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# Rural Development in Chongqing: The “Every Peasant Household’s Income to Grow by 10,000 Yuan” Project

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Gao Yuan<sup>1</sup>

## Abstract

The “every peasant household’s income to grow by 10,000 yuan” project in Chongqing’s “two wings” region is an important movement implemented by the Chongqing government to spur development in the rural areas of Chongqing’s poorest region. The project has two key components at the policy level. The first is to promote agricultural “industry-ization” 产业化 and to construct corresponding chains of production, processing, and sales in the two wings, thus forming the basis of growth in peasants’ income. The second is the emphasis on people’s livelihood, which is based on the ambition of accomplishing “balanced income growth” or “income growth for every household.” The project includes both “drawing in business and investment” 招商引资 and “industry planning” 产业规划 as well as “cadres to go into peasant households and support them directly” 入户帮扶. Some of the practices of Chongqing cadres in supporting peasants show that the government can improve the microeconomic environment for peasant households and enhance the vitality of their small farms. This article first analyzes the policies and practices of agricultural industry-ization in the income growth project and the efforts of the Chongqing government to achieve “income growth for every household.” The theoretical implications of the project, including

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<sup>1</sup>Renmin University of China, Beijing, China

## Corresponding Author:

Gao Yuan, School of Agricultural Economics and Rural Development, Renmin University of China, No. 59, Zhongguancun Street, Beijing 100872, China  
Email: [gaoyuanhighland@gmail.com](mailto:gaoyuanhighland@gmail.com)

the role of government in economic development and the vitality of small farming in China, are then discussed through dialogue with social science theories.

### Keywords

rural development, peasant household, small farming, the role of government

The project known as the “every peasant household’s income to grow by 10,000 yuan” in the two wings 两翼农户万元增收工程 is the Chongqing government’s most ambitious undertaking in recent years to spur development in the municipality’s mostly underdeveloped countryside in the so-called two wings 两翼 area.<sup>1</sup> This area, covering seventeen counties in northeastern and southeastern Chongqing (almost two thirds of the municipality’s total area), contains 44 percent of Chongqing’s total population and nearly 50 percent of its total rural population (Su, Yang, and Liu, 2011: 171; Chongqing shi “liangyi” nonghu wanyuan zengshou gongcheng lingdao xiaozu, n.d.). On February 21, 2010, the Chongqing leadership held an important meeting to announce the launching of this three-year (from 2010 to 2012) income growth project. The meeting set forth three aims: raising the average income per capita in the two wings’ rural areas by 18 percent per year, reaching 6,400 yuan by 2012; second, increasing the average income per household in the two wings’ rural areas by 10,000 yuan a year, reaching 25,000 yuan by 2012; and third and most important, ensuring that 95 percent of all peasant households with labor power in the two wings will achieve the income growth project’s aims (Zengshou zhuanbao, 2010, no. 1).

The difficulties facing rural development in the two wings are obvious. The area is mountainous and hence transport is difficult. Land is scarce and infertile and is cultivated mainly by auxiliary labor, such as old men and children, due to the stunning out-migration of rural residents. On the small farms in the two wings both inputs and outputs are very low. In fact, farming in this area is mainly at a subsistence level. However, the two wings are not without advantages: woodland and forest resources are plentiful, and the area is suitable for a wide range of crops, poultry, and livestock appropriate for its mountainous climate. There is a strong demand for these agricultural products in local and national markets due to the dramatic transformation of the food consumption patterns of the Chinese population. And the strong demand

for these specific agricultural products constitutes the basis for the further development of peasant farming in the two wings.

The Chongqing government is clearly aware of the two wings' special advantages. At the meeting on February 21, 2010, it announced that developing five main industries—forestry, forest orchard, under-forest 林下 poultry or livestock raising, under-forest plants, and forest tourism—would be the basis for accomplishing the income growth objectives. It is obvious that these particular industries were selected so as to use the plentiful woodland and forest resources in the two wings. In order to develop these industries and thus carry out the income growth project, the Chongqing leadership believes that local governments, enterprises, agricultural cooperatives, and the peasant households in the two wings all play a necessary role.

The project has two key components at the policy level. The first is to promote agricultural industry-ization 产业化 and to construct corresponding chains of production, processing, and sales in the two wings, thus forming the basis for the growth of the peasants' income.<sup>2</sup> The second is the emphasis on people's livelihood, which is based on the goal of accomplishing "balanced income growth" or "income growth for every household." Correspondingly, the project includes both "drawing in business and investment, and industry planning" and "cadres to go into peasant households and support them directly." Some of the practices of Chongqing cadres in supporting peasants show that the government can improve the microeconomic environment for peasant households and enhance the vitality of their small farms.

## **An Assessment of the Income Growth Project**

### *The Economic Meaning*

The principal economic meaning of the income growth project can, in my view, be summarized as "increasing the market-oriented production of peasant households." Through this project, resources that in the past could not earn returns on market values—such as woodlands, grasslands, auxiliary labor unable to enter the labor markets, and limited funds—will be transformed into factors needed for market-oriented production. Via this transformation, it is expected that peasant households will produce more agricultural products that are in demand, such as chickens, eggs, oranges, medicinal herbs, and so on. These products have a strong market demand and can result in higher cash incomes for peasant households than is possible with traditional grain cultivation.

### *Improving Both Agricultural Industry-ization and People's Livelihood*

At the policy level, the income growth project has two striking characteristics. First of all, it means to improve a number of domestic-demand-oriented agricultural industries. These industries and their corresponding chains of production and sales are mainly related to the production, processing, and marketing of the specific agricultural products in the two wings. An important component of the income growth project is the vigorous support of these industries by the Chongqing government. The development of these industries can satisfy the growing local and national demand for diverse agricultural products as well as build a basis for market-oriented production of peasant households. This economic policy with its aim to improve domestic-demand-oriented industries is, needless to say, different in spirit from the export-oriented economies prevailing in coastal China.

Another crucial policy characteristic of the income growth project is that it emphasizes “people’s livelihood” 民生. The most important aim of the project is to ensure that 95 percent of all households in the two wings’ rural regions with labor power will reach the target of a 10,000 yuan growth in their income within three years. This means that the support of agricultural industries and chains of production and sales mentioned above must promote the universal income growth of peasant households in the two wings. The Chongqing government has announced that the key to the income growth project is to achieve “balanced income growth” 均衡增收, which means that most of the peasant households in the two wings should enjoy a rise in income, and that the income growth project should not enlarge the income disparities in the two wings (see Zengshou zhuanbao, 2010, no. 3). The term *huhu zengshou* 户户增收 (income growth for every household), with its emphasis on people’s livelihood, means that the target of the income growth project should be attained by 95 percent of all peasant households with labor power in the two wings. The attainment of that target has become a crucial index influencing the promotion and dismissal of local officials under a “targeted responsibility assessment system” 目标考核责任体系. The emphasis here is on the fact that if most of the peasant households in the two wings achieve the aims of the income growth project, an improvement in people’s livelihoods will result.

### *Combining Attracting Investment and Supporting Peasant Households*

The policy characteristics of the income growth project have a significant influence on the Chongqing government’s concrete practices in implementing

the project. On one hand, in order to develop certain agricultural industries in the two wings, the Chongqing government has to endeavor to draw business and investments into the two wings. It has to provide infrastructure and favorable tax policies and credits, and it has to promote the construction of industrial parks. In these respects, Chongqing behaves much like other Chinese local governments.

On the other hand, the income growth project is not only a series of economic policies designed to develop certain industries but also a fundamental movement to improve rural people's livelihood. This goal of improving livelihood has played a big part in shaping the micro-practices of the income growth project. Besides drawing in business and investment for agricultural industries, local cadres, especially those serving at the township and village levels, have to devote much energy and time to supporting peasant households in various ways. Cadres are asked to sign "targeted responsibility contracts" 目标责任书 guaranteeing peasant households' income growth in their jurisdictions. As a result, town and village officials have to leave their offices frequently and call on peasant households. They have to investigate the past income conditions of peasant households and compile income ledgers for each household. They have to provide peasant households with a series of possible profitable production modes, such as under-forest poultry raising, fruit cultivation, medicinal herb cultivation, and so on. In order to offer suitable suggestions, local cadres must be acquainted with a household's basic economic circumstances and familiar with the details of the various modes and corresponding market information. In this way, local governments in Chongqing have been playing a characteristic role of lubricant between peasants, enterprises, and the markets. At the same time, these behaviors have also strengthened the connections between government and party cadres and ordinary peasants. These connections had been to some extent weakened after the dismantling of the people's commune system.

### *Constructing a Basis for the Growth of Peasant Household Income: Improving Agricultural Industry-ization*

One of the guiding ideas of the income growth project is to develop a series of agricultural industries utilizing the plentiful woodland and forest resources in the two wings as the basis for income growth among peasant households. From the beginning of the project, the potential for rural development in the two wings has rested on the fact this area can produce numerous specific agricultural products for which there is a strong demand in local and national markets. However, the output of the peasant farms in the two wings has generally been meager, and the number of the specific agricultural products

provided by the peasant households has been limited. This situation is caused by several factors. First of all, the economy of the two wings has not grown substantially for a long time. Peasants' incomes and savings in the two wings are low too; thus what they can invest in new profitable agricultural production modes has been constrained. Second, meso-economic entities such as co-ops and agricultural enterprises are not as common there as in other parts of Chongqing or provinces in east China. The lack of such makes vertical integration from production to processing to marketing for small peasant households very difficult. And finally, owing to the low productive capacity of the peasant households and the backward infrastructure in the two wings, it has been hard to draw in outside business and investment and to achieve vertical integration.

In this situation, the first step taken by the Chongqing government was to free up the bottlenecks facing agricultural industry-ization in the two wings. It has done so through three key approaches. First, the government has directly infused capital into certain chains of production, processing, and sales considered to be crucial for the success of the income growth project. For example, it has established a special fund for the income growth project: in 2010, it budgeted 400 million yuan for supporting the under-forest economy. This fund was mainly intended to subsidize the construction of networks for animal breeding, peasant purchases of seeds, and the interest on loans taken out by dragon head agricultural enterprises that invested in the two wings. Apart from this 400 million yuan special fund, central and municipal funds for poverty alleviation, for comprehensive improvement of land, forestry, and agriculture, and for migration—a total of one billion yuan—were also devoted to supporting the development of the under-forest economy and dragon head enterprises in the two wings. Furthermore, each district and county in the two wings has been required by the Chongqing government to reserve funds to supplement the financing infused into the two wings' agricultural industries by the municipality. These government investments have directly reduced the financial burden on enterprises and peasant households.

Second, the Chongqing government has made great efforts to direct financial capital into the two wings. Chinese local governments generally have intimate ties with state-owned financial institutions. The Chongqing government has used such relations to pump capital into the two wings. On April 6, 2010, it signed agreements in support of the income growth project with five financial institutions, including the Chongqing Rural Commercial Bank 重庆市农村商业银行, the Chongqing branch of the Agricultural Bank of China 中国农业银行重庆支行, the Chongqing branch of the Agricultural

Development Bank of China 中国农业发展银行重庆支行, Chongqing City Bank 重庆银行, and the Postal Saving Bank of China 中国邮政储蓄银行. The five institutions promised to provide credits amounting to 65 billion yuan for the project. At the same time, the Chongqing government was taking steps to provide certification for rural land use rights throughout the whole municipality, and was quantifying the values of farmland, woodland, house sites, and residential properties. In November 2010, it announced that the “three rights” (i.e., the right to cultivate rural land, the right to operate woodland, and the right to residential properties), once certified, can be used as security for loans (see Shang, 2010). By June 2011, “three rights” mortgages to peasants in Chongqing amounted to more than 4.3 billion yuan (Liu, Huang, and Tang, 2011).

Third, since the start of the income growth project Chongqing’s officials, especially primary-level cadres, have played a crucial role in coordinating among peasant households, enterprises, and markets. Agricultural enterprises investing in the two wings usually rely on local governments to obtain land. They also need the help of local cadres to develop friendly relations with peasants. And the peasants usually rely on local governments to obtain useful information on production and marketing.

A vivid example of government-guided agricultural industrialization in the income growth project is the local layer-chicken enterprise in Qianjiang district, one of the 17 districts and counties in the two wings. In this case, the above-mentioned three functions of the Chongqing local governments and their cadres are clear. As we have mentioned, under-forest poultry raising has been listed by the government as a crucial industry for the growth of peasant household income in the two wings. And breeding farms, as the basis of the poultry industry, have been recognized as one of the primary funding targets for municipal financing. In March 2010, the Chongqing Agricultural Commission 重庆市农委 published a guiding document, “Specifications for the Construction of Chick Breeding Farms in the Income Growth Project,” to normalize the process of site selection, layout, breeding processing, and breed selection of in-building chick breeding farms in Chongqing. Shortly after the income growth project started and the agricultural commission’s guiding document was released to the public, the Chongqing Zhanwang Pasture Development Corporation (Zhanwang Corporation 展望公司) began to take steps to establish an enterprise in Qianjiang district, an area ideal for developing a local chicken raising industry owing to its plentiful woodland, mild climate, excellent water quality, and selenium-rich soil. The managers of the Zhanwang Corporation observed that local chicken eggs

sold for 3 yuan each in markets in urban Chongqing shortly after the Spring Festival, while the same eggs were worth only 0.5 yuan in the mountainous regions where they had been produced. Although local chicken eggs were in great demand among urban residents, the existing peasant-family-based production of local chicken eggs was loose, dispersed, unorganized, and lacked brand awareness. Inspired by the above realities along with strong support from the municipal and district governments for the under-forest poultry raising industry, the Zhanwang Corporation rapidly indicated to the Qianjiang district government its intention to enter this industry, and submitted a detailed plan for the development of a local chicken egg industry. The main component of the program was to build a large breeding farm for local chicks in Qianjiang district with the cooperation of the local government.

The program proposed by Zhanwang was well received by the Qianjiang district government, and was reported to the Chongqing government as a crucial step in promoting the income growth project in Qianjiang. The program was quickly approved, and the construction of the breeding farm was finished in November 2010, merely eight months after the program was proposed. The total investment in the program amounted to 4.3 million yuan, of which 1 million yuan came from Chongqing municipality, 0.3 million yuan from Qianjiang district, and the remaining 3 million from the Zhanwang Corporation.

Shortly after the breeding farm was set up, the Qianjiang district government proposed a “one billion local chicken eggs program” as the centerpiece of the income growth project in its jurisdiction. This program planned to bring 30,000 peasant households into the raising of local layer-chickens. The breeding farm of the Zhanwang Corporation furnished individual households with the chicks, and the corporation promised to repurchase the eggs and mature chickens from the peasant households. Aside from the Zhanwang Corporation, other economic entities of different scales, such as ordinary small peasant households, “big” farming households (*dahu* 大户—“big” of course by Chinese standards), specialty co-ops, and so on, were also directly supported by the Qianjiang district government. Each layer-chicken-raising household, no matter the scale of its production, enjoyed subsidies for the purchase of chicks (3 yuan per chick), for epidemic prevention, and for insurance (at 1.2 yuan per chicken insured). A specialty co-op would be awarded 50,000 yuan if it could recruit 200 peasant households to achieve the goals of the income growth project, 100,000 yuan for 500 households, and 200,000 yuan for 1,000 households. The co-ops, big farming households, and enterprises would also enjoy loans on favorable terms if they could recruit 200 or more peasant households.



**Table 1.** Return on Investment in Raising Layer-Chickens (Yuan/100 Chickens)

Item	National average	A household in Qianjiang
Quantity of principal products (eggs)		15,000
Value	12,562.12	14,100
Principal products	10,891.46	12,000
Residual products	1,670.66	2,100
Total cost	11,707.33	10,039.35
Production cost	11,683.21	8,967.35
Materials and services	11,227.21	8,073
Labor	456.00	894.35
Family labor	309.70	894.35
Hired labor	146.30	0
Land cost	24.12	1,072
Net return	854.79	4,060.65
Rate of net return	7.30%	40.4%

Sources. Quanguo nongchanpin chengben shouyi huibian (2010); the author's investigations.

I have calculated the return to a local layer-chicken raising household and compared it with the national average return of middle-scale layer-chicken enterprises (see Table 1).

As Table 1 shows, an individual household with 100 chickens can obtain a net return of about 4,000 yuan a year. Thus the goal of 10,000 yuan income growth can be reached in less than three years. The cadres of Qianjiang district and the managers of the Zhanwang Corporation were more optimistic and believed that a household with 100 chickens would achieve the targeted 10,000 yuan income growth within two years, but their calculations did not include the cost of land or the cost of the family's labor.

Two township governments arranged for the Zhanwang breeding farm to rent land from peasant households at the price of 357.2 yuan/mu a year. The township governments also provided information and technical assistance for chicken raising households, with the corresponding expenses paid by Zhanwang. The cadres of the township governments also helped to improve the trust between Zhanwang and individual households. At the beginning of the layer-chicken raising program, the local peasants responded negatively to the program and to the Zhanwang Corporation. Through explanation and suasion the local cadres gradually changed the peasants' attitude. Later, some

households sold eggs to other companies despite their purchase contracts with Zhanwang. It was again the explanations and persuasion by local cadres that made peasants realize they should comply with the contracts to reap the benefits built into their long-term relations with Zhanwang. The transaction costs between enterprises and peasant households were thus reduced owing to the actions of local cadres.

Under-forest cultivation in Kaixian county is another case of building up an agricultural industry. Kaixian has around 320,000 mu of orange groves, of which more than 60,000 mu are suitable for cultivating under-forest plants. The Kaixian government intends to implement the income growth project mainly by developing under-forest plant cultivation in the county's plentiful woodland. To that end, it has announced a series of targeted support and award policies. Peasant households that cultivate beans, peanuts, and other plants under orange or other fruit trees will be supported. In addition, the local government itself made a direct effort to introduce new cultivation methods to the county. For example, the Kaixian Agriculture Comprehensive Office 开县农业综合办公室 has introduced a technology-advancing program in Dade township 大德镇 for developing pear trees/beans intercropping. According to officials in the Kaixian Agricultural Committee 开县农委, the whole county developed up to 30,000 mu of under-forest plants in 2010, with an increase in peasants' income of up to 120 million yuan ("Kaixian xunhuan nongye xin moshi fu le 'yaobao' you fei 'lin,'" 2010).

The cultivation of Chinese medicinal herbs is also a popular production choice in the income growth project and has been implemented in many towns and villages in the two wings. For example, the cultivation of honeysuckle has been a major approach to implementing the project in Ganchuan village, Xiushan county. There, individual households were organized to receive training in cultivating honeysuckle, and four specialty co-ops undertook the processing and marketing of the product. In this village in 2010, 91 households (7.6 percent of the total households) enjoyed a 10,000 yuan increase in income, 191 households (16 percent) a 5,000–10,000 yuan increase, 224 households (18.7 percent) a 3,000–5,000 yuan increase, and 512 households (43 percent) a 1,000–3,000 increase.

### *The Efforts to Achieve "Income Growth for Every Household"*

The most important policy innovation of the income growth project is the goal of ensuring a 10,000 yuan income growth for 95 percent of the peasant households with labor power in the two wings—in other words, with few exceptions, virtually every peasant household. This significant aim has

placed enormous emphasis on people's livelihood and on a more equitable development. The Chongqing leadership has emphasized that most of the peasant households will enjoy income growth through this project and that the income disparity in the two wings will not be aggravated. Huang Qifan 黄奇帆, the mayor of Chongqing, pronounced in a special paper to the public that

“All households” must be highlighted as the basic units of the income growth project. It is easy to achieve a 10,000 yuan income increase on average, but it is hard to make sure that every household can reach this goal. At present, the disposable income per capita of peasants in the two wings is about 4,000 yuan, and thus for a three-member household the total income is 12,000 yuan. With the speeding up of urbanization and the more efficient allocation of rural resources, there will be a 700–800 yuan income growth for a peasant on average in a year and a 10,000 yuan income growth for a peasant household on average in three years, even without the income growth project urged by the government. So we comrades must be clearly aware that our aim is to make sure that every peasant household with labor power in the two wings enjoys a 10,000 yuan income growth in three years, and not that some households have an income growth of tens of thousands of yuan while others have only a few thousand or even less. To achieve this aim, we must go deep into the peasant households. We must design detailed schemes for the income growth project based on individual households as units. We must make concrete income growth plans and provide industry-izing development modes and technical training for every single household. Of course, the “every household” emphasized here does not include those without labor power. The latter will be assisted mainly through improving the social security system and through anti-poverty measures. (Huang Qifan, 2010)

Because of the aim of “income growth for every household,” the two wings’ project differs in some respects from ordinary agricultural industry development programs. The latter have mainly emphasized the importance of supporting dragon head enterprises and big farming households, while the income growth project has devoted much more attention to small peasant households, the major beneficiaries of the project. As Huang Qifan stated, local cadres have been asked to “go deep into the peasant households” and “make concrete income growth plans and provide industry-izing development modes and technical training for every single household.” A rigorous

requirement like this was rare in the past. Along with the requirement of “going into the peasant households,” a crucial administrative measure is the inclusion of peasant households’ income growth in the “targeted responsibility assessment system” of local cadres. The Chongqing leadership had asked for the development of an explicit assessment mechanism for the fulfillment of the project. Every district and county government in the two wings, as well as the departments of the municipality involved in the project, were asked to define their targeted responsibilities, and to set out corresponding punishment and reward measures. The success of the income growth project will be assessed quarterly, half-yearly, and yearly, and the result of the assessments will be taken into consideration in the promotion and dismissal of local cadres.

In Youyang county 酉阳县, the fulfillment of the income growth project has been included in the “yearly targeted responsibility assessment system” for every department of the county government. Each township government has been asked to sign “targeted responsibility contracts for the income growth project” to ensure its implementation (Zengshou zhuanbao, 2010, no. 4). Wulong county 武隆县, on February 26, 2010, just five days after the project was launched, specified the attendant responsibilities for every township government and every department of the county government. The implementation of the project has been taken as a “one-vote-and-out” 一票否决 index for officials. The leaders of every township government and every department of the county government have collectively promised that they will resign if they fail to fulfill their responsibilities in this regard (Zengshou zhuanbao, 2010, no. 7).

The Chongqing government’s inclusion of peasant households’ income growth as a key component in the targeted responsibility assessment system for officials is a significant institutional innovation. Usually, the most important components in the assessment of local governments are “drawing in business and investment” and “GDP growth.” Developmental targets related to people’s livelihood are either not included at all in the assessment or considered not to be very important. Because of this, local governments and officials are mainly engaged in pursuing GDP growth and drawing in investment. With its inclusion of peasant households’ income growth as a key component in the assessment system, even to the extent of a “one-vote-and-out” index, Chongqing has been reversing this situation and giving more attention and support to people’s livelihood.

The micro-level entities responsible for implementing the income growth project are the county and township cadres. Each county and town in the two wings has set up a “10,000 yuan income growth office” 万元增收办公室 staffed by cadres temporarily transferred from various departments. Their

duties include investigating the economic conditions of peasant households, drawing up policy propaganda, assisting peasant households in programming their production, dredging marketing channels, organizing technology training, and the like.

To implement the income growth project, all counties, townships, and villages in the two wings have been asked to set up statistical reporting systems. Local cadres have gone into the peasant households, investigated their economic conditions, and compiled income ledgers for each one. All of this information is gathered together, inputted into computers, and reported to the county governments. A township cadre in Qianjiang district has said that at the beginning of the income growth project each of Qianjiang's cadres was asked to visit peasant households once a month (Interview, April 6, 2011). During their visits, they were to investigate the economic conditions of households based on a detailed questionnaire with more than 80 indices. All of the data would be collected and summarized and then inputted monthly into a website set up by the Qianjiang district government. The investigating work in other counties in the two wings is similar to that in Qianjiang, though not so rigorous. The household-level information gathered by local cadres has constituted the basis for implementing the income growth project along with formal statistics gathered by the Chongqing Statistics Bureau.

The most time-consuming work for local cadres is "going into peasant households and supporting them directly" 入户帮扶. For example, the Pengshui county 彭水县 government organized 300 teams to support peasant households' income growth, consisting of 1,000 cadres from 88 county-level departments and 39 township governments. The 1,000 cadres were asked to leave their usual post for three months and go into villages and peasant households. They are to live, eat, and labor with the peasants, and their only work responsibility is to assist peasant households in reaching the target of 10,000 yuan income growth. Furthermore, success in providing support is considered an important component of the year-end assessments for cadres (Zengshou zhuanbao, 2011, no. 13). In Fengjie county 奉节县, all cadres in the government and in the institutions led by the government were asked to "take on responsibility for" peasant households (包户). Ordinary cadres 一般干部 were asked to take on one household, mid-level cadres two households, deputy heads 副职 of townships and of departments of the county government 3 households and the heads 正职 4 households, deputy heads of the "four principal apparatuses" 四大家 (i.e., the county party committee, the county hall, the county People's Congress, and the county Political Consultative Conference) 5 households and the heads 6 households. Cadres who made commitments to take on a certain number of households were asked to secure a 5,000 yuan loan for each household and to keep focusing

on and supporting them (Zengshou zhuanbao, 2010, no. 7). Similar policies of “taking on responsibility for households” were also implemented in other counties in the two wings.

The “into-households” support for individual peasants requires in-depth communication between cadres and peasants. For example, in Qianjiang district, the township cadres usually “go into peasant households” through the introduction of village heads.<sup>3</sup> After introducing their goals, the cadres draw up an income growth plan jointly with the members of the household according to the household’s economic endowment, including labor power, land, and savings. The key period for into-households support is from May to August. During this time, each cadre goes into the peasant households at least ten times a month, and even once a day on the busiest days. Sometimes the cadres will hold a “briefing” 说明会 to introduce the policies of the 10,000 yuan income growth project and of improving industry and also distribute instructional leaflets among the peasant audience. Furthermore, at these briefings, a “card with clear information on the household’s income growth” 增收明白卡 will be filled out by each peasant. The cards include information on the basic condition of the household, the production mode the household will undertake in the income growth project, the scale of the production mode, and the amount of the expected income growth.

Since 2009, the Chongqing government has required its cadres to participate in the “three movements” 三项活动. This refers to the “three going-intos and the three same” 三进三同 (i.e., “going into poor counties, the villages, and peasant households” and “eat the same, live the same, and work the same”), the “big visitation below” 大下访 (a reversal of the *shangfang* or “visit above” process), and “adopt a poor relative” 结穷亲 (requiring a cadre to visit the “adopted” family at least twice a year, and to help them out as if they were a true relative). The “into-households” support has often been performed along with the “three movements,” aiming to bring Chongqing cadres into closer contact with the people and basic-level realities. Political mobilization along the lines of the traditional mass-line policy of the party has thus been an important measure in implementing the income growth project and promoting rural development in the two wings.

## The Theoretical Implications

### *The Role of Government in Promoting Economic Development*

There are two main views on the role of the Chongqing government in advancing economic development. The first emphasizes the “visible hand”

of government and its ability to allocate resources intensively. According to this view, Chongqing's stunning economic growth in 2008–2009 and its success in fighting off a financial tsunami can be attributed to the implementing of Keynesian policies. In other words, the Chongqing experience is nothing new but a version of Roosevelt's New Deal "with Chinese characteristics."

The second view considers that the essence of the Chongqing experience actually lies in the market appreciation of government-owned enterprises and their assets, including land, to fund public projects. This appreciation has constituted an important source of government finance and contributed mightily to investments in people's livelihood and infrastructure, and to the development of the private economy. Cui Zhiyuan of Tsinghua University considers the joint development of government-owned enterprises, the private economy, and people's livelihood to be the real spirit of the "socialist market economy" (Cui, 2010).

The 10,000 yuan income growth project is complex and systematic. It contemplates different roles of the government in promoting development. On one hand, the direct resource allocations by the government's visible hand are easy to observe. Each county and district government in the two wings has made substantial direct investment, usually locating different investment programs in a single industry park to allow for the aggregation of effects. On the other hand, market-oriented operations of government-owned enterprises can also be observed in the income growth project. For example, a township government in Youyang county invested in and operated a "modern agricultural science and technology demonstration park" 现代农业科技示范园; however, its scale was much smaller than the "eight big investment firms" in Chongqing proper, which are considered to be typical government-owned enterprises operating according to market signals.

In addition to the above-mentioned two roles, the income growth project has shown that the local government can play an important part in improving the microeconomic environment for peasant households through the activities of its cadres. Local governments and their cadres can help alleviate the problem of market failure. Modern economics has shown that the neo-classical "perfect market," which always allocates resources efficiently, actually does not exist. An ideal model constituted by such perfect markets does not reflect a real market economy. Market failures are common in reality, and when these failures occur, the incentive mechanism of the "market-price-profit" triad will not act as an efficient tool for resource allocation. In the villages of the two wings, the most obvious sign of market failure is that their plentiful woodland and forest resources could not be organized for market-oriented production. More theoretically, that is to say,

“the economy does not produce as much as it could, given the resources available. It produces inside, rather than on, its production possibilities curve” (see Stiglitz, 2000).

An important reason for market failure in the two wings is information asymmetry; that is, peasant households have not obtained enough market information, including knowledge of consumer demand and marketing, to guide their production. As we have noted, during the implementation of the income growth project, thousands of county and township cadres have been asked to go into the peasant households and support them directly, and have been required to propose new profitable production modes. That has actually brought plentiful market information to peasant households. By using its political power and human resources, the Chongqing government has gathered information widely on consumer demand and marketing and formulated concrete production modes for peasants based on the gathered information. Those production modes along with corresponding market information have been brought into peasant households by local cadres and “college-graduate village officials.” As a result, political power and administrative approaches have actually alleviated the problem of information asymmetry.

Another reason for market failure is the high risks for “small” peasant households trying to enter the “big” market. And these risks are usually caused by a lack of appropriate insurance markets. Any peasant household contemplating a new productive activity such as local chicken raising must take the risk into consideration. The reason why many peasants do not want to try something new even if it is more profitable than traditional farming is that they do not want to undertake unknown risks. In these circumstances, an important component of the support for peasant households in the income growth project is to reduce their economic risks. The Chongqing government has made great efforts to ensure suitable insurance for peasants. It has recently provided local-chicken insurance, which has gone a long way toward reducing the risk of raising local chickens, the most popular agricultural product in the two wings’ income growth project. Furthermore, the Chongqing government also subsidizes the insurance expenses of peasant households. For households that cannot for now acquire insurance on the market, the local governments in Chongqing have alternative methods. A common method is to urge agricultural enterprises to purchase the products of peasants at protected prices when the market price is abnormally low. The above-mentioned policies and practices show that the Chongqing government has the ability to reduce peasant households’ microeconomic risks.

Past studies on the role of government mainly focused on macroeconomic functions, such as fiscal and monetary policies. Even economists who believe



government should intervene in economic affairs also believe that the market mechanism is efficient at the micro-level. The “neoclassical synthesis” school associated with Paul Samuelson, which believes in the combination of the micro-efficiency of the market and the reasonableness of macro-intervention by the government, has dominated Western economic studies since World War II. However, the dominance of the neoclassical synthesis was dealt a blow in the 1970s by the confusing phenomenon of stagflation in Western countries. Since then, further developments in economics have upset some confident beliefs of the neoclassical synthesis school and revealed that the micro-level market mechanism is not so perfect and efficient, just as the macroeconomy is not as perfect as Say’s law would have it. Some economists, especially Joseph Stiglitz and his colleagues, have striven to construct a more general research paradigm for economics that takes market failure into consideration.

The practices of the 10,000 yuan income growth project remind us that the local governments in Chongqing can use their political power and administrative resources to alleviate market failures and improve the micro-economic environment for peasant households. These practices have extended the government’s economic regulatory measures beyond traditional fiscal and monetary policies. As some economists have claimed, the income growth project in Chongqing has shown that some appropriate behaviors of local governments can help construct a good microeconomic environment for peasant households. These behaviors do not conflict with the market, but actually contribute to improving the market mechanism.

### *The Vitality of the Chinese Small Family Farm*

Max Weber was deeply concerned about the fate of traditional family-based peasant farming in the modern bourgeois-capitalist world. First of all, he believed the two have different economic logics. The logic of the former involves how to feed as large a population as possible on a given amount of farmland, while the latter is concerned with calculating how to supply the market with the maximum output by using the minimum labor. Furthermore, Weber believed peasant farming would die out owing to the competitiveness of capitalist farming. Wage-labor-based agricultural enterprises would take the place of peasant families as the principal production units in the countryside (see Weber, [1906] 1946). Adam Smith and Karl Marx by and large shared Weber’s view on this issue.

In China, the dominant view has been that small farms cultivated by peasant families are doomed to low incomes until further urbanization removes

enough cultivators from the land to allow for economies of scale and higher labor productivity. Some economists of neoclassical leanings have called for immediate land privatization and for unrestrained exchange in a free land market in order to speed up the economies of scale in agriculture. Other scholars oppose radical privatization of land ownership, but they too do not seriously consider the possible further development of small farms.

A third view is that the Chinese peasant economy has its own logic (see Philip C. C. Huang, 1990, and 2011, and Huang Zongzhi, 2010). This logic is different from that of the classical view of Adam Smith, Karl Marx, and Max Weber, which, of course, was mainly based on Western history. Chinese small-scale peasant farming, however, persisted through the past six centuries, and even the vigorous commercialization and urbanization in the Yangzi delta, China's most advanced region, did not change the situation. As Philip Huang has shown, under the heavy pressure of an expanding population on the land, the most significant characteristic of Chinese farming became the tendency to absorb an ever-expanding supply of labor into small family farms. As a unit at once of consumption and production, with a "fixed" supply of labor, the peasant household could be pushed by land scarcity to intensify labor input so long as the marginal product of labor contributes to the subsistence needs of the whole family, even when the marginal product of labor drops below the market wage for labor. This dynamic Huang has described as "involution." This historical background also set the basic preconditions for agricultural collectivization and modernization after the People's Republic was founded. Capital intensification, like the use of modern farm machinery and chemical fertilizer, did not so much save labor as allow for further labor intensification. It was only at the turn of the new century that the pattern of involution started to show signs of a potential "de-involution" with the conjunction of three broad tendencies: a significant drop in new additions to the rural labor force owing to the birth control policy, a rapid urbanization along with an enormous increase in the numbers of rural migrant workers working in the cities, and a dramatic transformation of food consumption patterns. However, Huang has argued, this de-involution will not come with large scale American-style farming, but rather with capital-labor dual intensifying small farms for horticulture and livestock raising.

The implementation of the income growth project in Chongqing has demonstrated the possibility of a rural developmental pattern based on small farms. The project has assisted peasant households in developing new agricultural industries with higher economic returns. These industries, including under-forest poultry and livestock raising, fruit cultivation, medicinal herbs cultivation, and so on, are mainly designed to utilize the plentiful forest

resources in the two wings area and take advantage of the strong demand for these products in local and national markets. If the income growth project is successful, peasant household farming for subsistence-level returns in the two wings will be fundamentally changed. The new farming will still be peasant-household based, but it will have larger output value per unit of land and higher labor productivity. Nonetheless, even if small-scale peasant farms in the two wings have the potential for further development, they still face the problem of “vertical integration” from production to processing to marketing. In the two wings, this vertical integration is dominated by the government, which has cultivated and drawn in various microeconomic entities, such as the agricultural dragon head enterprises, specialty co-ops, specialty wholesale markets, and so on, during the implementation of the income growth project.

The income growth project has revealed a significant problem: in some villages in the two wings, the local governments tend to promote the concentration of land, transferring it from peasants to large-scale agricultural enterprises or to the so-called “big households.” In this situation, many peasants have lost control of their land and become agricultural wage laborers. Temporally, they will obtain rent for the land and wages for their work, but it will be hard for their income to grow in the future. Furthermore, this arrangement can also create social instability in the countryside, for land is still the last security for Chinese peasants. Thus, it is clear that local governments would be wise to spend more energy and resources on supporting the industrialization of individual peasant households instead of taking away their land and transforming them into agricultural wage laborers. Rural development and the growth of peasants’ income will be sustainable only if they are based on the real improvement of the profitability of small farming. Considering the poverty of individual peasant households in the two wings, a possible institutional innovation could be the village-based cooperative. Cooperatives can make up for the weak managerial abilities of individual peasant households, can help to achieve the vertical integration of peasant households, and can be a more suitable organization for undertaking government-led developmental programs.

## Conclusion

As a project aiming to improve people’s livelihood in Chongqing’s most underdeveloped rural areas, the every peasant household’s income to grow by 10,000 yuan project in the two wings is considered by the Chongqing government to be the key to the coordinated development of both urban and

rural areas. The income growth project has two important components. The first is the government's steps to break up the bottlenecks facing agricultural industry-ization and draw in investments in order to develop the plentiful woodland and forest resources in the two wings. And this component actually has constituted the foundation for peasant households' income growth. The second component is the emphasis on pursuing "balanced income growth" or "income growth for every household," which highlights the project's attention to people's livelihood. As Chongqing's mayor Huang Qifan declared, "It is easy to achieve a 10,000 yuan income increase on average, but it is hard to make sure that every household can reach this goal." In order to achieve "income growth for every household," the Chongqing government has made great efforts to formulate the income growth project with the individual peasant household as the basic unit, to investigate the economic conditions of peasant households, and to support peasants directly through various methods. And to ensure effective cadre participation in the project, income growth for peasant households has been taken as a key or a "one-vote-and-out" index in the targeted responsibility assessment system in Chongqing.

The practices of the income growth project have two theoretical implications. On one hand, as a kind of government-dominated development, it asks us to rethink the role of government in economic development. In addition to macro-level functions such as the fiscal and monetary policies, the Chongqing experience of implementing the income growth project shows that Chinese local government has the function of improving the microeconomic environment in which individual peasant households are embedded. This function is fulfilled mainly by organizing local cadres to go into the peasant households and provide them with knowledge of profitable production modes, market information, support for loans, and so on. The Chongqing government has also made efforts to build insurance markets and has urged enterprises to purchase the peasants' products at protected prices when market prices are abnormally low.

On the other hand, the practices of the income growth project point to the crying need to reassess the development potential of small farming in China. Contrary to the classical views of Weber, Marx, and Adam Smith, the actual record of China's economic history shows the powerful persistence of small-scale farming based on peasant households. An important result of the income growth project is that numerous peasant households have enhanced the vitality of their small farms through adopting more profitable production modes and utilizing the plentiful woodland and forest resources in the two wings. Under the income growth project, peasant households in the

two wings have increased their cash income, which will help to improve their lives and make further investment in production possible. At the same time, the construction of agricultural chains of production, processing, and sale and the government-dominated vertical integration, both of which connect the “small” peasant household with the “big” market, along with the improvement of the microeconomic environment for peasants, have constituted the foundation for further development in the two wings’ rural areas.

If the Chongqing government can maintain its emphasis on the pursuit of “balanced income growth” and “income growth for every household” and on the support of individual peasant households, the income growth project will help to transform small-scale peasant farming for subsistence-level returns in Chongqing’s two wings into one with substantial profitability, thus making rural development sustainable. Owing to the huge number and the importance of peasant households in China’s political economy, Chongqing’s practices of implementing the income growth project will be a valuable experience for rural China’s future development based on small-scale family farming.

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### **Notes**

1. Spatially, the Chongqing government describes its overall development strategy as “one circle and two wings,” the “circle” being the core, which can be reached from the center (Chongqing proper) within one hour, and the “wings” being the rural periphery, two elongated areas, one stretching northeast to the Three Gorges

- Reservoir area, with the city of Wanzhou as its center, and the other stretching southeast, encompassing the mountainous, poverty-stricken area of the Wujiang River basin and the Wuling Mountains, with Qianjiang as its center.
2. Industry-ization has two meanings: family farms operating according to market logic and in a businesslike fashion, and vertical integration, from production to processing to sales.
  3. Formally, the village head is the “head of the village neighborhood committee.”

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## Biography

**Gao Yuan** is currently doing postdoctoral studies at the School of Agricultural Economics and Rural Development of Renmin University of China. He received his PhD in theoretical physics from Shanghai Jiao Tong University.