

The Key Issue of the Supply Front Reform: Free Flow Strategy of Human Capital

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1. The premise: respect the inherent law of industrial upgrading and consumption upgrading.

The consumption demand of Chinese residents has experienced several large-scale updates. The consumption structure of urban and rural residents is on a transitory stage from survival consumption to services consumption and new requirements have been raised toward consumption structure and consumer goods quality. If the consumption supply could not meet the requirements raised by the consumption restructuring, the vigor of consumption will not be released.

The industrial upgrading and consumption upgrading have their inherent laws that the supply-side reform should respect. On the one hand, China's basic industry is still manufacturing. It would contribute to the transformation and upgrading of manufacturing industry if we can combine it with the new thinking and methods brought out by Internet. On the other hand, we should cultivate and develop strategic new industries to promote the quality and raise the development level of the whole industry. What's more, we should also push forward the development of a multi-level and multi-domain service industry, laying equal stress on producer services and consumer services, modern services and traditional services.

2. The assurances: promote the transformation of public finance and services and activate the innovation of enterprises.

Firstly, we should greatly increase the expenditure of public services in the public budgets of our government, in order to push forward the transformation of public finance. The supply structure of public product is restricted by the development stage. When the GDP per capita surpasses 3000 dollars, the emphasis of our government expenditure should be moved to some public services like environment protection, education, medical treatment, public housing and elderly care. At the primary stage of economic development, the expenditures on economic construction and social infrastructure take a large proportion of the whole financial expenditure, which cuts short the budget on public services. As a result, the government services on education, medical treatment and elderly care are insufficient. In return, the residents have to increase their savings out of risk anticipation. This situation has to be changed.

Secondly, we should separate the providing responsibility and the

The author holds the key to China's reform of the supply front is to set up free flow strategy of human capital. Therefore, we should respect the inherent law of industrial upgrading and consumption upgrading, raise the percentage of public services of the government expenditure, lay emphasis on the cultivating and training of human capital of the enterprises and achieve the goal of equalization of public services.

production responsibility of public products and public services. Our government has the responsibility and obligation to provide public services and products like environment protection, education, medical treatment, public housing and elderly care. However, the producing subjects of these products and services could either be public departments, private enterprises or social organizations. As to the providing of public services and products, we should break the pattern in which the public departments are the only supplier and allow all kinds of capitals to enter the field of public services and products, so as to stimulate competition between the public departments, the private departments and the public and the private departments.

Government, as the responsible party of providing public services and products, should perform its function by market mechanism, so that it can increase the efficiency of producing public products and optimize financial expenditure. After adjusting the mode of economic development, it is estimated that the growth of government revenue will face obstacles. So that the market competition mechanism, such as establishing social organizations, public services outsourcing and public-private partnership, should be introduced to the performance of government functions to alleviate fiscal difficulties.

Thirdly, we should sort out our relation with enterprises and the society in order to ease the fiscal burden.

First of all, local governments should cut off the blood-transfusion type bond with local enterprises. Due to the achievement assessment or social stability, some local governments tend to support these zombie companies that are no longer able to make profits. As a result, those zombie companies could not die completely leading to overcapacity and overstocking.

Then, the government should create all kinds of opportunities for the establishment and development of enterprises, provide new enterprises with a tolerant surviving and developing environment, so that all sorts of companies are willing to innovate and upgrade, also, the innovation vigor of enterprisers and individuals can be stimulated. On the one hand, the government should reduce taxes, cancel and loosen all kinds of restricts, making enterprisers and entrepreneurship take the leading role of the market. On the other hand, the government could set up venture capital funds, venture investment funds, angle funds and entrepreneurship funds for graduate to encourage new entities and industries in the market.

Once again, special attention should be paid to the development of social enterprises. They provide public services and have revenue as well. The rest of the revenue, apart from the part spent on keeping daily operation, is not for dividend, but will be spent on public services again. This can

help the social enterprises develop faster and at the same time the fiscal burden falls dramatically.

3. The key: build up the free flow strategy of human capital.

For the restructuring, upgrading and innovating of an enterprise, human capital is fundamental. Therefore, during the process of supply-side reform, we should put emphasis on building up the free flow strategy of human capital.

Firstly, we should lay stress on the human capital training of start-up enterprises and retraining of the collapsed enterprises. The supply-side reform always comes along with the birth and death of enterprises. Relevant departments should strengthen the planning, cultivating and training of the market-oriented talents to meet the demand of human capital in emerging enterprises and solve the problem of training and re-employment of laid-off workers.

Secondly, we should designedly arrange for the low-skilled labors to enter the market, so as to maintain a good labor gradation during the urban development. The high-skilled labor force and low-skilled labor force are mutually complementary and mutually dependent. During the urban development, high-skilled labors serve as the engine. Together with the improvement of education, they are leading the urban development and bringing up the need for low-skilled labors at the same time. The population and economic activities worldwide are gradually highly concentrated on metropolitans and their radiant areas. It benefits from the gathering of high-skilled labors. It has generated the external nature of human capitals, the complementary of high-skill labors and low-skilled labors and the consumption externality. And these facts together increase the need for low-skilled labors. Thus the high-skilled labors and low-skilled labors could gather harmoniously in metropolitans.

Thirdly, we should promote equalization of public services and make sure the low-skilled labors have the equal chance of having education, medical treatment, elderly care and other public services. Although the income gap between high-skilled labors and low-skilled labors is hard to reduce in the short term, we should promote equalization for the urban migrants on the aspects of education, medical treatment, and social security, reduce the precautionary savings and minimize the distinction brought by income differences. In addition, the public service equalization can reduce the saving will of low-skilled labors and enhance their consuming intention. Therefore, the overall consumption level would be improved.

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