with science and technology." In the process of corporate technological innovation, revolutionary innovations lay a solid material foundation for the birth of new enterprises, thereby impacting the entire industrial modernization transformation and promoting the establishment of a national factor market [12]. Firstly, technological innovation changes the material resources of traditional productive forces and the allocation of production factors. Big data, the Internet of Things, artificial intelligence, and blockchain are currently at a critical period of technological breakthroughs. These emerging digital technologies present promising development prospects, providing enterprises with diversified technological paths and business models. This not only attracts significant investment for the enterprises but also enhances their production efficiency, offering consumers a variety of personalized products. For example, breakthroughs in high-efficiency chips have addressed the massive gap in computing power, effectively strengthening the learning capabilities of intelligent devices in practical scenarios, and advancing digital modernization and intelligent industrialization. Secondly, emerging industries demonstrate their unique growth and creativity through advanced technologies. These enterprises, underpinned and driven by other businesses' technological innovations, can quickly adapt to market changes. By developing advanced technologies and services, they continually improve their product quality and stand out in a competitive market. For instance, the upgrade of the industrial equipment digital supply chain based on artificial intelligence provides emerging enterprises with an integrated supply chain platform. Through resource integration and collective procurement and supply of company products, these activities reduce costs and increase efficiency for businesses' operational activities, thereby capturing a larger market share. Emerging enterprises leverage the era value and innovation capabilities brought by technological innovation, profoundly influencing the construction of intensive development models.

Currently, in the field of macroeconomics, the theoretical basis for government intervention in the technology innovation sector through fiscal policies is primarily based on theories of market failure and government intervention. In an economic society, a fully competitive market is considered the ideal state in the market, but it almost never exists in real life. This is because actual production and business activities frequently result in market failures where resources cannot be allocated efficiently through the price mechanism [13]. This refers to the market's propensity to exhibit negative externalities and fail to effectively distribute resources, especially in technology-intensive enterprises. Therefore, research analyze corporate innovation activities and market failures from the perspective of public goods and externalities. Since innovation activities are high-risk, uncertain, have long investment cycles, and low probability of returns, private enterprises are generally reluctant to spend on research and development. Moreover, since the outcomes of innovation activities are non-excludable, the results of innovations are often shared by other businesses at no cost, leading to significant economic losses for the researching firms. Hence, to reduce the R&D costs of technology innovation enterprises and increase their enthusiasm for innovation, government departments implement tax incentives such as additional deductions for R&D expenditures, and moderately intervene in promoting the dissemination of knowledge with the goal of enhancing the overall societal enthusiasm for innovation and knowledge levels. The theory of government intervention is like the theory of market failure, except that the government intervention theory places more emphasis on government actions to correct resource misallocation and macroeconomic adjustments, promptly correcting situations of inefficient market resource allocation [14]. Furthermore, according to the theory of government intervention, the government should also avoid violating the basic principle of excessive market intervention, as only then can the overall societal innovation capability be improved.

3. Current Issues

3.1. Inappropriate Structure and Regulation of Fiscal and Tax Policies for Innovation

The fiscal and tax policies aimed at enhancing innovation mainly consist of tax incentives and government subsidies. In the current policy orientation in China, there is a greater propensity to use tax incentive policies. Compared to tax incentives, the importance of government subsidies is overlooked, particularly evident in the insufficient allocation of local fiscal funds. During the innovation process, enterprises require substantial funding, both for ongoing research and development and for the later stages of transforming technological achievements into commercial value. However, many enterprises face various problems and challenges in financing, such as high financing costs, insufficient funding amounts, and long financing cycles. There is also a lack of sufficient financial support during the transformation of research results into commercial value, and relying solely on tax incentive policies cannot fundamentally solve the financial dilemmas of enterprises. Moreover, as fiscal and tax policies are implemented from the central to local governments, the local government has tried many kinds of methods to adjust the policies to fit local realities, but it is only effective in the short term, and the effect is not significant in the long term. This leads to limited support from fiscal and tax policies for enterprise innovation, affecting the efficiency and effectiveness of innovation and failing to utilize the potential benefits of fiscal and tax policies intended to promote the development of innovative capabilities. At this point, government subsidies become particularly important. Simultaneously, misuse of subsidies and fraudulently obtaining national funds also occur occasionally. Some enterprises, after receiving government subsidies, do not use the funds for innovation but divert them for other purposes, causing the subsidies to lose their role in alleviating financial pressures related to innovation. Additionally, in terms of tax incentives, there are also behaviors violating tax principles and regulations under the guise of innovation, which have many adverse effects.

3.2. Inappropriate Structure and Regulation of Fiscal and Tax Policies for Innovation

Structurally, tax incentive policies are inclusive and comprehensive, providing industry-wide support, while fiscal subsidies are targeted, leading to a differentiated approach within industries that often takes the form of point-to-point subsidies. However, current fiscal and tax policies in China do not make a clear distinction between different operational levels of the same type of enterprise, resulting in inadequate fiscal support for some startup high-tech enterprises. Poor flexibility in fiscal policies often leads to inefficient capital allocation and crowding-out effects, causing enterprises to still feel the burden of taxes heavily under policies of significant tax reductions and fee cuts, with a strong stickiness in tax burdens. Additionally, due to the intermittent nature of fiscal subsidies, subsidy funds are usually granted on a project basis and cannot form a long-term mechanism for scientific research and innovation, leading to poor continuity and lacking a motivational effect on technological innovation.

4. Fiscal and Tax Policy Recommendations

4.1. Strengthening the Role of Fiscal and Tax Policies in Promoting Digitalization and Intelligentization

Given the current situation where the application of information technology products is becoming increasingly systematic, digital technology is deeply integrating with various fields, the intelligent economy based on digital technology is developing rapidly, and the competitiveness of core industries in the digital economy is continuously improving, the government should ensure that fiscal and tax policies are more comprehensive and complete. This will provide a solid policy foundation and safeguard for the development of new productive forces, effectively supporting high-quality development. The formulation of fiscal and tax policies should focus on providing financial and tax

incentive support for the research and development of new technologies, new energies, and new fields, to achieve industrial upgrading and modernization. Additionally, by adjusting fiscal spending and optimizing the tax structure, these policies should enhance innovation momentum. For example, tax incentives could be provided for enterprises undergoing digital transformation to encourage them to intensify research and development in key digital technologies and to adopt advanced information technology in operations, facilitating an intelligent upgrade of the enterprise and the entire industry. Or, special fund subsidies could be offered for digital innovation and startup projects to alleviate the developmental pressures on innovative entrepreneurial enterprises.

4.2. Enhancing the Impact of Fiscal and Tax Policies on New Industries and New Models

Currently, China is reforming its traditional manufacturing sector, vigorously developing networked and intelligent advanced manufacturing, and further planning the layout of new-generation biological and information technologies, new equipment, new energies, and other strategic emerging and future industries [15]. The government should conduct in-depth research to advance fiscal and tax policies, providing effective tax incentives and substantial fiscal subsidies to support these fields, reducing costs and enhancing efficiency for innovation activities, and contributing favorably to equitable market development. This will continuously optimize and upgrade the industrial structure. For national key support areas of innovation, policy intensity should be strengthened, making policies more flexible to continually adapt to changing real-world needs. To ensure the enthusiasm and sustainability of innovation, it is crucial to maintain the primacy and agency of innovation. Besides increasing fiscal subsidies and tax relief, it is essential to let innovation activities enjoy the economic benefits they generate. Additionally, the formulation of fiscal and tax policies should be more oriented towards enhancing the capacity to convert scientific and technological achievements, improving cooperation between economic entities, optimizing capital allocation efficiency, and refining talent management mechanisms. These measures are intended to promote the improvement of total factor productivity and effectively drive the rapid development of new productive forces.

5. Conclusion

Developing new productive forces is the driving force behind high-quality development. Empowering China's high-quality development with new productive forces represents a new path in the context of the changing principal contradictions in Chinese society. Leveraging the government's macroeconomic regulatory capabilities from the perspective of fiscal and tax policies is an important supportive force for the development of new productive forces. Therefore, based on the analysis of current fiscal and tax policy issues, research approaches from the multidimensional perspectives of digitalization and intelligentization, and new industries and new models, to explore how fiscal and tax policies can enhance new productive forces and boost high-quality development.

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