# Economic and legal analysis of state-owned assets management based on the global economic crisis

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**Abstract.** The traditional research on the management of state-owned assets is based on two premises: the ownership of state-owned assets by the whole people and the existence of principal-agent relationship. After in-depth analysis, it can be seen that the principal-agent relationship between citizens and the government does not exist, and the relationship between them is more in line with the elements of apparent agency or non cause management, which can be regarded as the relationship of apparent agency or non cause management. State regulation is not only to make up for market defects, but also to correct the mistakes of state regulation in the past. Economic law is the means of legalization of state regulation. Market Regulation, State Direct Investment Management and macro-guidance are the “Three ways of state regulation”, and the corresponding “Three components of economic law system”. For the use and management of state-owned assets, in addition to the managers being able to have higher ideological awareness and self-discipline, there should also be corresponding economic laws that explicitly regulate the management of state-owned assets, ensuring the use of state-owned assets is the purpose of serving the whole people. The World Financial Crisis reminds us of the urgent need to strengthen the legal system of financial supervision, including the supervision of financial innovation, credit supervision, capital liquidity supervision and supervision system.

**Keywords:** Global Economy; crisis; state-owned assets; Management Economic Law; Analysis.

## 1. Introduction

Because of the huge stock of Chinese state-owned assets and its special status in China, people always pay attention to it. The current management system of state-owned assets is that the state-owned assets belong to the state. The Central People’s government and the local Government of the People’s Republic of China respectively perform the duties of investors on behalf of the state and enjoy the rights and interests of owners. The central state-owned Assets Management Committee is a subordinate organ of the State Council. The local state-owned assets management committee is subordinate to the provincial and municipal Government of the People’s Republic of China. With the development of the national economy and the deepening of the reform of state-owned enterprises, the loss of state-owned assets is one of the most serious problems. The management of state-owned assets has always been an important topic of public concern, and the use of economic and legal constraints will improve the efficiency of the management of state-owned assets, it is of great practical and theoretical significance to strengthen China’s economic strength and build a harmonious society. Trust companies play an important role in the reorganization of state-owned assets and the disposal of non-performing loans. The transformation of different forms of state-owned assets is not only the objective need to deepen the reform of state-owned assets management system, but also the inevitable requirement for the implementation of various effective forms of public ownership. By analyzing the theoretical basis of state-owned assets operation and legal management, this paper constructs a state-owned assets management legal system suitable for China's national conditions, so as to make state-owned assets really play a role in serving the people.

With the development of economy and the progress of society, the total amount of state-owned assets that can be controlled by the state has been greatly improved, and more and more services can be provided to the whole people. China’s state-owned assets and foreign state-owned assets (with quasi-public goods nature) are essentially different. There are two main points. First, the political system is different. The Western countries are mainly private ownership, while our country implements socialist public ownership, that is, the ownership by the whole people and the collective ownership by the working people. Since most Western countries have private ownership and initially had no state-owned assets (except natural resources), state assets and state-owned enterprises were acquired through the acquisition of financial revenues as a result of government intervention in market failures, and turned it into an economic policy tool for the government. Because it is purchased with financial revenue, it is not the property owned by the state on behalf of the whole people. Its citizens do not have the final ownership of state-owned assets, and the final property ownership of state-owned assets is exercised by the government on behalf of the state. At present, the theoretical circle divides China's state-owned assets into operating assets and non operating assets. Non operating state-owned assets (including administrative assets and resource assets) are similar to foreign state-owned assets It has the nature of quasi public goods. Unless otherwise specified, the state-owned assets mentioned below refer to operating state-owned assets.

## 2. The origin and essence of economic law

Economic law is closely related to economic crisis. In the process of transforming from free competition to socialized (monopoly) market economy, the economic crisis in capitalist countries is the concentrated expression of the "failure" of market regulation mechanism and the strongest call for national regulation mechanism. Therefore, it is also the most powerful motivation for the emergence and development of economic law, which is the law of national regulation of economy. When analyzing the problems related to state-owned assets, mainstream economists believe that the principal-agent relationship between all citizens and the government is naturally established without analysis and proof. All citizens entrust all the property rights of state-owned assets to the deputies to the grass-roots people's Congress at one time, and are entrusted to the final agent level by level. State-owned assets are entrusted to the state for management by the whole people, each use must go through the relevant review procedures before concrete implementation, the return generated by the investment of assets is not quantifiable to individuals must be distributed by the state, the risks are also borne by the state, so it is necessary to enact the corresponding economic laws to ensure that the measures of state-owned assets management decision-making and implementation are correct and feasible, so as to represent the public interest, realizing the value of state-owned assets management.

State owned assets belong to the whole people, rather than held by a certain organ, organization and individual. It is essentially different from private property: individual property is handled by individuals, and the benefits and risks are borne by themselves. From economists to government officials It is generally believed that the government is the natural representative of state-owned assets. China's state-owned assets are mainly established by confiscating bureaucratic assets for state ownership, abolishing all imperialist privileges, carrying out socialist transformation of national capitalism and vigorously investing in the construction of various enterprises. The world economic crisis broke out in 1929, which was more serious and larger than previous crises. The crisis has pushed the world’s capitalist system, including that of the United States, to the brink of collapse. At the critical moment, the Roosevelt Administration took the decision to change the traditional concept of the Laissez faire, fully involved in the economy, implemented state regulation, and promulgated a series of laws, a large number of which are about the state regulation of the economy, namely the economic law. When the property as a factor of production into the production and management activities become an asset. Through the economic crisis, the economic legislation of various countries has been strengthened and played a very important positive role.

## 3. State owned Assets Management

The use right of state-owned assets is exercised through the relevant departments of the state, and the types of use are various, state-owned enterprises and institutions, including for-profit asset disposal of state-owned enterprises and property distribution of administrative departments, refer to state-owned enterprises and institutions, among which the enterprises and institutions are self-financing institutions for the purpose of profits. The Administrative Unit refers to the unit that carries on the State Administration, organizes the economic construction and the cultural construction, maintains the social public order. All the property owned by the above-mentioned units undoubtedly belongs to the state-owned assets. Division of administrative powers between local and central governments. State owned assets are owned by the state, but their users can be divided into central and local. The law should clarify their authority to deal with local state-owned assets. On the premise of meeting the use of local governments, the remaining assets should be controlled by the central government. Operating investment and income mainly refer to the assets, resources and funds operated, managed and occupied by various state-owned institutions All kinds of assets formed by investing in the operation of state-owned enterprises. Refine the procedures for the use of state-owned assets. For example, the formulation and implementation of the budget mechanism must comply with the provisions of the economic law, so that the investment of state-owned assets will be more targeted, the income will be greater, and the people can really enjoy the benefits of state-owned assets.

When discussing the management of state-owned assets and the reform of state-owned enterprises, it is always mentioned that the concept of ownership by the whole people should have the following characteristics: 1 2. Every citizen has a residual claim to the same shares; 3. No one has the right to transfer his residual claim to another person for a fee; 4. No one has the residual control that proceeds from the residual claim. Like private enterprises, the principal in the state-owned economy has the right to supervise the agent. From the characteristics of the ownership by the whole people, we can see that the ownership by the whole people means that "Voting by hand" is the only way for the client to exercise the right of supervision. Due to the large number of citizens in our country Voting by hand is actually not feasible. Citizens who cannot exercise their rights entrust their rights to deputies to the grass-roots people's Congress to exercise them on their behalf. Deputies to the grass-roots people's Congress entrust them to the National People's Congress level by level. The National People's Congress entrusts them to the government, the government entrusts them to state-owned asset management institutions, and finally to the interior of the enterprise. It constitutes a long principal-agent chain with multiple principal-agent relationships. In this principal-agent chain, there is an express or implied principal-agent contractual relationship between the principal and the agent. Of course, whether express or implied, the contract is incomplete. See Figure I. Where P represents the entrustment relationship and A represents the agency relationship.

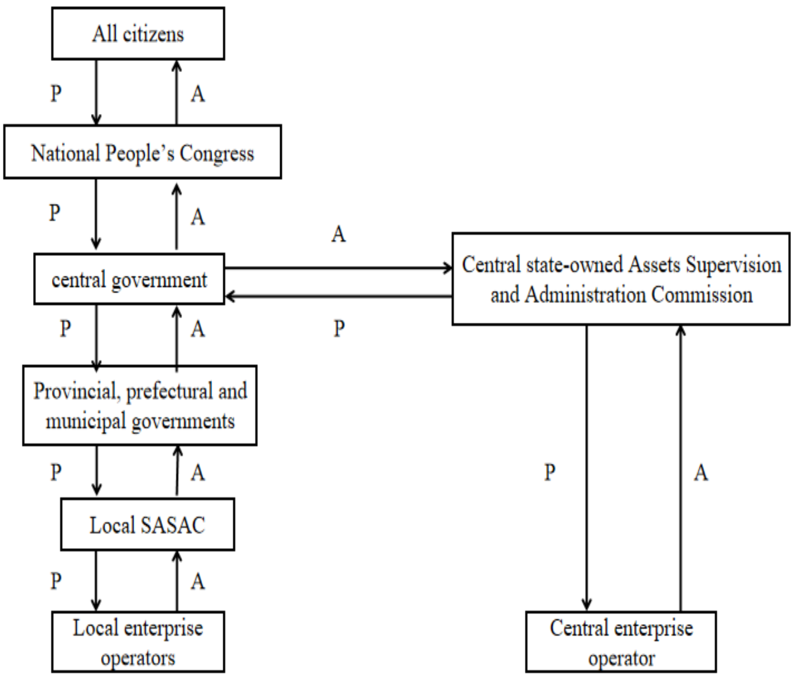


**Fig. 1** principal-agent model of state-owned assets

# 4. The Enlightenment of the financial crisis on strengthening the legislation of economic law in China

The current law does not recognize that local state-owned assets are at the disposal of local governments, but in fact local governments have exercised management rights over local assets, resulting in inconsistency between local property rights and central property rights. If the State Economic Regulation does not have the corresponding economic law, it will be separated from the regulations of legal principles and rules, which will inevitably lead to improper regulation or abuse of power, making the state regulation not only unable to make up for the defects of market regulation, on the contrary, it disrupts the normal economic structure and operational order. The formulation and promulgation of the economic law on the management of state-owned assets can not violate the fundamental requirements of the constitution, so as to ensure the rationality and correctness of the formulation of the economic law. Countries use fiscal, tax and financial policies to enact or revise corresponding laws, expand financial investment, increase money supply, alleviate the credit crisis, save financial institutions and other large enterprises on the verge of debt difficulties, curb social excessive consumption psychology (such as in the United States) or take consumption encouraging measures (such as China) in view of insufficient social consumption demand, etc. In countries that not ruled by law, the administrative power is often expanded and rarely restricted by law, so the probability of national regulation errors is greater, the losses are often more serious, and it is difficult to investigate the responsibility.

Due to the socialization of production, since the end of the 19th century, the State Economic Regulation Function and Economic Law of some countries have come into being and developed. Adhere to the principle of people’s democracy. The rights of the state come from the people, and the state-owned assets also come from the people. When making economic laws for the management of state-owned assets, we must give full play to the democratic characteristics and let the masses participate in the process of making laws. Give full play to the use value of state-owned assets. The internal causes of the loss of state-owned assets are mainly determined by the characteristics of the relationship between state-owned assets. The external cause is related to the imperfect laws and regulations and supporting systems of the protection of state-owned assets. In a market economy, although private investment is the main part of social investment, the proportion of state direct investment can not be too large, but as a basic way of the state to regulate the economy, it is also necessary and can not be abolished, and its special value and function can not be replaced by other ways. In terms of coping with the current financial crisis, turning crisis into opportunity and promoting China's sustainable economic development, China's economic law has a heavy task at present, and the "three components" in its system - market regulation law, national investment and management law and macro guidance and control law need to be strengthened. At present, the implementation of commitment system is the only way for the modernization of national investment management. The essence of commitment system reform is to introduce administrative contract into investment management. The government transmits the responsibility of abiding by social norms from enterprises to intermediaries through administrative contract. The original intention of designing this system is to return the subject status of investment to enterprises, let intermediaries shoulder their contractual and social responsibilities, and ask the government to return to the regulatory position of safeguarding social equity and public interests. There is no corresponding law to regulate the investment project commitment system so far. It needs to be formulated urgently. Whether from the perspective of improving people's lives or promoting national development  it is urgent to strengthen the protection of state-owned assets. In particular, we should curb the rapid loss of state-owned assets and bring the legal relationship of state-owned assets into a scientific and appropriate legal protection system as soon as possible.

## 5. Conclusions

The management of state-owned assets is related to the overall situation of national economic construction and social development and stability. By analyzing the legal basis of the management of state-owned assets and combining the current situation of the management of state-owned assets, the formulation of economic laws for the management of state-owned assets has a very important role in promoting. It is also very important to cultivate active institutional investors, strengthen the supervision of information disclosure and perfect related laws and regulations to improve corporate governance. Divide the scope of the use of state-owned assets. Any person who goes beyond the specified scope or fills his own pocket will be severely punished by economic law and truly play the role of state-owned assets supervision. The inflow and outflow of contemporary transnational funds have a great impact on the target country. For example, it will cause severe vibration in the country's stock market and real estate market, and its supervision is very difficult. We must study and improve the supervision legal system. With the support and promotion of the government and the introduction of relevant laws and regulations, state-owned assets will develop healthily and continuously and make due contributions to promoting the development of the national economy.

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