

White Paper

The Theory of Redemption and Contemporary China: Understanding the Land Nodal Point and Preparing for Strategic Change

Presented for the attention of Chinese decision-makers

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I. Introduction: A Key Moment in Chinese Economic History

As highlighted in the *Opinion of the CPC Central Committee and the State Council on Promoting High-Quality Urban Development* (15 August 2025), China has entered a new phase: the transition from land development through massive expansion to development through improving the quality of existing stock. This shift is not cyclical, but structural. In repurchase theory, it corresponds to the approach of the land nodal point.

After decades of exceptional growth, driven by urbanisation, industrialisation and massive investment, returns on capital are falling, the property crisis is spreading, and deflationary pressures are mounting. These phenomena are not anomalies, but signs of a deeper change in the economic cycle.

Traditional analytical frameworks – neoclassical and Marxist – offer partial insights. But neither can explain why, despite repeated reforms, the marginal productivity of capital continues to fall, nor how to achieve a lasting solution.

This is where the **Theory of Redemption¹ (TdR)**, developed by economist and geographer Thierry Rebour², provides a unique framework for understanding the **cyclical logic of dominant scarcities**. It shows that every civilisation goes through phases in which a scarce resource becomes the engine of growth, then, once saturation is reached, becomes a brake. This critical moment, known as **the nodal point**, requires not technical adjustments, but **systemic change**.

China, with its strong tradition of cyclical and strategic thinking, finds itself at this crossroads today. This report aims to show that the Theory of Redemption provides a theoretical and analytical framework for the policies already implemented in China. This framework can help to anticipate, steer and legitimise the transition underway with greater precision and control.

1 The presentation of the Theory of Redemption is very brief here. Following this report, the reader will find a note translated into Chinese with a more detailed presentation of the Theory of Redemption. Thierry Rebour's doctoral thesis, published in 2001, is available for download. This thesis is a veritable manual that presents the concepts and questioning methods specific to the Theory of Redemption. The download links for these documents in French are in the bibliography.

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II. The Theory of Redemption: understanding cycles of dominant scarcity

To grasp the dynamics of long-term economic development, we must first understand that every society prospers by gradually appropriating a scarce and strategic resource. This process, known as **redemption**, begins when this resource—which may be labour, land, energy, raw materials or data—initially monopolised and kept off the market (by the state or the church, depending on the location and historical period), is gradually monetised. As long as this dominant scarcity remains available for buyback, each investment generates new wealth, and growth continues.

But this process has a limit. When the resource is fully purchased, it ceases to generate wealth. This is when a shift occurs: **absolute rent** dominates. Unlike differential rent, which rewards quality or effort, absolute rent depends solely on **ownership**. It automatically captures any increase in income, productivity or innovation, without creating real wealth.

This moment is what Redemption Theory calls the **nodal point**: not an accidental crisis, but the logical end of a cycle. At this stage, production no longer creates wealth — it destroys it, through debt, social exclusion, or over-accumulation. The solution does not lie in further investment in the same cycle, but in a **shift towards a new dominant scarcity**.

III. Limits of conventional frameworks in the face of the nodal point

Dominant economic approaches struggle to explain China's current situation. Redemption Theory goes beyond them by offering a cyclical and systemic vision.

The **neoclassical** approach attributes declining returns to "diminishing returns on capital" and "market rigidities". Its response is clear: reform, deregulate, improve marginal efficiency. But this framework remains blind to the fact that, even with perfectly functioning markets, value can be captured by absolute rent. In China, we see efficiency gains in certain sectors, but an overall decline in the return on capital — because wealth is being sucked up by land, not because companies are inefficient.

As for **Marxist** analysis, it formulates the law of the tendency of the rate of profit to fall, linked to automation and the decline in 'living labour'. It captures a real aspect of accumulation, but ignores the role of **successive dominant scarcities**: slavery, land, energy, data, raw materials. It sees a general law where history shows a succession of cycles. In China, the crisis is not primarily one of labour exploitation, but of the **capture of surplus value by land**. A well-paid worker in Shenzhen cannot buy a flat—not because he is exploited, but because the price of land absorbs all his purchasing power.

The Theory of Redemption shows that **declining returns are not a malfunction, but the logical end of a cycle**. It helps us understand that the Chinese slowdown is not due to a lack of reforms, but to **the exhaustion of the urban pioneer front**, and that the real estate crisis is not a liquidity crisis, but a crisis of **land over-accumulation**.

IV. Historical precedents: universal changes

The Chinese experience is not unique. Other civilisations have undergone similar upheavals.

In Rome, in the 3rd century, the Empire was built on the scarcity of slaves provided by conquests. When expansion dried up, labour became scarce and the slave system collapsed. Scarcity shifted to **land**, and large estates imposed **colonage**, a system of land dependency. It was no longer conquest that created wealth, but land ownership.

Similarly, in modern Europe, when the agricultural frontier closed, all land had already been surveyed and privatised. Absolute land rent became a prerequisite for all economic activity. No craftsman could work without renting a workshop, no merchant could sell without acquiring a location. This blockage fuelled the revolutions of the 19th century. It was only with the **industrial revolution**, based on fossil fuels, that Europe was able to shift to a new cycle.

A particularly telling case for China is that of **post-war France**. In 1945, the country was emerging from a cycle of land repurchases marked by inequality and speculation. Faced with the threat of the working classes turning to communism, the French elites chose to **redistribute part of the land rent** through the massive construction of social housing (HLM), social security and tax reforms. This gesture was not only social: it **defused protest**, financed industry, and initiated the economic growth of **the Trente Glorieuses (1945-1975)**.

This case contrasts sharply with that of the **Ming dynasty**, whose collapse in the 17th century was caused by its refusal to socialise agrarian rent. While land was concentrated in the hands of a corrupt aristocracy, the state refused to implement any major tax reforms. The burden fell on the peasants, who, over-indebted, rose up in revolt. Li Zicheng's rebellion weakened the dynasty to the point of making it vulnerable to the Manchus.

☞ These two examples — France and Ming China — show that **the management of land rents is not a secondary economic issue, but a matter of fundamental political stability**

. When the state channels rent, it preserves cohesion. When it leaves it in the hands of closed elites, it risks crisis.

V. China's trajectory according to the Theory of Redemption

Modern China has gone through a classic cycle of redemption, the phases of which closely correspond to the theory.

From 1980 to 2010, China's "pioneering front" was urbanisation and industrialisation. The **dominant scarcities** were cheap rural labour and land suitable for urban development. Every hectare of agricultural land converted, every factory built, every worker transferred from the countryside to the cities generated new wealth. Capital returns were exceptional, growth exceeded 10% per year, and China integrated into the global market.

But from the 2010s onwards, the situation changed. Land suitable for urban development became scarce, labour costs rose, and investments, although massive, began to produce

overcapacity in steel, cement and real estate. Local government debt exploded, secured by the sale of land use rights.

As Muyang Chen analyses, the Chinese development model has relied on an innovative financing mechanism: LGFVs borrow from the China Development Bank (CDB) by guaranteeing future land revenue streams. This "virtuous circle" has enabled massive investment in infrastructure, but it is based on one condition: **land values must continue to rise**.

Today, with falling property prices and saturated urban markets, this circle is breaking down. We have entered the phase **of approaching the nodal point**: marginal capital efficiency has declined, productivity has stagnated, and signs of saturation have multiplied.

Since 2020, the symptoms have become glaringly obvious. The bankruptcy of Evergrande, Country Garden and other real estate giants reveals the fragility of the sector. Return on capital is falling below the cost of capital in several industrial sectors, as shown by analyses by the IMF and the Rhodium Group. Housing is becoming unaffordable for a growing proportion of young people, weighing on the birth rate and social cohesion.

This analysis applies to China's developed regions (mainly on the coasts), but not to the interior of the country, which remains in a frontier situation.

We are therefore at **a turning point**: land rents have absorbed all the value. Building more no longer creates wealth — it destroys it, through debt, exclusion and declining demographics.

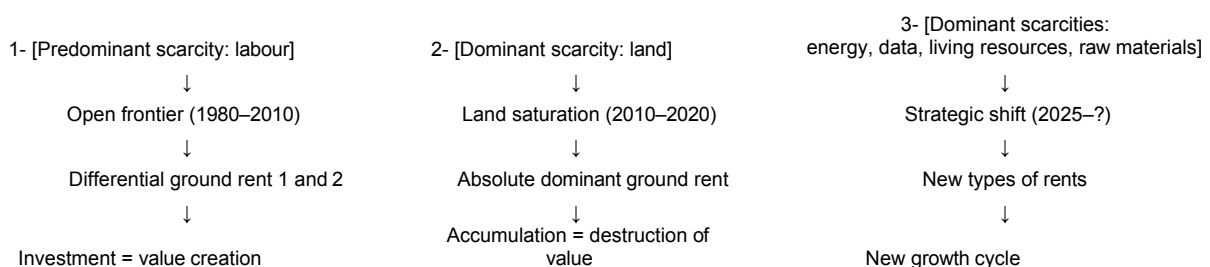
VI. Quantitative diagnosis: China at a turning point

Economic data confirms this analysis:

- The real estate and construction sector accounts for around **20% of GDP**, and up to **30%** if upstream and downstream sectors are included.
- **Return on invested capital (ROIC)** in Chinese industry is now below **6%**, well below the cost of capital in many cases.
- **Local government debt** exceeds **40% of GDP**, financed mainly by the sale of land use rights.
- The **price-to-income ratio** is **30 to 40 times** in Shenzhen and Beijing, compared with 6 to 8 in major Western cities.
- The urbanisation rate is **65%**, which means that the urban frontier is almost saturated.

These figures do not reflect failure, but rather **structural exhaustion**. The land acquisition cycle is complete.

VII. Schematic diagram of the buy-back cycle



↓
Strong growth, employment,
GDP

↓
Real estate crisis, exclusion, debt

↓
Green energy, AI, biotech, rare earths, etc.

This diagram shows the inevitable logic of the cycle. China is currently at the central arrow: **land acquisition is complete, the nodal point has been reached.**

VIII. Paths of evolution: towards a new buyback

China does not have to endure change — it can **drive** it. Four new dominant scarcities are emerging:

1. Energy and ecological transition

Mastery of renewable energies, storage and hydrogen could become the next basis for growth. China already accounts for 70% of global solar panel production and 60% of batteries. By extending its carbon emissions trading system (ETS) to steel, cement and aluminium, it can transform this technological lead into a **sustainable strategic advantage**.

2. Life sciences: health, biotechnology, food

In a country facing rapid ageing, the promotion of life sciences — health, genomics, precision agriculture — can meet domestic demand while offering a global competitive advantage. The framework of the Biosecurity Act and the PIPL makes it possible to structure this scarcity under sovereign control, avoiding the uncontrolled privatisation of clinical data.

3. Data and AI

Digital technology and artificial intelligence open up the possibility of buying back data as a scarce resource. Control of platforms, flows and international standards would give China a sustainable **cognitive advantage**, similar to that which the West derived from oil in the 20th century.

4. Refining and control of the supply of critical materials

Finally, China can transform its dominant position in rare earth, lithium and cobalt mining and refining into a **processing rent**. Rather than selling raw minerals, it can impose standards, differentiated taxes, and reinvest revenues in energy transition and health.

IX. Operational recommendations proposed by chat.qwen.ai

1) Ministry of Finance (MOF) & National Development and Reform Commission (NDRC)

Within 12 months:

- Pilot scheme for **recurrent property tax** in 10 major cities (land registry + digital collection).
- Conversion of **unsold real estate** into affordable housing (保障性住房) via bridge financing funded by the PBOC.
- Gradual reduction in local governments' dependence on land use rights sales.

Within 24 months:

- Expansion of the pilot scheme to 30 cities.
- Creation of a **national land transition fund** financed by tax revenues.

KPI: Recovery rate > 90% by 2026; local debt/stable revenue ratio < 1.5.

2) Ministry of Ecology and Environment (MEE) & NDRC

Within 12 months:

- Official extension of **the national ETS** to cement, steel and aluminium.
- Implementation of a single **MRV** (Monitoring, Reporting, Verification) protocol.

Within 24 months:

- Launch of regional capacity markets to remunerate storage and consumption reduction.
- Publication of a national standard for long-term **PPA** (Power Purchase Agreements) contracts.

KPIs: Share of demand growth covered by renewables > 80% in 2027; 15% reduction in the carbon intensity of heavy industry by 2030.

3) National Health Commission (NHC) & National Medical Products Administration (NMPA)

Within 12 months:

- Acceleration of clinical trial procedures (progressive submissions, multi-centre).
- Establishment of PIPL-compliant **health data sandboxes** for research.

Within 24 months:

- Expansion of **the national NRDL formulary** to include more innovative local products.
- Implementation of performance-based reimbursement contracts.

KPI: Average clinical trial approval time reduced by 30% by 2026; share of "China-first" Phase III trials > 20% in 2027.

4) Cyberspace Administration of China (CAC) & Local data exchanges (Shanghai, Beijing)

Within 12 months:

- Publication of national standards for data usage contracts (duration, purpose, traceability).
- Establishment of an interoperable catalogue of "gold" datasets available for exchange.

Within 24 months:

- Implementation of a **data dividend** mechanism (partial redistribution to local authorities and source institutions).
- Clarification of cross-border transfer rules in conjunction with the PIPL and DSL.

KPI: Volume of certified exchanges on Data Exchanges ×5 in 2027; number of certified interoperable sets > 100,000.

X. Conclusion: China at a crossroads

The official CCP document on *promoting high-quality urban development* dated 15 August 2025 marks a turning point: it formalises the end of the land expansion-based development model and paves the way for a strategic shift. This transition is not only internal: as Muyang Chen shows, China is already reinventing the rules of development financing on a global scale. By steering the transition towards a new dominant scarcity — energy, living organisms, data, raw materials — China is not only stabilising its domestic model.

As Eric Li and Graham Allison point out, the Chinese model of governance is based on **legitimacy through performance**: stability, development, and improved well-being. Moving beyond the land nodal point is not only an economic necessity, but a **condition of this legitimacy**. By steering this shift, China is **strengthening its position as a hub of alternative governance**, offering developing nations a path to development based on stability, long-term planning and technological sovereignty.

The Theory of Redemption provides a framework for theorising this inevitable transition. Through its strategic vision and pragmatism, China is in a position to **define the next global cycle**.

Glossary (acronyms and technical terms)

- **ROIC**: Return on Invested Capital.
 - **ICOR**: Incremental Capital Output Ratio.
 - **MOF**: Ministry of Finance.
 - **NDRC**: National Development and Reform Commission.
 - **MEE**: Ministry of Ecology and Environment.
 - **NHC**: National Health Commission.
 - **NMPA**: National Medical Products Administration.
 - **CAC**: Cyberspace Administration of China.
 - **PBOC**: People's Bank of China.
 - **ETS**: Emissions Trading System (carbon trading system).
 - **MRV**: Monitoring, Reporting, Verification.
 - **PPA**: Power Purchase Agreement (long-term electricity purchase agreement).
 - **NRDL**: National Reimbursement Drug List.
 - **PIPL**: Personal Information Protection Law.
 - **DSL**: Data Security Law.
 - **BRI**: Belt and Road Initiative.
 - **HLM**: Low-rent housing (social housing).
 - **VAT**: Value Added Tax.
 - **LGFV**: Local Government Financing Vehicle.
 - **EV**: Electric Vehicle.
 - **KPI**: Key Performance Indicator
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Additional bibliography for further reading on structural geography

Gilles Ritchot (1935–2021), founder of the School of Structural Geography at Laval University in Quebec, his biography: <https://cybergeog.hypotheses.org/911>

Gaëtan Desmarais and Gilles Ritchot, **Structural Geography** (148 pages) The best presentation available in Kindle format, to be translated into Chinese!
https://www.amazon.fr/G%C3%89OGRAPHIE-STRUCTURALE-Gilles-Ritchot-ebook/dp/B0F134BJSR?ref=ast_author_mpb

"Beyond passing fads and conceptual transfers, genuinely structuralist geographical work is rare today. It is not enough to invoke the concept of "structure" and propose a metaphorical use of it to achieve scientific innovation. The fruitfulness and relevance of the structural approach in geography depend above all on the possibility of forging original theoretical concepts based on a choice of morphological and dynamic objects, which makes it possible to confer unity on the discipline and resolve some of its most essential problems. This is the ambition of the present work. It is the result of an encounter and dialogue between two researchers driven by the same project, one having initiated and developed the structural approach in geomorphology and human geography for nearly forty years, the other having extended this pioneering work by deepening the convergent contributions of structural epistemology, semiotics and morphodynamic models. Both an orderly synthesis and a systematic exposition of the multiple aspects of a geography that does not separate structure, genesis and spatiality, this book addresses fundamental issues that are crucial to the discipline. It provides an opportunity to reflect on the possibility of constructing a true theoretical geography in conjunction with analyses that are consistent with the understanding of the facts."

Gaëtan Desmarais, **Three key concepts for morphodynamic models of the city**
<https://www.erudit.org/fr/revues/cqg/1998-v42-n117-cqg2689/022765ar/>

The article examines three key concepts that are essential to the study of urban morphogenesis. It first discusses the organising centre of cities, i.e. their origin, their attractiveness, their investment of meaning and their permanence over the long term. It then identifies the spatial interaction patterns that are relevant to ensuring the

transition from the micro-geographical level of actors and their multiple actions to the meso-geographical level of the forms structuring the internal spatial organisation of cities. Finally, it explains a dynamic model of anisotropic space. This model makes it possible to reconstruct the way in which morphogenetic gradients differentiate the internal space of cities into qualitatively distinct domains. Examples drawn from the morphogenesis of Paris are used.

Gilles Ritchot, **The Morphogenesis of Rome: From Initial Discontinuity to Current Overflow** Editions L'Harmattan, L'Harmattan Edition Diffusion, [N.p.], 2011

<https://annas-archive.org/md5/25eb85121ec8ed6ca84857ddbd501839>

For centuries, Rome organised the Mediterranean and European regions. Its morphogenesis was twofold. The first culminated with the ancient Empire and bequeathed its legal system to the West. Then Rome, which had become a "field of ruins", evolved as a reservoir of values. Christianity continued the imperial journey in a second phase of development, pitting Germanic sovereigns against French kings. This formidable human tectonics positioned the three monotheistic cultures across five continents.

An article by the author of this report:

Bruno De Dominicis, **From Jewish hermeneutics to urban morphodynamics in the light of the anthropology of dogma: a contribution to the sciences of form. (2001)**

<https://id.erudit.org/iderudit/022943ar>

A commentary on Genesis 2:7-14 according to Jewish hermeneutical rules reveals a dynamic of spatialisation of categories along two oriented axes. This pattern is compared to Parisian morphogenesis as described by Gaétan Desmarais, who applied René Thom's catastrophe theory to the study of urban development. The work of Pierre Legendre, founder of the anthropology of dogma, shows that the analogies and differences between these patterns are consistent with the structural relationships that prevail between Judaism and Christianity.