Global Institute for Sustainable Prosperity

Monetary Sovereignty for Public Purpose:

Sustaining and Complementing China's "New Infrastructure"

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Executive Summary:

This paper elaborates Modern Monetary Theory to achieve three goals: 1) critique the myth of sound finance in mainstream economics; 2) provide theoretical justification for the fiscal sustainability of the Chinese "New Infrastructure," a 40 trillion RMB mega investment project that was just announced by the Chinese state media; and 3) propose a Chinese Green Job Guarantee to complement the "New Instructure" to eliminate unemployment, promote sustainable development, upgrade industries, and stabilize the Chinese society.

In 2013, a top-level Chinese leader elaborated his understanding of government finances by asking, "What to do when facing economic downturn? We have two options to stabilize growth and employment. One is to expand fiscal deficit and increase money supply to encourage investment. However, while doing so may work temporarily, it requires fiscal and monetary policy spaces. More importantly, such short-term stimulus cannot be sustainable because our deficit to GDP ratio already reaches 2.1%. What does it mean? The European Union set a standard that the deficit to GDP ratio must not exceed 3%. Of course, many member countries did not follow this rule. They exceeded it. The result is well-known: the euro debt crisis. From then [2008] till now [2013], some countries experienced even negative growth and expanding unemployment, and could not maintain its welfare that was in place before."

The above "sound finance" view is clearly a reflection of the influence that mainstream neoclassical economics exerts in China, especially the mainstream theory of money and banking as represented by Milton Friedman's Monetarism and Lucas's Rational Expectation Theory. In these theories, government deficits are demonized, and large and persistent deficits are to be avoided. According to this economic logic, China's 40 trillion RMB "New Infrastructure" plan is bound to be unsustainable.

However, this is not true. This paper uses two key findings in the Modern Monetary Theory (including Professor Randall Wray's testimony[1] to the U.S. Congress on November 20, 2019) to critique the theoretical myth of "sound finance" in mainstream economics. The purpose is not simply to argue for the fiscal sustainability of the "New Infrastructure" but also to help the Chinese government as well as other monetarily sovereign governments to liberate productive forces of its government spending. "New Infrastructure" is one way to achieve public purposes by intelligently

[1] Reexamining the Economic Costs of Debt: http://www.levyinstitute.org/pubs/tst_11-20-19.pdf

using government finances. Other important reform policies, such as a Chinese Green Job Guarantee program present further examples of using government finances to address economic, environmental, and social issues in China.

1. Why Government Deficits are Necessary

The first major contribution of Modern Monetary Theory (MMT) is to emphasize a macroeconomic accounting identity: Domestic Government Balance + Domestic Private Balance + Foreign Balance = 0.[2] Each balance can be positive, negative, or zero. For example, when Domestic Government Balance is positive, it means that the country realizes a budget surplus; when Domestic Private Balance is positive, it means that the country's private sector, as a whole, realizes a surplus; when Foreign Balance is positive, it means that foreign countries as a whole have run a trade surplus against the country (in other words, the country in question has realized a foreign trade deficit). This accounting identity reflects the basic accounting principle in the macroeconomy level. So, based on a country's foreign trade position, there are three scenarios.

a. Balanced trade

When a country runs a balanced trade, the Foreign Balance equals 0, and hence the identity simplifies to: Domestic Government Balance + Domestic Private Balance = 0. So, if the country's domestic government realized a 100 million surplus in a given year, then its private sector must have run a 100 million deficit. In other words, to allow the private sector to net accumulate financial wealth, the domestic government must run a deficit. This is the modern reflection of China's traditional economic wisdom – "store wealth within people."

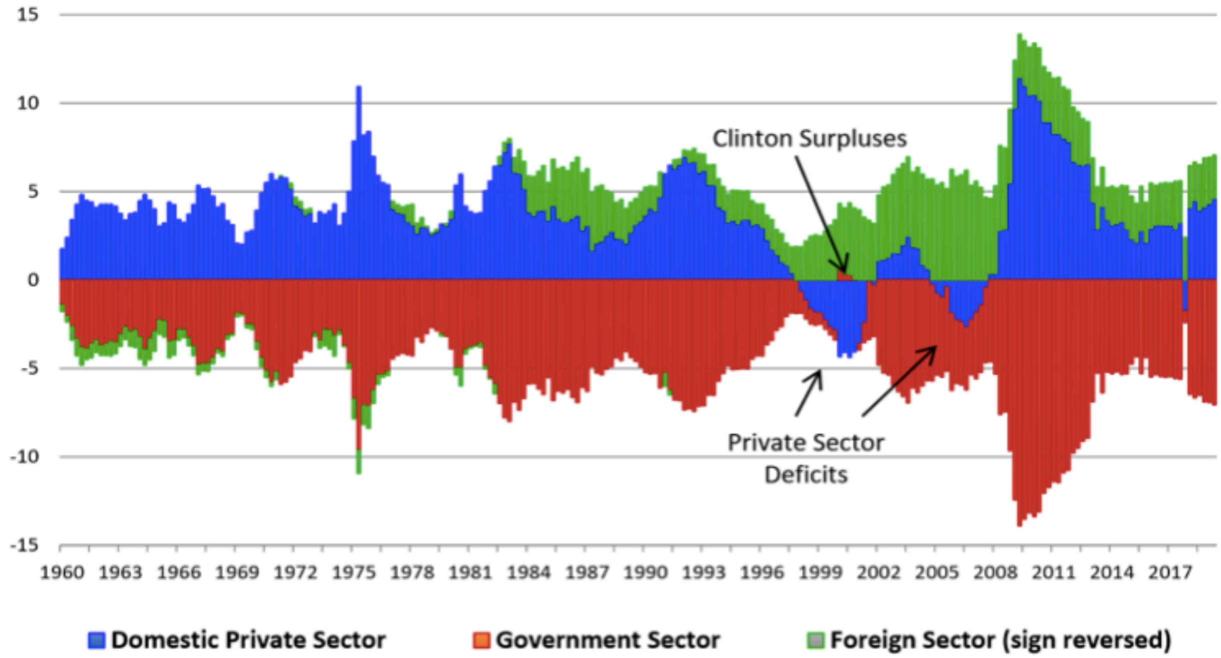
When the domestic government runs surpluses, extraction of financial wealth (tax revenue) is greater than injection of financial wealth (government spending). Hence, in a balanced trade regime, government deficit equals private surplus. Government deficits, by enabling private surpluses, stabilize domestic financial systems by strengthening private sector balance sheets and stimulating the economy through encouraged domestic consumption.

b. Trade deficit

This describes the U.S. position. The U.S. trade deficit means that foreign countries as a whole run a trade surplus against the U.S. This means that the Foreign Balance is positive for the U.S. Assuming the U.S. deficit amounts to 100 million, then the identity becomes: Domestic Government Balance + Domestic Private Balance + 100m = 0. This means that in order to avoid a private sector deficit, the U.S. government must run a deficit greater than 100 million (greater than the size of its trade deficit). Hence, it is no surprise that historically the U.S. government has mostly run sizable deficits, evidenced by the U.S. sectoral balances (Figure 1) as shown below.

[2] In a given year, Global Balance = 0 = Global Revenue – Global Spending = (Domestic Government Revenue + Domestic Private Revenue + Foreign Revenue) – (Domestic Government Spending + Domestic Private Spending + Foreign Spending) = (Domestic Government Revenue – Domestic Government Spending) + (Domestic Private Revenue – Domestic Private Spending) + (Foreign Revenue – Foreign Spending) = 0, and hence: Domestic Government Balance + Domestic Private Balance + Foreign Balance = 0.

Figure 1: US Sectoral Balances 1960-2019Q2

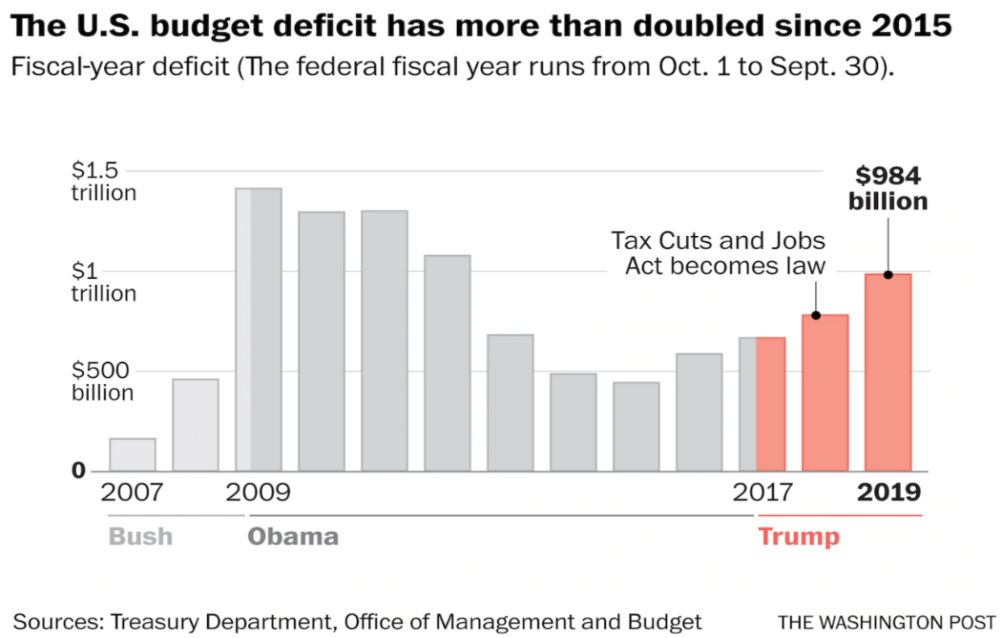


Source: BEA. Note: The government balance in the fourth quarter of 2017 reflects a one-time deemed repatriation tax on foreign earnings accumulated after 1986.

Indeed, we see that historically the U.S. government deficits have largely offset the U.S. trade deficits to allow the U.S. private sector to remain in surplus. It is important to note that U.S. economic crises usually occur when its domestic private sector is pushed into the negative territory for consecutive years, which corresponded to the 2001 and 2008 economic recessions.

It is also important to note that the U.S. economy and employment have remained strong in recent years despite an ongoing trade war with China largely due to the enlarging government deficits under the Trump administration that stabilized the U.S. private sector surpluses and hence the U.S. domestic consumption.

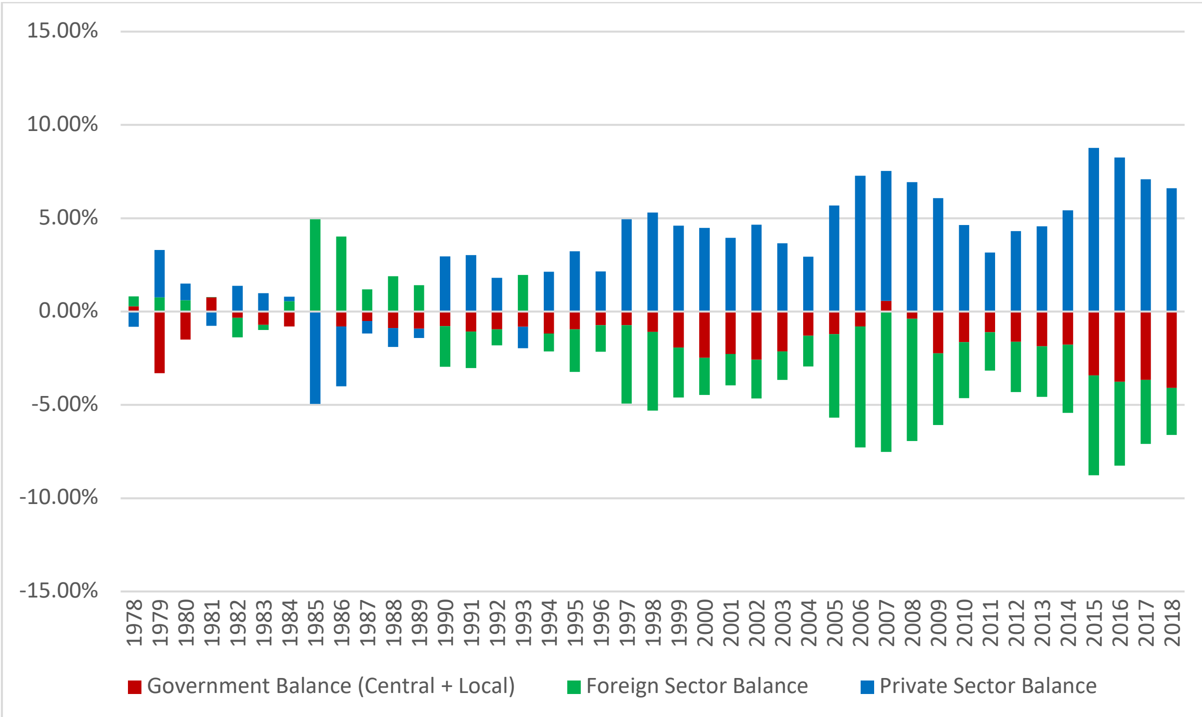
Figure 2: US Budget Deficits 2007-2019



c. Trade surplus

This is China's position. China's trade surplus means that foreign countries as a whole run a trade deficit against China. Assuming China's trade surplus equals 100 million, then for China: Domestic Government Balance + Domestic Private Balance – 100m = 0. To prevent the Chinese private sector from running a deficit, the Chinese government should have a budget balance less than 100m (the size of the trade surplus). If the Chinese government runs a deficit together with China's trade surplus, then China's private sector will benefit from both channels, which was what happened.

Figure 3: China's Sectoral Balances as % of GDP (1978-2018)



Source: National Bureau of Statistics of China

We see that since 1994, China's private sector surpluses have been enabled by foreign sector deficits (i.e. China's trade surpluses) and government deficits. China's private sector surplus as a percentage of GDP reached its peak in 2015 at 8.8%. Since 2015, China's private sector surplus as a percentage of GDP has declined, due to trade surplus occupying a lower percentage of GDP and the insufficient expansion of China's government deficits. Hence, as trade surplus as a percentage of GDP continues to decline in the future, China's government deficits should expand to stabilize Chinese private sector balance sheets in order to reduce systemic default risks in China's financial system.

The Chinese economy is transforming. Due to slowdown in population growth, China's labor costs have risen, which has resulted in the migration of low-value-added exporting industries to foreign countries. This trend is likely to continue. Hence, it is in China's interest to pursue "Made in China 2025" and Supply-Side Structural Reform. Meanwhile, in the global context of rising nationalism, unilateralism, and populism, the Chinese economy should develop resilience by focusing more on consumption-led development. The key to a sustainable consumption economy is the maintenance of private sector surplus, and the key to private sector surplus is government deficit. Hence, government deficits are necessary and functional.

2. Why Deficits for Sovereign Currency Issuers are Sustainable

Even though deficits and national debt are necessary and functional, are they sustainable? Wouldn't too much debt issuance result in the default of a country? These were the primary questions that Professor Randall Wray addressed in his testimony to the U.S. Congress. In order to answer these questions, I briefly elaborate the second major theoretical contribution that MMT emphasizes: money is a product of the state, not market.

A country with monetary sovereignty (one that spends, collects taxes, and issues bonds all denominated in its own currency) can never be forced to default on its own liability. This is because the central government is a currency issuer, not user. As the monopoly issuer of the currency, the central government can always afford to buy goods and services denominated in its domestic currency and can always pay bond yields that are also denominated in its own currency by creating new money into existence. For example, many worry that one day the U.S. could run out of dollars to pay the Chinese holders of U.S. treasury bonds, or that China is financing the operation of the U.S. government. So, what does happen if the Chinese dump all their U.S. government bonds? Would that cause the default of the U.S. government? The answer is no. In fact, China's large holding of U.S. Treasury bonds is a result of the persistent trade surpluses that China has run against the U.S. These trade surpluses became China's foreign reserves denominated in USD. Since U.S. Treasury bonds provide a return, the Chinese swapped USD (which doesn't earn any return) for Treasury bonds. In effect, however, both USD and Treasury bonds are U.S. government liabilities. So, how does the U.S. "pay" the Chinese bondholders? Turn on the computer at the Fed, mark up the "reserves account" and mark down the "bonds account," and the debt is paid. The "reserves account" and "bonds account" are like a regular person's checking and savings account at a commercial bank.

As a country with monetary sovereignty, the Chinese central government as the sole issuer of the RMB similarly cannot be forced to default on RMB-denominated debt. So, the question becomes, if currency issuers cannot default, what is the purpose of taxation, if at all? The answer, as provided by the MMT, is that taxation does not finance government spending, and that government spending allows for taxes to be collected. In a modern money system, the purpose of taxation is to create a demand for the government's IOU, which allows the state money of account to become the standardized unit of account in which all IOUs are denominated. It is through taxation that governments create demand for IOUs since tax payment is a matter of law and that only government IOUs offer a way for individuals to extinguish their tax liability to the government. Hence, for a monetarily sovereign country, the real default risks lie in corporate debt, private individual debt, and foreign debt, but never national debt denominated in its own currency.

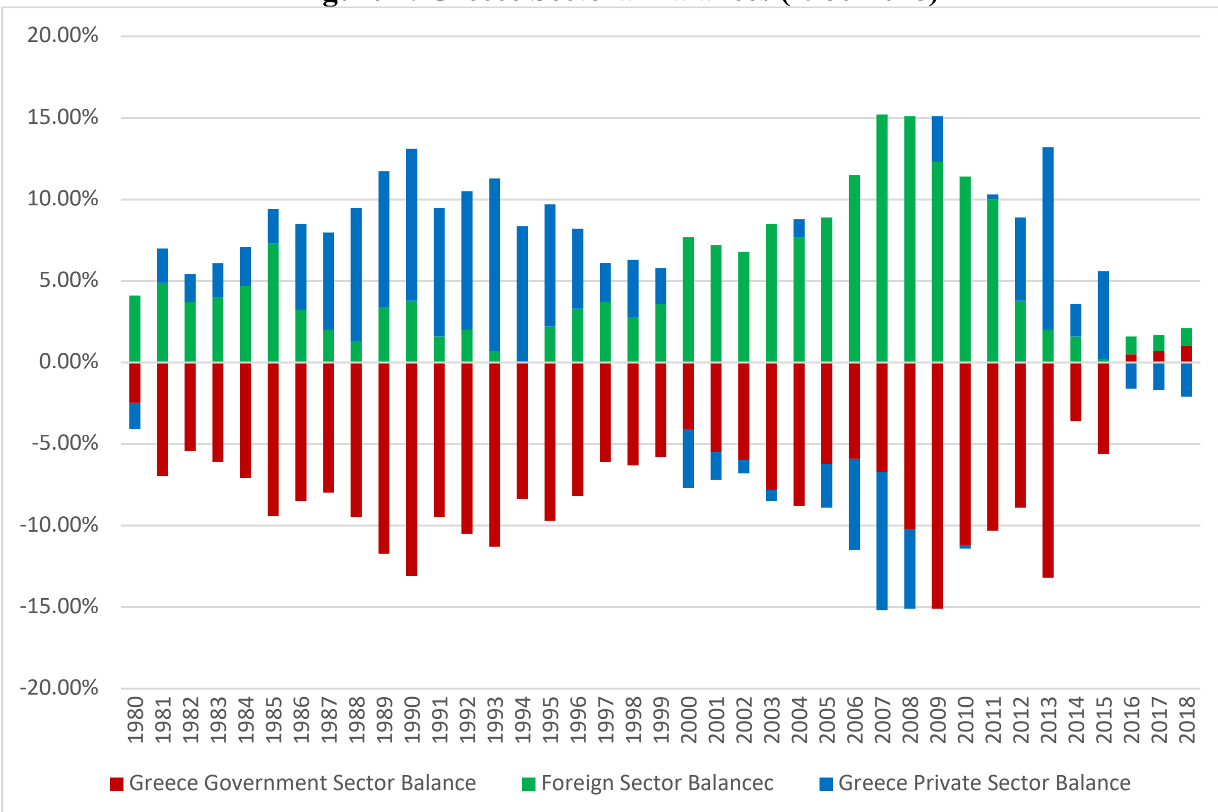
That "taxation does not finance government spending" and that "government spending allows for taxes to be collected" were already well-illustrated in the case of colonial Africa (Forstater 2005). The British colonial government first tried brute force to coerce Africans to work in coal mining and cash crop production but was met with resistance. To solve the problem, the British made a "deal" with the Africans: so long as the Africans pay taxes (which are denominated in British Pounds), the British will bring civilization by using tax revenue to build roads and schools. It seemed a much better and fairer deal than before for the African people, and hence it was implemented. Now, since taxes were denominated in Pounds, and only British mines and cash crop production sites offer Pounds to African wage labors, most of the African labor power had to work for the British mines and farms to earn enough Pounds to pay taxes. Meanwhile, the British also used Pounds to hire African people to build roads and schools to fulfill the "taxes-bring-civilization" promise. The question is: was it the African people's tax money that allowed for the British government to spend? The answer is of course no. In a modern money system, government spending has to logically come before tax collection. When the British government spends, Pounds enter into the African economy; when it taxes, Pounds exits. The British imposed an intentionally higher tax rate, not for financing purposes but for maintaining its ability to mobilize African labor to achieve state purposes in a system where African people were forced to work hard enough to earn Pounds to pay for newly imposed taxes.

Like taxation, bond sales are also not for the purpose of financing, but rather to provide a financial instrument to absorb excess money supply in the economy while helping the central bank hit a target interest rate. However, due to a lack of understanding of modern money, many countries, including the U.S., have mandated that the Treasury's book be balanced, which usually results in the creation of complicated procedures to ensure that the Treasury can always spend despite having to maintain a balanced account at the end of the day (such as the requirement that the U.S. central bank always be willing and ready to purchase Treasury bonds in order to credit the Treasury's account at the Fed so that the Treasury can then spend). Fundamentally, bonds are financial wealth to the holder, and since holders of U.S. government debt are primarily the U.S. private sector, national debt is simultaneously private wealth. Hence, there is little reason to demonize national debt.

3. The Euro Crisis Was Not Due to Large Deficits

Mainstream economics attributes the 2008 Euro debt crisis to the irresponsibly large government deficits of countries like Greece, Spain, Portugal, Ireland, and Italy before 2008 as a means of arguing against government deficits in general. However, the following analysis of a representative country – Greece – shows that deficit expansion was the result of the Euro debt crisis, not the cause. Greece's Euro debt crisis was caused by the rapidly expanding trade deficit and a Euro-denominated government deficit that was no longer sustainable due to Greece relinquishing its monetary sovereignty in 2001.

Figure 4: Greece Sectoral Balances (1980-2018)



Source: OECD

Greece's sector balances show that in order to fulfill the 3% deficit to GDP requirement[3] to join the Euroland, the Greek government gradually lowered its budget deficits from a 13.1% deficit-to-GDP ratio to only a 4.1% deficit-to-GDP ratio (red bars). But the consequence was that the Greek private sector (households and firms) experienced a dramatic reduction in surpluses from a 9.3% surplus to a 3.6% deficit as percentages of GDP.

Then, from joining the Eurozone in 2001 to the eruption of the Euro debt crisis in 2008, the Greek private sector experienced deficits for another seven out of eight years. There are two reasons: First, the rapidly expanding trade deficit from 3.6% of GDP in 1999 to 15.1% of GDP in 2008, and second, the unsustainability of Euro-denominated deficits since 2001 when the Greek government lost its monetary sovereignty measured in Greek Drachma and acquired the status of a colony using the Euro as a foreign currency. Indeed, from 2000 to 2008, the Greek government deficits as a percentage of GDP were actually on the lower end compared to prior practices, and the explosion of Greece government deficits happened after crisis. Hence, deficit expansion was the result of the Euro debt crisis, not the cause.

[3] According to the Maastricht Treaty, Euro countries should have a deficit to GDP ratio less than 3% to ensure fiscal responsibility.

Due to the nature of interlocking balance sheets in modern finance, persistent private sector deficits meant that domestic households and firms balance sheets were weakened and their debt-servicing ability reduced, which likely induced systemic default and ensuing financial and economic crisis. When the Greek government was a sovereign issuer of the Greek Drachma, it could sustainably run Drachma-denominated deficits to stabilize private sector surpluses to offset trade deficits. Hence, the Greek government deficit and national debt had always been sustainable. Even when Greece's deficit reached 13.1% of GDP in 1990, there were no default risks. However, after joining the Eurozone in 2001, Greece became a currency user of the Euro, and hence Euro-denominated liabilities now entailed true default risks for Greece and other Euro nations.

Since Greece abandoned its monetary sovereignty, it had to gain Euro-denominated loans from the European Central Bank when it needed to increase deficits following the eruption of the 2008 crisis. After threatening to exit the Euro system, Greece received loans from the ECB and the EU's promise to help reduce its trade deficit. Hence, from 2009 to 2015, the Greek government had run large deficits and narrowed its trade deficits to allow the Greek private sector to run 7 years of consecutive surpluses. However, due to the fiscal austerity embedded in the design of the Eurozone, the Greek government has actually run three consecutive years of budget surplus since 2016, which, when combined with its trade deficit, put the Greek private sector back into deficit territory. If this continues, it is likely that Greece's second Euro debt crisis will only be a matter of time.

Greece's (and other troubled Euro countries) euro debt crisis directly reflects the importance of monetary sovereignty to a country's macroeconomic and financial stability, and indirectly reflects the fundamental design flaw in the Eurozone creation. The design of the Eurozone was based on the mainstream economists' (such as Robert Mundell) conviction of a one market, one currency policy. In reality, however, money is not just a medium of exchange; it is also a matter of national monetary sovereignty that underpins a nation's fiscal policy space. So long as the Eurozone cannot establish a Euro Country to conduct redistributive fiscal policy (E.g. taxing Germany to spend in Greece), the Eurozone is doomed to fail as a giant neoclassical experiment. Only countries like Germany that expanded its trade surplus could achieve relative success.

4. The Significance of MMT to China

What does MMT mean for China? Simply put, the Chinese government deficits not only should but also can expand to achieve public purposes. For China, a sovereign currency issuer of RMB, it cannot be forced to default on RMB-denominated liabilities. As growth in China's trade surplus is being challenged, the Chinese government must expand deficit spending to stabilize private sector surplus, in order to transition from an export-led to a consumption-based economy.

It must be emphasized that MMT does not promote unlimited government spending. What it does say is that for a monetarily sovereign country, the real limitations are real resource constraint and not financial constraint for its central government. For instance, if unemployment is already achieved, then any additional deficit spending will be purely inflationary. The reality, however, is that government deficits stop short well before reaching full employment, or that the traditional linkage of "economic growth to job growth" has weakened due to automation, rendering a low efficiency to create jobs with conventional stimulus policies, whether fiscal or monetary.

Hence, the real discussion is not whether China (or other sovereign currency issuers) should or can spend, but rather what kind of spending is needed to achieve public purposes. In the past, the Chinese government has spent on traditional infrastructure. As that reaches maturity, the Chinese government should spend on projects that promote industrial upgrading (such as Made in China 2025), address environmental degradation, and produce other quality-of-life enhancing goods and services. "New Infrastructure" is precisely such a policy. A "Chinese Green Job Guarantee" is another one.

Hence, MMT's significance to China is demolishing the myth of sound finance promoted by the mainstream neoclassical economics that views the government as a necessary evil. Government spending and taxation should follow Abba Lerner's principle of functional finance where policies are conducted to achieve desirable effects, regardless of budgetary outcomes. As a revolutionary counter to the mainstream theory of money and banking, MMT provides the theoretical basis required to support policies such as "New Infrastructure." For a pragmatic Chinese state, it can use MMT appropriately to expand the Chinese characteristics of a "Socialist Market Economy with Chinese Characteristics."

5. Complementing "New Infrastructure": a Chinese Green Job Guarantee

As discussed above, MMT has demonstrated that government deficits for a monetary sovereign country are necessary and sustainable. Hence, the 40 trillion RMB "New Infrastructure" is fiscally sustainable. At the same time, the needs for a "New Infrastructure" are also clear: accelerate supply-side structural reform and technological innovation, create employment, encourage consumption, and promote sustainable development, etc. Hence, I focus on proposing a Chinese Green Job Guarantee as a policy proposal to complement the "New Infrastructure." Together, they achieve a more comprehensive list of public purposes by intelligently using government finances. "New Infrastructure" is new in terms of the types of infrastructure projects to be funded but is not new in terms of policy logic that indirectly creates jobs by stimulating economic growth. The problem is that labor-displacing technical change is a long-term trend that could prevent "New Infrastructure" from sufficiently utilizing China's surplus labor. In other words, it may promote industrial upgrading but generate jobless growth. For example, certain categories of "New Infrastructure" (such as UHV, big data center, artificial intelligence, and industrial network, etc.) require specialized skills and are not necessarily labor-intensive. China's 2013 government report shows that "each additional percentage point of GDP growth translates into 1.3-1.5 million new jobs." Even assuming 1% of GDP growth creates 1.5 million jobs, in order to eliminate the 24.27 million urban unemployment in China, the Chinese GDP needs to grow for an additional 16% (in other words, a total 22% GDP growth rate in 2019). This absurd requirement for GDP growth precisely illustrates that the "growth to jobs" policy logic is inefficient and unfeasible in the automating age.

However, in a Chinese Green Job Guarantee, employment creation is the mean, and GDP growth is a natural consequence. Increasing China's fiscal deficit by 1.56 trillion RMB (1.58% of China's 2019 GDP) would have financed a complete Chinese Green JG to eliminate 24.27 million urban unemployment and elevate China's GDP growth rate to the 9.23% and 10.65% range in 2019[4]. Just as the 40 trillion RMB "New Infrastructure" is fiscally sustainable, the 1.56 trillion RMB Chinese Green JG is likewise fiscally sustainable. The difference is that "New Infrastructure" upgrades industry first, and only consequently creates employment; Green Job Guarantee creates jobs first, and consequently addresses the weakness of China's market economy. Hence, a Chinese Green JG can complement "New Infrastructure" to realize both industrial upgrading, full employment, and environmental sustainability. Since the 40 trillion "New Infrastructure" still creates a substantial number of jobs, a Chinese Green JG as a complementary policy only needs to hire the remaining unemployed, which means that the cost will be far less than 1.56 trillion RMB per year. I now briefly introduce the benefits and feasibility of a Chinese Green JG. For details of the program, please see the attached supplementary paper, "Green Job Guarantee for China – From Full Employment to Economic Growth and Environmental Sustainability."

a. Benefits of a Chinese Green Job Guarantee

1) Eliminate China's 24.27 million urban unemployment to maintain economic and social stability.
2) Achieve public purposes by hiring the previously unemployed workers, such as tackling environmental degradation, addressing infrastructure needs, improving community service capacity, and traditional cultural preservation, etc.
3) Elevate additional economic growth by 3.13% - 4.55% of GDP.
4) Complement the Supply-Side Structural Reform by alleviating unemployment pressure and creating needed capacity.
5) Cope with external risks by transitioning the Chinese economy to a consumption-led system in the context of rising global populism, nationalism, and unilateralism.
6) Cope with the population slowdown by allowing the Chinese economy to fully utilize its existing labor force and counter a slowing birth rate by providing economic security to Chinese households.
7) Improve the efficiency of Chinese government deficits since spending in a JG translates directly to JG worker incomes, which then stabilize consumption, profit, and growth.
8) Reduce policy instability since JG is an institutionalized, automatic, counter-cyclical policy tool that helps maintain a government deficit at an appropriate level (i.e. full employment deficit).

b. Feasibilities of a Chinese Green Job Guarantee

1) Political feasibility: as a socialist policy, a Chinese Green JG can become an important component that expresses "Socialist" and "Chinese characteristics" of a Chinese economy. It is the synthesis of "planning" and "market" regarding employment issues. A full employment and green Chinese economy have every reason to be "confident in path, theory, system, and culture."[5]

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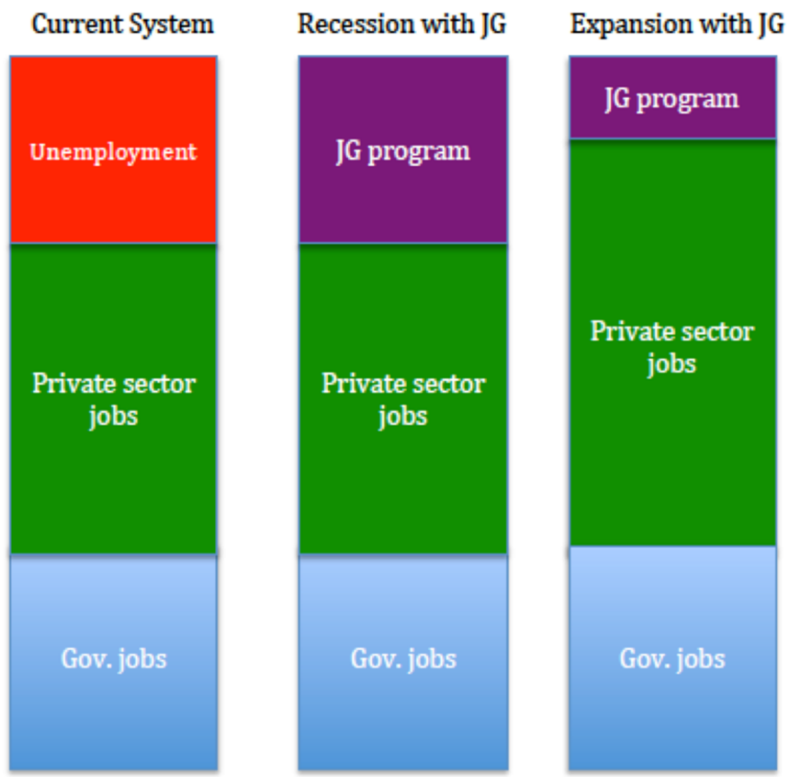
[4] For details, see Huang, Yijiang. "Chinese Green Job Guarantee: A Roadmap for Sustainable Prosperity," Working Paper No. 124, *Global Institute for Sustainable Prosperity* (March 2020). http://www.global-isp.org/working-paper-no-124

[5] President Xi's "Confidence Doctrine" includes confidence in path, theory, system, and culture.

2) Complementary to market economy: a JG program complements, rather than replaces, the market economy, as illustrated in Figure 5:

Figure 5: The Job Guarantee Approach to Full Employment



Source: Forstater, Kaboub, and Kelsay (2015).

3) Economic-environmental synthesis: economic growth and environmental sustainability often contradict as conventional economic stimulus may be contrary to environmental goals. A Chinese Green JG has two ways to contribute to full employment *and* environmental sustainability. One is to directly create green jobs to tackle environmental degradation, such as reforestation, environmental clean-up, recycling, and community gardening, etc. The other is that the jobs created through the JG program tend to be more labor-intensive and less environmentally polluting, and hence the JG itself is more environmentally sustainable.
4) Economic viability: without "New Infrastructure," a complete JG costs 1.58% of 2019 GDP and generates 3.13%-4.55% additional GDP. Hence, even from a strictly economic point of view, a JG is economically rational. With "New Infrastructure," both costs and benefits will decrease proportionately and does not alter the conclusion. It is also important to note that many other benefits of a JG are not imputed a monetary value, such as social stability, economic security, and environmental efficiency. Hence, the GDP benefit of a JG is an underestimate of the true benefits of the program. On the other hand, the true cost of a JG is likely less than my estimation since a full employment Chinese economy will require less government spending on crime prevention and increase tax revenue due to the increased consumption.

5) Fiscal viability: just as the 40 trillion RMB "New Infrastructure" is fiscally viable, the Chinese Green JG that costs 1.56 trillion RMB per year is also fiscally sustainable. Like "New Infrastructure," the Chinese Green JG achieves public purposes by intelligently utilizing government finances.
6) Enforceable policy: the Chinese Green JG should follow the "experiment, evaluate, and expand" principle to be implemented. This allows for time to learn best practices and enhance the organizational capabilities among different levels of Chinese governments and ministries in order to better implement the Green JG. In terms of job types, local communities and governments should propose jobs fulfilling local development needs to be approved and funded by the central government. The central government should evaluate local implementations to minimize corruption. Hence, in the long run, jobs types would change to reflect the evolving needs of the Chinese economy and society. In the short and medium term, I propose Green Jobs, Cultural Preservation Jobs, and other quality-of-life enhancing jobs.[6]

6. Conclusion

By elaborating two key emphasis of Modern Monetary Theory, this paper critiques the myth of sound finance in mainstream neoclassical economics, justifies the fiscal sustainability of China's "New Infrastructure," and proposes a Chinese Green Job Guarantee to complement "New Infrastructure."

Debunking the myth of mainstream economics is crucial to liberating productive forces for countries with monetary sovereignty. MMT has reaffirmed the fact that China, as a monetarily sovereign country, can sustainably and functionally run budget deficits to stabilize private sector balance sheets in order to strengthen its financial system and transition the Chinese economy to be consumption-led.

Therefore, the Chinese government should remain determined to wisely use its fiscal policy space to implement "New Infrastructure" and Chinese Green Job Guarantee – policies that achieve desirable public purposes. If adopted, the Chinese Green Job Guarantee will work together with "New Infrastructure" to eliminate unemployment and address environmental degradation while upgrading China's industry. This pragmatist approach to government finances is a concrete reflection of a "Socialist Market Economy with Chinese Characteristics."

[6] For details, see Huang, Yijiang. "Chinese Green Job Guarantee: A Roadmap for Sustainable Prosperity," Working Paper No. 124, *Global Institute for Sustainable Prosperity* (March 2020). http://www.global-isp.org/working-paper-no-124

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The Global Institute for Sustainable Prosperity (GISP) is an independent public policy think-tank dedicated to the promotion of interdisciplinary research in the service of an improved quality of life for all members of society. We believe that providing decent employment opportunities for everyone ready, willing and able to work at a socially established living wage is an institutional prerequisite for social justice and sustainable prosperity. "Sustainable prosperity" is conceived here holistically, to encompass the physical, mental, environmental, financial, educational and civic wellbeing of all individuals, families, neighborhoods, and regions throughout the world.

GISP recognizes that sustainable prosperity in this sense requires the development of a multifaceted public policy framework addressing the root causes of global, national, and regional socioeconomic challenges. Toward this end, we seek to engage, inspire, and help build capacity in cooperation with academic institutions, policymakers, citizens & workers, social entrepreneurs, philanthropists, businesses, NGOs, and local & global changemakers.

While taking employment policy as our point of departure, our research agenda embraces a variety of topics that are critical for establishing ongoing sustainable prosperity. Such topics include, but are not limited to, financial sovereignty, community development, gender equity, energy & the environment, health & wellness, agricultural & trade policies, social entrepreneurship, science & technology, innovation, education, youth policies, local capacity building, social venture partnerships, arts & culture, law & justice, and global peace studies.

We invite you to join with us in working for greater socioeconomic opportunities and sustainable prosperity for all. We are always delighted to hear your thoughts & ideas, questions & concerns, and hopes & dreams.