Partial Intimations of the Coming Whole: The Chongqing Experiment in Light of the Theories of Henry George, James Meade, and Antonio Gramsci

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Abstract
This article interprets the ongoing Chongqing experiment in light of the theories of Henry George, James Meade, and Antonio Gramsci. It argues that the Chongqing experiment has shown the possibility of integrating rural and urban development and of the co-development of public ownership and private business. Through such practices as sending cadres to work, to live, and to eat together with the peasants, re-registering rural migrant workers as urban residents, “singing red songs,” and providing public rental housing for low- and middle-income people, Chongqing has acted to revitalize the Chinese Communist Party’s relationship with the people.

Keywords
Chongqing experience, economic development, economic policy, Henry George, James Meade, Antonio Gramsci, social policy

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If Shenzhen was a symbol of China in the 1980s, and Pudong (the new part of Shanghai) in the 1990s, then Chongqing embodies China in the first decade of the twenty-first century. Niall Ferguson, a Harvard economic historian who coined the term *Chimerica,* may have captured the image of Chongqing in the minds of many people when he said the following in 2008:

> Shortly before the anniversary of the great Western credit crunch, I paid a visit to its antithesis: the great Eastern savings splurge. Nowhere better embodies the breakneck economic expansion of China than the city of Chongqing. Far up the River Yangzi, it is the fastest-growing city in the world today. I had seen some spectacular feats of construction in previous visits to China, but this put even Shanghai and Shenzhen into the shade. (The Ascent of Money, 2008)

Interestingly, the trip Ferguson took to Chongqing may have changed his mind about “Chimerica.” In his initial idea of “Chimerica,” China serves the function of “saving,” while the United States that of “consumption,” since there is no sufficient domestic market for China to not have to rely on export-led growth. However, the “spectacular feats of construction” he observed in Chongqing—a municipality of 32.6 million people (of whom, in 2008, nearly 23.5 million were peasants) located in inland western China—signals to him the coming reality of a huge Chinese domestic market, and therefore the end of “Chimerica.”

For me, it is telling that Ferguson should find Chongqing to be the antithesis of his “Chimerica,” since it was precisely Chongqing that was chosen by the Chinese State Council in 2007 as “the national experimental zone for integrating rural and urban development.” This integration is the key to stimulating China’s domestic demand, if only because urban residents consume several times as much as rural residents, making possible a shift from an export-driven pattern of growth to a domestic consumption–driven pattern. In March 2011, the Chinese People’s Congress officially announced the 12th Five-Year Plan in which “Changing the pattern of economic growth to improve the livelihood of the people” became the new pillar of China’s economic and social policy. In a sense, Chongqing’s various experiments of integrating rural and urban development can be seen as “partial intimations of the coming whole.”

The purpose of this article is to interpret the ongoing Chongqing experiment in light of the theories of Henry George, James Meade, and Antonio Gramsci. But before doing so, I need to clarify the nature of this theoretical interpretation. By resorting to these theories, I do not mean to suggest that the leaders of and participants in the Chongqing experiment consciousely follow these theories. Nietzsche famously stated in *On the Genealogy of Morals* that
“the deed is everything” (Das Tun ist alles). A fuller citation may be necessary to see why Nietzsche denies that there is a subject behind the deed: “There is no ‘being’ behind the deed, its effect and what becomes of it; ‘the doer’ is invented as an afterthought,—the doing is everything” (Nietzsche, [1887] 2007: 26). This sweeping denial of “the doer” has puzzled many Nietzsche scholars and readers. It seems to me that Robert Pippin, a professor of philosophy and social thought at the University of Chicago, has solved this puzzle. How he did so can illuminate the sense in which we speak of “the doer” of the Chongqing experiment and the “interpretation” of that experiment with the aid of “theory.”

Pippin makes it clear that “Nietzsche is not denying that there is a subject of the deed. He is just asserting that it is not separate, distinct from the activity itself; it is ‘in’ the deed,” just as Nietzsche said in another book, Thus Spoke Zarathustra: “I wish your self were in the deed like the mother is in the child” (Pippin, 2010: 75–76). Pippin nicely interprets Nietzsche’s position as follows:

Intention formation and articulation are always temporally fluid, altering and transformable “on the go,” as it were, as events in a project unfold. I may start out engaged in a project understanding my intention as X, and over time, come to understand that this first characterization was not really an accurate or a full description of what I intended; it must have been Y, or later perhaps Z. And there is no way to confirm the certainty of one’s “real” purpose except in the deed actually performed. (Pippin, 2010: 78)

If it is already difficult to figure out the “intention” of an individual “doer,” it is even more troublesome to be sure about the intention of the “collective doers” of the Chongqing experiment. But it is precisely my point of bringing in the theories of Henry George, James Mead, and Antonio Gramsci to interpret the deeds of the participants in the Chongqing experiment. It does not mean that the participants have deliberately followed these theories, only that their deeds are consistent with the theories. Hegel said somewhere that “the French revolution occurred in order that a good book about it can be written.” His droll statement may not be so far-fetched.

**The Land Certificates Market, Household Registration Reform, and Henry George**

Though Chongqing was selected by the State Council to be “the national experimental zone for integrating rural and urban development” in June
2007, its role in China’s overall development strategy was in fact drawn up three months earlier by President Hu Jintao when he gave a keynote speech to the Chongqing delegation in the annual meeting of the National People’s Congress in March 2007. According to President Hu, Chongqing’s mission is threefold: (1) to become the economic center of the upper Yangzi River; (2) to become the “growth pole” for the whole western region of China; (3) to become the first place in western China to achieve a so-called “moderately prosperous society” 小康社会.

In the spirit of this mission, Chongqing established the first and only “land exchange market” 土地交易所 in China in December 2008. To understand the profound meaning of Chongqing’s land exchange market, we need to know two of China’s fundamental national policies: one is that China would like to speed up the synchronized development of urban and rural areas, especially to speed up the process of industrialization and urbanization. And the other is that China would like to maintain 1.8 billion mu of cultivated land to ensure the country’s food supply. In October 2005, China had 1.831 billion mu under cultivation. Apparently, there is a tension and conflict between these two fundamental policies. Industrialization and urbanization require an increasing amount of land, while the redline of 1.8 billion mu of cultivated land has nearly been reached and must not be transgressed. To maintain this redline, each year local governments are permitted to convert cultivated land to land for urban development up to a set limit. Nationwide, the overall limit will be reached in the near future. To solve this dilemma, in 2005 the Ministry of Land and Resources issued “An opinion on regulating the experiment of linking up increased land use for urban development with decreased non-agricultural land use in rural areas,” the most important document on land policy in recent years in China. Non-agricultural use of land in rural areas includes peasants’ residential plots and land for rural industries and services. According to the ministry’s policy, if some peasants have restructured the configuration of their housing, reduced the size of their residential plots, and converted the land back to cultivation, or some rural industries are no longer in operation and the land has been converted back to agricultural use, then the local government’s quota of land for urban development can be expanded.

In this context, we can see how significant Chongqing’s newly established “land exchange market” is: it in fact provides a vehicle for this extra quota of land to fetch a fair value. In this market, what is being exchanged is not land ownership itself or the use right to the land, but rather a quota, so-called “land certificates” 地票. These certificates signify the amount of rural non-agricultural land that has been converted back to cultivation. The peasants or rural industries who have converted their residential plots or factory
sites back to cultivated land are entitled to sell the certificates in the “land exchange market” to developers, who are required to buy them in an auction. If a developer wins an auction and thus gets a “land certificate,” then it can use this quota to purchase land-use rights in urban areas and develop that land. This interesting institutional arrangement is in a sense similar to “emission permits trading” in the current global climate change regime.

Figure 1 shows how the “land exchange market” works in Chongqing. In my view, the nature of “land certificates” is “land development rights” for peasants: the right of peasants to share in the benefits of the development of their land. In the current Chinese “land management law,” there is no concept of “land development rights.” Thus, what is significant is that this right is implicitly recognized in Chongqing’s “land certificates” exchange market.

The market for “land certificates” in Chongqing can be compared to the transfer of development rights (TDR) experiments in some U.S. cities in the 1970s (Richards, 1972). That is, in a community, landowners whose land can be developed according to urban planning guidelines are required to purchase the development rights from other landowners whose land is designated to be set aside for conservation. To fully understand land development rights, we
need to turn to Henry George, the father of land reform movements in many Western countries in the late nineteenth century.

Henry George may not be a well-known figure today. However, John Dewey once said that “it would require less than the fingers of the two hands to enumerate those who, from Plato down, ranked with Henry George among the world’s social philosophers” (Dewey, 1928). George was the most influential proponent of the land value tax, also known as the “single tax” on land.

In his most famous work, *Progress and Poverty*, George seeks to explain why poverty persists despite advances in technology and economic development. The period in which George lived, 1840s–1890s, witnessed the rapid industrialization, urbanization, and growth of population in the United States. George observed how technological and social advances enhance the value of land, and thus the wealth that landowners can demand from those who have need of the use of land. Yet, landowners tend to increase the price of land much faster than wealth can be produced, resulting in a decrease in the amount of money left for labor to claim in wages, and finally leading to the bankruptcy of some enterprises, and consequently to widespread unemployment and poverty. Since George believed that everything found in nature, most importantly land, belongs equally to all humanity, and because the value of land was created by society, he argued that the economic rent of land should be shared by all in society rather than being owned privately. Therefore, he proposed levying a tax on the annual value of land held as private property, that is, a land value tax. He was convinced that society, by taxing land values, could recapture the value of its common inheritance, and eliminate the need for taxes on productive activity, which he thought is less fair and less efficient.

Sun Yat-sen, the founding father of the modern Chinese Republic, was inspired by Henry George. Sun nicely summarized George’s idea in one sentence, which he repeated on numerous occasions: “The increase of land value not due to the private owner’s effort should go to the public” (涨价归公). Interestingly, Winston Churchill was a one-time Georgist when he still belonged to the British Liberal Party: “Roads are made, streets are made, services are improved, electric lights turn nights into day. . . . To not one of those improvements does the land monopolist contribute and yet by every one of them the value of his land is enhanced. He renders no service to the community. . . . He contributes nothing even to the process from which his own enrichment is derived” (Churchill, 1909: 118–19).

Joseph Stiglitz, winner of the Nobel Prize in economics in 2001, has modernized Henry George by proving the “Henry George Theorem”: 

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1. The term “land value tax” is also commonly referred to as the “single tax” in many contexts. It is important to note that in modern economic theory, the term “land value tax” is often used to describe a broader set of policies that aim to capture the economic rent generated by land, rather than just the annual value.
In a simple spatial economy, where the spatial concentration of economic activity is due to a pure local public good and where population size is optimal, aggregate land rents equal expenditure on the pure public good. This result has been dubbed the Henry George Theorem (HGT), since a confiscatory tax on land rents is not only efficient, it is also the “single tax” necessary to finance the pure public good. (Arnott and Stiglitz, 1979: 471–72)

Applying George’s and Sun’s insights, and Stiglitz’s Henry George Theorem, to China today, we can see that land value increases due to rapid industrialization and urbanization have so far mainly benefitted urban residents and peasants who live close to the suburbs, but not peasants who live in remote areas. The point of Chongqing’s “land certificates exchange market” is exactly to allow peasants who live far from urban areas to share the land value increase by selling their “development rights” (“land certificates”). And Chongqing’s land certificates exchange market (for development rights) is truly an innovation as even in the West there is no such market for development rights.

The significance of the Chongqing “land exchange market” can be further appreciated if we now shift to another key component of the Chongqing experiment, namely the household registration reform for rural migrant workers in the city. From August 15, 2010, until the end of July 2011, more than two million rural migrant workers have changed their household registration from rural residence to urban residence. This is the biggest household registration reform that has ever taken place in China. The only condition for migrant workers to qualify is that they have been working in the city for more than five years. This is a huge step in reducing discrimination against rural workers in the city and is a sine qua non for the “integration of rural and urban development”—the mission of Chongqing as the “national experimental zone” in this regard. However, if there were no “land exchange market,” it will be difficult for Chongqing to deal with the emerging new situation: when rural migrant workers get urban household registration, they will enjoy the same benefits that urban residents have been enjoying, that is, the so-called “five pieces of clothes”: urban employment, retirement pensions, public rental housing, children’s education in the city’s public schools, and health care—all this without them being forced to give up their rural residential plots and contracted cultivated land. However, if this pattern persists, it will be detrimental to rationalizing the use of rural land. On the other hand, it is fortunate for Chongqing that rural migrant workers may have an incentive to voluntarily give up their residential plots by converting them back to
Table 1. Base Price for Leasing Public Land in Chongqing (Yuan/Square Meter), 2002

<table>
<thead>
<tr>
<th>Land class</th>
<th>Commercial land (40 years)</th>
<th>Residential land (70 years)</th>
<th>Industrial land (50 years)</th>
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<tr>
<td>1</td>
<td>840</td>
<td>590</td>
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<td>2</td>
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cultivated land so that they can exchange the “land certificates” for money. Currently, the average price for a one-mu “land certificate” is between 150,000 and 200,000 yuan, which is a significant amount of money for rural migrant workers who have gotten urban household registration and can settle down more comfortably in the city.

In addition to “land certificates,” the “Henry George Theorem” is also embodied in Chongqing’s public land leasing system. George’s “single tax” idea is that when the government can capture the increase in land values, it does not need other taxes. Stiglitz’s “Henry George Theorem” implies that even though we may not achieve George’s ideal completely, government can levy lower taxes if it can capture a large portion of increases in land value. When Huang Qifan 黄奇帆 first came from Shanghai to Chongqing as deputy mayor in 2001, the Chongqing government’s revenue from leasing public land was only 0.2 billion yuan. He was puzzled by the fact that Chongqing’s “base price” for public land leasing was lower than that of Chengdu, even though Chengdu’s land, being on a plain, is much more easily made ready (i.e., to achieve the “seven connections and one leveling”) for public auction. Huang immediately decided that Chongqing’s base price per mu should be 10 yuan higher for each class of land than that of Chengdu. Starting from June 18, 2002, Chongqing implemented the new base price for leasing public land (see Table 1).
This measure had an immediate effect: in 2002, Chongqing’s revenue from leasing public land was 0.6 billion yuan; in 2003, 2.2 billion; and in 2010, 98 billion. That the Chongqing government has captured a large portion of the increase in land value is one of the key reasons for the relatively low rate of taxes it levies on private business. This may be seen as a special case of the larger argument about the co-development of public ownership and private business in the next section.

Co-development of Public Ownership and Private Business in Light of James Meade’s Theory

According to conventional wisdom, publicly (state) owned businesses and privately owned businesses can only replace one another: that is, when the state sector retreats, the private sector will advance 国退民进; and when the state sector advances, the private sector will retreat 国进民退. In Chongqing, however, while the public ownership of assets has grown eight times—from 170 billion yuan in 2002 to 1,386 billion at the end of June 2011—the private sector has also grown very fast: in 2001, the private sector accounted for 38.8 percent of Chongqing’s GDP, while by the end of 2010 the ratio had become 61.2 percent. The Chongqing experiment demonstrates that public ownership of assets and private business are not substitutes for one another. Rather, they can be complementary and mutually reinforcing. This is consistent with the key insight of James Meade, winner of the Nobel Prize in economics in 1977 and an advocate of “liberal socialism” since 1937.

It is remarkable that John Rawls insisted that only James Meade’s “liberal socialism” satisfies his “Two Principles of Justice,”” while “a capitalist welfare state” does not (Rawls, 2001: 135). The crucial contribution of Meade is his thinking through analytically the relationship between taxation, public debt, and public assets, while mainstream Western economics only sees the first two. Figure 2, from James Meade’s 1964 book (Meade, [1964] 1993), nicely illustrates the three-way relationship.

The point of Figure 2 is that if we were only to consider the figure of public assets held by the state without including public debts, we would overestimate the degree of socialization in the United Kingdom in 1959, which was 42 percent; however, if we include public debts, the degree of socialization is “minus 14%”! (Meade, [1964] 1993: 62).

From today’s vantage point of the ongoing fiscal and financial crisis both in the United States and in the European Union, we can appreciate even more Meade’s emphasis on the three-way relationship between taxation, public debt, and public assets. We can plausibly say that one of the root causes for
today’s crisis in the West is that governments lack sufficient “public assets,” and they all want to lower taxes (at least for the “middle classes”) for electoral reasons, thus their only “way out” is to rely too heavily on public debt!

Meade develops a sophisticated theory of “optimal mix” between public and private ownership: in the first step of his reasoning, he compares public ownership with the “equal distribution of private ownership”:

In one important respect the social ownership of property has an important advantage over the equal distribution of private ownership. In both cases in the interests of preventing total savings from falling below the optimum level, private savings may need to be supplemented by public savings, particularly since with a more equal distribution of income from property there will remain no very large private incomes from property out of which high personal savings might have been made. In both cases, the promotion of public savings through a budget surplus may be necessary. In the case in which property is in private ownership the achievement of the budget surplus will require increased tax revenue; and the rise in rates of taxation may have unfortunate effects on economic incentives. In the case of the social ownership of property, on the other hand, all income from property accrues to the State. The State can, therefore, generate a given level of public savings through the budget with a lower level of tax rates and therefore with less adverse effects on efficiency in the case of State ownership of property, than in the case of equalized private ownership of property. (Meade, [1964] 1993: 61)
However, there is a second step in Meade’s reasoning:

Is there then nothing to be said in favor of private property? If the foregoing argument contained the whole of the truth, then the greater the ratio \((K_s - D)/K\) the better for society. . . . Thus if we started from a position with no private property, as the amount of private property rose (i.e., as \((K_s - D)/K\) fell) (i) tax incentives would worsen but (ii) the security and independence gained from property ownership would rise. As we proceeded, the extra loss from (i) would become more and more acute and the extra gain from (ii) less and less important. Somewhere there is an optimum point though I am afraid that I cannot tell you where it is. Indeed I am not sure that I can even define it rigorously. But I have a hunch that it would be better if the index \((K_s - D)/K\) (now so low that it is highly negative) were substantially raised in the United Kingdom, particularly if the property which did remain in private ownership could simultaneously be much more equally distributed. In my view what we need is a combination of measures for some socialization of net property ownership and for a more equal distribution of the property which is privately owned. (Meade, [1964] 1993: 64)

Huang Qifan, the mayor of Chongqing, may have independently rediscovered Meade’s insight and implemented it in practice. Mayor Huang’s notion of “the third finance” can be understood from Meade’s theory: when the government can get market revenues from public assets, it can reduce the tax burden on private business and individuals, therefore realizing the co-development and mutual reinforcement of public and private ownership of business. The fact that Chongqing has been levying a 15 percent income tax on enterprises when the national rate is 33 percent says it all.

In fact, many functions of the state-owned enterprises in Chongqing—nicely described in Philip Huang’s article in this issue, and including everything from building municipal theaters and public rental housing to providing funds for micro-businesses to making government-funded secondary highways toll free—can be interpreted from the perspective of Meade’s “optimal mix” of public and private ownership.

The Renaissance, the Reformation, and Hegemony in Light of Antonio Gramsci

Bo Xilai 薄熙来 became the Party Secretary of Chongqing in December 2007. The project he initiated can be interpreted in light of Gramsci’s notion of “hegemony” as distinct from “domination.”
Cui

Gramsci agrees with his intellectual opponent Croce that “the Renaissance had remained an aristocratic movement that occurred within certain elite circles. . . . On the other hand, the Reformation was able in fact to effect a popular penetration” (Fontana, 1993: 40). Thus, Gramsci urged the Italian Communist Party to bring about a “Second Reformation” to win the hearts and minds of the common people. This is also precisely what Bo Xilai has been doing in Chongqing.

Most Western media coverage of Chongqing emphasizes Bo Xilai’s initiative encouraging the people to sing “red songs.” However, from Gramsci’s perspective of “hegemony” (rather than “domination”), we must put “singing red songs” in a broader context. This context has already been mentioned earlier in this article, namely Chongqing as “the national experimental zone for integrating rural and urban developments” since 2007. The latest policy experiment in this direction is the so-called “ten projects for improving people’s livelihood” (Cui, 2010) launched in 2010. The household registration reform discussed earlier is ranked as number 7 of the Ten Projects. The building of public rental housing for low- and middle-income people is ranked number 1 on the list. Without these ten projects, singing red songs may be perceived simply as a form of indoctrination. However, singing red songs in the context of the ten projects for improving people’s livelihood may be considered as a Gramscian project of hegemony.

It remains an open question how far China’s political system can evolve without establishing a competitive, multiparty election system. We should be open-minded. It is interesting to reflect upon Albert Hirschman’s following reminder that the introduction of universal suffrage was a conservative device in the West:

The gradual establishment of universal suffrage in Western Europe and the United States went hand in hand with the transition from the open to the secret vote. There were of course good reasons for this conjunction: as poorer and socially subordinate strata of the population acceded to the vote, it became more important . . . to guard against vote-buying by the rich and against intimidation and reprisals by the powerful. But, . . . the establishment of the secret vote also meant the loss of considerable opportunities for public display of public spirit and participatory energies; and it was opposed, for that reason, by some leading progressive figures of the day, such as John Stuart Mill. . . . It is simply that the considerable advance implicit in the establishment of the universal, secret suf-
frage came at a cost that has gotten lost from view. . . . [Voting] delegitimizes more direct, intense and “expressive” forms of political action that are both more effective and more satisfying. (Hirschman, 2002: 117–18)

It seems that the Chinese Communist Party is determined not to surrender to the competitive, multiparty system. It has to depend on the “mass line” to win the hearts and minds of the common people. The French philosopher Alain Badiou develops a surprising understanding of the “mass line” from Saint Paul: after citing Saint Paul as saying “For though I am free from all men, I have made myself a slave to all. To the Jews I became a Jew, in order to win the Jews; to those under the law, I became one under the law,” Badiou argues that “this is not an opportunist text, but an instance of what Chinese communists will call the mass line, pushed to its ultimate expression in ‘serving the people’” (Badiou, 2003: 99). Maybe Chongqing’s effort to send the cadres to work, to live, and to eat together with the peasants (the so-called “sanjin santong” 三进三同) can be viewed as revitalizing the party’s mass line à la Saint Paul!

Conclusion

What are the national implications of the Chongqing experiment? Is it a partial intimation of the coming whole?

Most Western media focus on the prospect of Bo Xilai being elected to the Standing Committee of the Politburo in the next Party Congress. But as this article has emphasized, the broader context of Chongqing as a national experimental zone for integrating rural and urban development starting from 2007 should not be overlooked. Mayor Huang Qifan has laid down a foundation for the Meade-like “optimal mix” for co-development of public and private enterprises. Public enterprises have also played a key role in building public rental housing in Chongqing, which, as the first and largest project of this kind, has become a national model for providing housing for low- and middle-income people in the 12th Five-Year Plan.

At the same time, Chongqing’s reform of the household registration system for migrant rural workers has been closely watched and debated nationally. The land certificates market—a key institutional ingredient for the household registration reform to proceed smoothly—has implicitly introduced “land development rights” into Chinese legal practice.

Most significantly, Chongqing’s effort to revitalize the party’s relationship with the people may indicate the future path of the Chinese Communist
Party. I have already mentioned Gramsci’s agreement with Croce that the Renaissance remained an aristocratic movement while the Reformation was able “to effect a popular penetration.” Here I want to cite G. K. Chesterton’s following observation to end this short article:

When Christ at a symbolic moment was establishing His great society, He chose for its corner-stone neither the brilliant Paul nor the mystic John, but a shuffler, a snob, a coward—in a word, a man. . . . All the empires and kingdoms have failed, because of this inherent and continual weakness, that they were founded by strong men and upon strong men. But this one thing, the historic Christian Church, was founded on a weak man, and for that reason it is indestructible. For no chain is stronger than its weakest link. (Chesterton, [1905] 1970: 67)

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Notes
1. A land value tax (or site valuation tax) is a levy on the unimproved value of land. It is an ad valorem tax on land that disregards the value of buildings and other improvements as well as personal property. A land value tax, however, does take into account the effect on land value of location, or of improvements made to neighboring land, such as proximity to public works or a shopping complex.
2. The seven connections are: water supply, sewer, electricity, road, communication, heating, and natural gas connections; and the one leveling is ground leveling.
3. A micro-business (or micro-enterprise) 微型企业 by definition is one that employs fewer than twenty people and has a registered capital of up to 100,000 yuan. It is even smaller than businesses categorized as “small enterprises.”

References


Biography

Zhiyuan Cui (Cui Zhiyuan 崔之元) (PhD, University of Chicago) is a professor in the School of Public Policy and Management, Tsinghua University. He has published, in both English and Chinese, on, among others, the political economy of the Chinese reform, comparative perspectives on privatization, game theory and the social sciences, the Beijing Consensus, liberal socialism, and tax policy. He is currently on leave from Tsinghua University to serve as assistant director of the State Asset Management and Supervision Commission in Chongqing.