China just reported its economy is growing at an impressive pace, nine percent a year. As remarkable as that number is, it's not new. China has been growing at about that rate for more than 30 years. But how did this boom first get started?

SIEGEL: Well, the answer, it seems, is pretty simple. It began with a secret document hidden in the roof of a mud hut. The people who signed it back in 1978, were afraid that the document and the idea behind it might get them executed. Instead, it transformed China.

David Kestenbaum and Jacob Goldstein, with our Planet Money Team, brought this story back from the rural village of Xiogang.

DAVID KESTENBAUM, BYLINE: Today, Xiogang has paved roads and new factories. In 1978, there were just muddy paths and oxen, houses made of dirt and straw.

JACOB GOLDSTEIN, BYLINE: This is the height of communism in China. Everyone here worked on the village's collective farm. The idea was people would work together for the common good.

KESTENBAUM: Yen Jingchang was a farmer back then. In this world, as he describes it, nobody owned anything.

YEN JINGCHANG: (Through Translator) I used oxen to farm but they weren't mine. They belonged to the group.

(SOUNDBITE OF LAUGHTER)

JINGCHANG: (Through Translator) Back then even a piece of straw belong to the group. Individuals didn't own anything.

GOLDSTEIN: At one meeting with Communist Party officials, a farmer asked: What about the teeth in my head? Do I own those? No, was the answer. Your teeth belong to the collective.

KESTENBAUM: There was no incentive to work hard, to get up early and pull weeds.

JINGCHANG: (Through Translator) Work hard and don't work hard, everyone gets the same, so people don't want to work.

GOLDSTEIN: In Xiogang there was never enough food. Yen Jingchang says he and the other farmers had to knock on doors and beg for food.

JINGCHANG: (Through Translator) We were farmers. We were supposed to produce food. To beg for food was not honorable. My face was burning.

KESTENBAUM: This is the way things were all over China, the way the entire economy was set up. So, in the winter of 1978, after another terrible harvest, the farmers in Xiogang came up with an idea. But the idea they had was so dangerous, they had to call a secret meeting to discuss it.

This is Yen Hongchang, another farmer who was there.

YEN HONGCHANG: (Through Translator) That day, it was about five in the afternoon. We made it to Yen Lihua's home. This was a secret meeting. And we snuck in one by one.

GOLDSTEIN: Eighteen farmers gathered in this small dirt-floored room. Yen Jingchang was one of them.

KESTENBAUM: Were there enough chairs for all of you?

JINGCHANG: (Through Translator) There were no chairs back then. How could there be chairs? Some of us crouched. Some sat on the floor. There were some little tiny stools. But we had no chairs back then.

KESTENBAUM: Here's the idea they discussed, Rather than farm as a collective, each family would get to farm its own plot of land. And if a family grew a lot of food, that family could keep some of that food. You own what you grow.

GOLDSTEIN: This is a very old idea. But in communist China in 1978, it's also a very dangerous idea.

JINGCHANG: (Through Translator) Most people said, yes, we want to do it. But there were others who said, I don't think this will work. This is like high voltage wire. Back then, farmers had never seen electricity but they had heard about it. They knew if you touched it, you would die.

KESTENBAUM: They decide they have to try this and they decide to write it down, as a formal contract so everyone is bound to it. Someone gets a piece of paper. And by the light of an oil lamp, Yen Hongchang writes this historic thing down.
GOLDSTEIN: It says they're going to secretly divide up the land among the families. And it ends with this: If any of us are put in prison or executed, the others in the group will raise our children until they're 18 years old.
KESTENBAUM: With this document, they become, in a sense, the first capitalists of modern China. Yen Hongchang ends up hiding it in a piece of bamboo in the roof of his house.
GOLDSTEIN: Yen Jingchang remembers the first day he went out to farm after signing the contract. Did you work harder than before?
JINGCHANG: (Through Translator) Of course I work harder. We all did because whatever I produce was mine. If you didn't work hard that's your loss. And we all secretly competed.
(SOUNDBITE OF LAUGHTER)
HONGCHANG: (Through Translator) Everyone wanted to produce more than the next person. That got people working hard.
GOLDSTEIN: So it's the same land, the same tools, the same people. But just by changing the economic rules, by saying you get to keep some of what you grow, **everything changes**.
KESTENBAUM: The farmers are terrified of being found out. But by the end of the season it becomes impossible to keep things secret anymore, because they've had an enormous harvest. More food, Yen Hongchang says, than in the previous five years combined.
GOLDSTEIN: Word of what had happened in Xiaogang makes its way up the Communist Party chain of command. Fortunately for the farmers, at this moment in history, there are powerful people in the Communist Party who want to change China's economy. Deng Xiaoping, the Chinese leader who creates China's modern economy, is just coming to power. So instead of executing the Xiaogang farmers, the Chinese leaders hold them up as a model.
KESTENBAUM: Within a few years, farms all over China adopt the principles in that secret document: People can own what they grow. The government launches other economic reforms and China's economy starts to grow like crazy. **Since 1978, something like 500 million people have risen out of poverty in China.**
GOLDSTEIN: The Communist Party is clearly proud of what happened in Xiaogang. That contract, it's now in a museum. And what happened in the village has become this origin story in China that kids learn about in school.
KESTENBAUM: But what's happened to the guys who started it all, the country's first capitalists? **Here things get complicated**. Our first day in Xiaogang, we asked to talk to Yen Hongchang, the farmer you heard from who actually wrote this contract. But the local Communist Party officials told us he was out of town.
GOLDSTEIN: It turns out, that wasn't true. We found him the next day.
Were you here yesterday?
HONGCHANG: (Through Translator) I was here yesterday.
(SOUNDBITE OF LAUGHTER)
KESTENBAUM: We were told you were not here yesterday.
HONGCHANG: (Through Translator) I was here yesterday.
GOLDSTEIN: Yen Hongchang, and the government officials. They tell two very different stories about Xiaogang today.
KESTENBAUM: Yen Hongchang says he started a couple businesses over the years, but the local Communist Party took them away from him once they became profitable. He says those new factories springing up around town, they're largely empty and haven't created many jobs.
GOLDSTEIN: Local officials say none of this is true. They say everything in Xiaogang is going great.