

Research on Financial Ecological Legal System Based on Legal Economic Analysis

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Abstract: in the Construction of Financial Ecology, Perfecting Legal System is the Most Important Thing to Improve Financial Ecology. Financial Ecosystem is Formed under a Certain Political, Economic, Cultural and Legal Environment, So It Has Distinct Institutional Structure and Social and Cultural Characteristics. Using the Relevant Theories of New Institutional Economics to Explain That the Core of the Construction of Financial Ecological Environment is the Construction of Legal System, This Paper Makes an in-Depth Analysis of Chinese Financial Ecological Situation from the Micro and Macro Economic Aspects, and Probes into Many Problems Existing in the Current Financial Ecological Environment in Chinese Legal System. At Present, the Most Important Problem in Chinese Financial Ecological Construction Should Be to Improve Financial Property Rights as the Core, to Strengthen Credit Order as the Focus, and to Improve the Legal System of Financial Subjects.

1. Introduction

Financial Ecology is a Dynamic Balance System with Certain Structural Characteristics and Functions Formed by Various Financial Organizations through Division of Labor and Cooperation in the Long-Term Close Contact and Interaction between Their Living Environment and Internal Financial Organizations [1]. Institutional Defects of Financial Property Rights Hinder the Healthy Growth of Financial Subjects. in Previous Years, the Central Bank and the Government Had to Bear All the Disposal Costs When Dealing with the Risks of Such Institutions as the City Trust Society, the Rural Foundation and the Trust. Generally Speaking, the Financial Ecology Has the Nature Evolution, the Financial Industry Evolution Process is Along with the Productivity Progress and the Production Relations Adjustment and Unceasing Development [2]. Most Studies Show That the Reasons That Affect the Security of a Country's or Region's Financial System Come Not Only from the Financial Sector Itself, But Also from the External Environment in Which the Financial Sector Operates, and the Latter May Occupy a Dominant Position [3]. Financial Subjects Reshape the Financial Ecological Environment by Changing the System, Thus Improving the Quality of the Entire Financial Ecology. Since There is a Significant Connection between Financial Ecology and Financial Reform, the Financial Reform Has Not Yet Been Completed, and It is Necessary to Continue and Deepen the Follow-Up Research on Financial Ecology.

2. Legal System Affects Financial Ecology-an Analysis of New Institutional Economics

2.1 Relevant Theories of New Institutional Economics on Institutional Analysis

New Institutional Economics Generally Holds That Institution is a Series of Established Rules, Law-Abiding Procedures and Moral and Ethical Norms of Behavior. It Aims At Restricting Individual Behaviors That Pursue the Welfare of the Subject or Maximize the Benefits of Utility. the Research of Economists Has Gone through the Process from Studying the Relationship between Money and Economy, to the Relationship between Finance and Economy, and Then to the Financial Ecology, Which is a Comprehensive Understanding of Finance. the Structural Order of Financial Ecology is Formed from Competition. the Most Important Feature of Competition is the Survival of the Fittest. the Reason Why the Financial Industry Can Compare with the Financial Ecology is That

There is a Competition Test of “Life and Death” in Finance [4]. a Perfect Legal System Can Effectively Play the Incentive Role of the System, Enhance the Self-Regulation Function of the Financial Ecology, Help to Reduce the Transaction Costs of Financial Activities and Improve the Efficiency of Financial Transactions. the Legal System is the Core Foundation of the Financial Ecological Environment, That is, the Foundation of the Entire Financial System [5]. Financial Ecology Refers to the Image Description of Financial External Environment by Using the Concept of Ecology, Usually Referring to a Series of External Basic Conditions for Financial Operation. the Improvement of the Financial Ecological Environment Includes Two Levels. One is the Overall and Macro Ecological Environment, Including the Government, Legislation and Judicial Environment. the Second is the Ecological Environment At the Local Level. Therefore, the Power, Vitality and Diversity of Financial Ecology Must Come from the Existence of a “Dead” Mechanism in Financial Ecology. the Competition Rules of Survival of the Fittest in Natural Ecology Are Also the Competition Rules of Financial Ecology.

2.2 Analysis on the Influence of Legal System on Financial Ecology

In the financial ecosystem, all financial businesses are represented by the conclusion and performance of contracts, while financial supervision is also represented by the implementation process of contracts [6]. Therefore, the legal system has become an important basis for the operation of financial ecology. The emergence and formation of the theory of sustainable development is a reflection on the results of human social and economic development. Modern social development is an organic unity of ecological development, economic development and social development. Sustainable economic development must be based on ecological sustainable development and aim at social sustainable development. A good political, economic, cultural and legal environment is conducive to the structural optimization, functional strengthening and productivity improvement of financial ecology [7]. In modern society, any financial institution and financial activity must exist and develop under the legal environment. Even if new financial organizations, financial services, financial products and financial instruments appear, they must accept the norms of the existing legal system or need to be affirmed by the new legal system. When funds are dispatched, the scale of credit or authorized credit, there will be a tilt, and more funds will flow to this place, forming an aggregation effect of funds, so as to better promote the economic development of the region. However, the financial ecosystem is formed under a certain political, economic, cultural and legal environment, so it has distinct institutional structure and social and cultural characteristics. Financial ecology is a self-repairing system formed by the interaction between all participants in financial ecological activities and all environmental factors that can affect them.

3. On the Deep Causes of Legal Defects in Chinese Financial Ecological Environment

3.1 The Fundamental Change from “Rule by Man”, “Rule by Power” to “Rule by Law” Has Not Been Realized

From the perspective of new institutional economics, Chinese market-oriented reform is facing two basic institutional changes: one is to transform the property right system adapted to the planned economy into the property right system adapted to the market economy; The second is to change “rule of man” to “rule of law” [8]. Capital accumulation originates from savings and forms from investment. Whether the regional economic development can mobilize sufficient savings is the key to capital accumulation. Through financial innovation, financial instruments with strong liquidity, high safety and stable income are provided to improve the saving structure and increase the saving tendency. The system includes formal constraints and informal constraints. Formal constraints refer to the conscious creation of a series of rules, including political and judicial rules, economic rules and contracts. Since the reform and opening up, although China has made remarkable achievements in the construction of democracy and legal system, the legal system is increasingly showing its importance in social and economic life. Financial credit has been upgraded to national credit. In the

end, when financial institutions have problems, the state will “clean up the mess” and the central bank and all levels of finance will implement relief. This obviously violates the operation rules of the market economy [9]. Financial ecology is summarized as the long-term close contact and interaction between various financial organizations and their living environment and internal financial organizations in order to survive and develop. The upgrading of industrial structure is based on technological progress, and the motivation of technological progress is the promotion and protection of institutions. Therefore, institutional factors play a decisive role in economic growth.

3.2 The Imperfect Current Legal System Has Destroyed the Spontaneous Adjustment Mechanism of the Financial Ecosystem

In terms of financial subjects, the lack of legal system hinders the healthy growth of financial subjects. The subject in the financial ecology is built by law, therefore, whether it is conducive to the design of a sound and dynamic subject is a main criterion to measure whether the legal system is “good” or not [10]. Financial development plays an important role in the evolution of regional industrial structure and organizational form. Financial development means the diversification of financial institutions and financial instruments, which can provide complete means for credit expansion. From a financial point of view, a sound legal system can effectively play an incentive role in the system, enhance the self-regulating function of the financial ecology, help reduce transaction costs in financial activities and improve financial transaction efficiency. In terms of market access, the law sets a high threshold, especially the discriminatory attitude towards financial entities with different ownership systems, which makes the development of non-public financial entities very imperfect and seriously affects the diversification and vitality of financial ecological entities. It destroyed the survival and competition rules of survival of the fittest and made financial institutions have insufficient understanding of the importance of internal control and development. The pace of innovation is slow and their ability to evolve, resist risks and adjust themselves is greatly limited. When financial ecological subjects find that the cost of conducting financial transactions is too high or even exceeds the income, they will choose to stop the transactions, which will inevitably lead to the interruption of the financial ecological chain and the serious deterioration of the financial ecological environment.

3.3 There Are Still Many Contradictions between Informal Constraints and Market Economy

An important meaning of the degree of marketization is the continuous innovation of the system. According to North's division, the system is divided into formal system, informal system and implementation mechanism. The existence and development of the financial system not only satisfy the financing ability, but also affect the supply of funds to high-tech industries through risk diversification management, promote the optimization of regional industrial structure and promote regional economic growth. However, if the legal system is dysfunctional, inefficient or unfair, the expectations of economic entities will be distorted. Our country does not lack the ability of system innovation and system innovation, but lacks an environment and conditions for implementing the system. The key to Chinese system innovation is to establish an effective implementation mechanism. Specifically, in terms of market access, the law sets a high threshold, which makes the development of non-public financial entities very imperfect and seriously affects the diversification and vitality of financial ecological entities. After the credit system of financial institutions has been gradually tightened, especially the state-owned commercial banks have implemented a strict credit system, the amount of deposits absorbed by financial institutions has increased year by year, the amount of loans issued has shrunk day by day, and the gap between deposits has widened year by year. The behavior of financial institutions is formed under the specific property right system structure arrangement. Different property right system arrangements will produce different behaviors of financial subjects and financial consumers, thus affecting the entire financial ecosystem.

4. Measures to Establish Financial Legal System Meeting the Requirements of Financial Ecological Development

4.1 We Will Improve the Legal System for Financial Entities and Improve the Legal Norms for Financial Operations

New institutional economics holds that one of the main functions of property rights is to guide people to realize incentives to internalize externalities. Effective property rights arrangement can internalize externalities, which is an important value of property rights. The spontaneous order of financial market is the basic feature and law of financial ecology. The financial industry should allocate resources according to the market law. Local governments must change their conservative and backward concepts, reduce excessive interference in the financial system, and enable the financial system to normally realize the function of resource allocation. In accordance with the legal concept of market economy in developed countries and taking full account of Chinese specific national conditions, we will continue to improve the financial legal system to provide a solid institutional guarantee and macro conditions for optimizing the financial ecological environment. On the basis of clear property rights and in accordance with the principle of equal rights, responsibilities and benefits, the legal responsibilities of shareholders should be strictly implemented and the legal system for credit management should be improved. As far as finance is concerned, the behavior of financial institutions is formed under specific financial system structural arrangements. Different financial system structural arrangements will produce different behaviors of financial subjects. As it is difficult for financial institutions to find investment projects, a few well-run industries have become the targets for banks to compete for investment. In the future, China should continue to speed up the reform of property rights in the financial industry and broaden the scope of investors. On the other hand, we should improve the modern enterprise system and strengthen the restriction of property rights. The formulation and improvement of financial rules should fully embody the concepts of property rights protection, freedom of contract, the combination of laws and national policies, and the equally important concepts of efficiency and fairness.

4.2 Constantly Improve the Financial Legal System to Provide a Solid Institutional Guarantee and Macro Conditions for the Survival and Development of the Financial Ecology

Judging from the nature of market transactions, Chinese market transactions are mainly based on the relationship economy, which is still far from the developed market economy countries based on the contract economy. Generally speaking, the relationship-based system only needs very low fixed costs, but this system contains high marginal costs. Under the circumstance that the withdrawal mechanism of financial market is ineffective, the market is polluted, the market fails and the market efficiency is low because some excrement in the market cannot be removed. The scope and applicable conditions of the crime of loan fraud should be expanded, and the subject of loan fraud should be expanded to include legal persons, so as to curb corporate loan fraud. In a society based on the rule of law, the establishment of legal basis and various institutional facilities may require high fixed costs. However, after paying these public fixed costs, the marginal cost of each unit contract implemented in a society ruled by law is very low. In the natural ecosystem, the boundary of species is strictly defined. This definition is the basis of ecological balance, without which everything will not exist. The financial ecosystem is just like the natural ecosystem. No economy will exist without the definition of property rights. On the other hand, in China, where administrative power plays a leading role, almost all the constituent elements of the financial ecological environment, such as the legal environment, economic foundation and local financial development, are strongly influenced by the actions of local governments. The law and economics expanded from the new institutional economics closely linked legal issues with economic issues, highlighting the protection of law in the economic and financial fields.

4.3 To Improve the Efficiency of Financial Law Enforcement, Strengthen the Supervision of Financial Markets

In the presence of positive transaction costs, laws play an extremely important role in determining how resources are utilized, and the principle of financial ecological balance is an important basis for macro-control. The imbalance of financial ecology is manifested in the price mechanism. First, the discovery function of the financial market fails, causing the price to deviate from the value and creating the so-called bubble economy. Second, the artificial control of prices has resulted in uneven distribution of value among economies. Therefore, a Financial Institutions Bankruptcy Law that is conducive to protecting the interests of creditors of financial institutions, urging financial institutions to operate more steadily, and effectively guiding the efficient allocation of financial resources and a virtuous circle must be promulgated as soon as possible. According to the market principle, the bankruptcy law for financial institutions should be promulgated as soon as possible, the enterprise nature of financial institutions should be restored, the competition mechanism for financial institutions to eliminate the superior and eliminate the inferior should be improved, administrative actions should be standardized, abnormal administrative intervention in finance should be prevented, and efficient allocation of financial resources should be effectively guided. Chinese enterprises implement a financing system with indirect financing as the main body. Enterprise financing mainly comes from bank loans. The interests of bank creditors should be fully respected and protected. Give full play to the role of policy banks, so that policy banks are inclined to the central region from setting up to lending, supporting the resource development and economic construction in the less developed central region; Establish a long-term mechanism for agricultural development in central China and a mechanism for increasing farmers' income to improve the level of agricultural industrialization. Starting from improving the macro-control effect and the effectiveness of monetary policy, the central bank should be restricted by law to take unlimited risks and the mechanism of financial institutions' rescue responsibility.

5. Conclusion

On the basis of discussing the theoretical connotation of financial ecology, this paper traces back to the theoretical origin of the concept of financial ecology, discusses the promoting effect of financial ecology on economic growth, and analyzes financial risks from a brand-new perspective of financial ecology. We believe that although the financial ecology of our country has been significantly improved, due to the unbalanced development strategy of the central government, the behavioral differences of local governments and the unbalanced development of the financial system. The mode of institutional change in our country should be transformed from mandatory institutional change to a combination of mandatory and induced institutional change so as to maximize the role of microeconomic entities and reduce the cost of institutional change. Based on the perspective of financial ecology, this paper makes an in-depth analysis of the overall financial situation and its causes, and then puts forward some feasible countermeasures and suggestions for constructing a harmonious financial ecology to realize the long-term and stable development of Chinese economy.

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