

An innovation for "innovation" : A new round of political achievement competition among local governments in China

Li Ni

(School of Government. Sun Yat-Sen University. China)

Abstract: The GDP performance competition between local governments is a strong incentive in the “promotion tournament”, which explains China's rapid economic growth. However, why the local governments actively introduced reforms with no economic gain that even cut their own interests and why they are eager to seek administrative innovation pilot projects? This paper argues that the current local government has formed a new view on political achievements of "innovation", and the competition for achievements of "innovation" has contributed to this behavioral change. When local governments are subjected to political pressure of "no excuses for no reform", facing the change in performance evaluation indicators, "innovation" has evolved from the means of promoting economic growth of bureaucratic organizations into competition target between organizations. Due to the competition cost of "growth" increased while profit space narrowed and "innovation" competition cost reduced but returns increased, and the "multiple political gains" produced by innovation competition, local governments choose to competition for "innovation" in order to gain the competitive advantage. Competition for "innovation" is the rational choice maximizing their own interests under the changing administrative conditions. Once such competition pattern is formed, the central government should make policy guidance on how to motivate and regulate it.

Keywords: local governments, political achievement competition, innovation, growth

Introduction

Practice and discussion on government innovation has never been so heated. Since 2000, "Innovation Award of Chinese local government" has held six sessions, up to 2010, there are more than 1500 provinces, cities, counties, townships and other local governments applying for awards covering all provinces, municipalities and autonomous regions in Chinese mainland. By 2013, 1800 items have been declared and 139 projects short-listed. Take the innovation of social administrative system as sole examples, in recent years, Nanjing, Shenzhen, Haikou have applied for reform pilot to cancel supervision agencies for social organization so that they can be registered directly; since 2000 Shanghai took the lead to propose the government purchase service, and Nanjing, Wuxi, Shenzhen, Zhejiang, Tianjin, Beijing and other cities have introduced various types of purchase projects; since September 2008, "Suggestion on Accelerating the Reform and Development of the social organization " have been issued after the conference of Beijing social construction, and Shanghai,

Tianjin, Guangdong have carried out the pilot work to construct pivotal organizations and to incubate social organization (Peng Shanmin, 2012; Feng Zhiming, 2011); a variety of innovative models have since emerged. However, innovation is a risky behavior, with a high rate of failure, which bring no direct economic benefits for the local government; why are local governments, the "economic man", keen on innovation? Especially, the reform and innovation in governments often face many difficulties, which are likely to fall into the situation of "isolated island" (Guo Zhenglin, 2004), space of reform is limited (Yu Jianrong, 2010), in an embarrassing position of "reforms only happen on lower levels but not on higher levels" (Yu Jianrong, 2010), or local governments find themselves in a "illegal" position when a conflict occurred between their specific measures of reform and the state system (Yang Xuedong, 2008).

On the driving force of innovation, for local government there have been a lot of discussions, mainly explained as follows:

Interpretation 1: Pressure. China is now in the period of social transformation, social structure stratification and interest marketization and also the mismatched governance structure resulting in multiple contradictions and conflicts of interests of social groups (Li Lulu, 2012; He Yanling, 2013), with right petitions and mass incidents growing, local governments face enormous pressure of "stability maintenance" under such institutional environment where "stability is the biggest politics". The emphasis on social collaboration, community building and decentralization of innovation on social administrative system has been considered a best way to reduce social conflict through change management approach of mandatory administrative directives and the rule of law ignoring.

Interpretation 2: the political elite .Local officials are an active force in local governance, their ability and quality determines the performance of local political operation and governance (Yang Xuedong, 2013). Many local reforms are led by a "political entrepreneurs" with the ability, spirit of adventure and social responsibility to launch and operate. Generally, innovation is to deviate from the existing system, embodied in conflict with existing laws, reformers sometimes need to brave "the risk of jail"(Jian Guangzhou, 2008; Yin Hongwei, 2008), in which case the power of innovation to be interpreted as due to the actor's social responsibility (Li Jingpeng, 2007) or have some sort of moral sentiments (Zhu Guangxi, 2013).In such a power structure with local governments absolutely obedient to the central, local innovators use their ability of skilled interpretation to influence the reform results (Zhu, 2007).

Interpretation 3: Political achievement. Under the appointment system, official promotion determined by superior government and members and the local officials is bound to make "political achievement"

for accumulation of promotion capital. Innovation often means a more efficient institutional arrangement, by which the role of original technology, capital and labor to economic growth was promoted and more resources was attracted for economic development. That reform was significantly associated with economic growth, and thus innovation provides a competitive advantage for economic growth (Tang Liping, 2011; Han Fuguo,2012). Zhou Lian (2007) argues that the central government designed "political tournament" for local governments, which is an official governance model in which centralized administrative power is compatible with strong incentive. In the "achievement means promotion" logic, they optimize the investment environment and promote economic growth by system innovation so that they accumulate visible GDP performance.

This paper argues that these three explanations are the power source of local government innovation, but cannot fully explain the above phenomena. For below reasons: social management system innovation for solving social conflicts under pressure, more reflects the passive response characteristics of local government, which is difficult to explain such a positive and proactive behavior by local government nowadays, and many social innovations are not directly concerned with solving social problems, but has the characteristics of leading the frontier of society, such as advocating "social enterprise" activities. As for the interpretation of political hotshots, it is difficult to become the only reason that why innovation is so common and so wide (economically developed and underdeveloped regions have appeared many examples of innovation). Explanation of the political competition is very powerful, studies suggest that the institution innovation provided a favorable environment for economic growth, that is to say, "achievement" here means economic growth, and that since 1980s, local officials began to compete on GDP growth (Zhang Jun, 2005).

Furthermore, as "economic man", the local government, in the thirty years of reform and opening up, either acted as "supporting hand" to manage enterprises and land as "government entrepreneurs", or as "the plundering hand" to grab vary kinds of taxes, which are both aimed at local economic gains and GDP growth. Why now, the same "economic man" of local government seems to be committed to institutional innovation with risk greater than profit? Why the local governments create pivotal organization, support the social organizations, invested more money into social and livelihood projects those spend money instead of make money (accounted for 60%-70% of local public expenditure)? Why the local governments strive to become the pilot reform, frequently introduced innovative initiatives to cut the bureaucracy's own interests?

This paper argues that "innovation" has evolved from a means to promote economic growth to the competitive goal for which local government pursue. As Chen Jiayi, Wang Yongcheng (2013) study found that the driving force of local government officials to carry out innovation was pursuit of political achievement and achievement competition, but the driving force of innovation in this paper only describes the "up-down logic"¹. This paper directly presents the proposition that "compete for innovation" and also argues that "innovation" is becoming a new "achievement" growth point for local government, from the perspective competition of political achievements to analyze how "innovation" evolved from a means to target and why local governments, through the "innovation" competition, can get more competitive advantage than "growth" competition, showing the behavior change of local governments and its possible impact.

Incentive mechanism of local government: political achievement competition

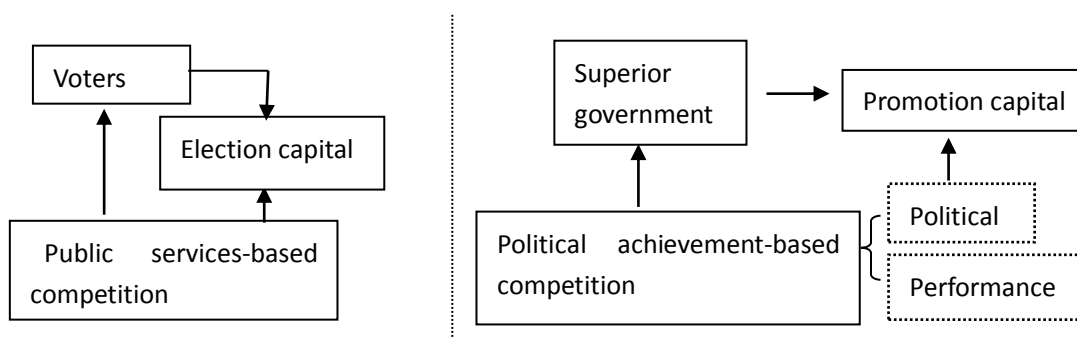
Tiebout(1956) model, based on the practice of local government competition in the West, points out that the inhabitants that "vote with their feet" to bring hard constraints to district government, making the district to provide more attractive public service. This kind of competition is to promote local government to improve efficiency, to attract people with public service advantage. Such competition pursues recognition of voters. However, due to the differences in institutional environment, China's competitive behavior of local governments in the transition period, its characteristics and influencing factors is obviously different from the western countries. Since the 90's of last century, scholars have launched many discussions on the competition behavior of local government of China. Research suggested that the M-type organization structure of Chinese government hierarchy system is conducive to the independent development of regions, meanwhile the central government implements effective control through vertically financial and personnel management (Qian Yingyi, Xu Chenggang, 1993; Blanchard& Shleifer, 2000). Such designing of organizational structure provides the institution base on which local governments compete for "achievement-- promotion". Zhou Lian (2007) illustrated this kind of competition as "promotion tournament," -- a promotion competition designed by higher levels of government for governors of subordinate government. In short, this competition mechanism on the grounds of political centralization and economic decentralization, but the most crucial incentive is derived from

¹ That is refers to the government reform and innovation behavior of local officials in order to implement the central government and higher levels of government spirit, deployment and work arrangements

the local leader's promotion mechanism of "performance "(Shang HuPing, 2010).

"Performance" here refers to "political achievement": "political", in a highly centralized system of government, means that local governments understand and implement documents and superior principals conveyed from the central government, follow the instructions as well as to obey orders; "achievement" means performance, that is implementing political spirit and complete political task effectively and efficiently. Therefore, the more accord with the superior spirit and the more efficiently complete the higher command, achievements more prominent.

Figure 1: public services-based competition vs political achievement-based competition



In 1992, Deng xiaoping inspected Wuchang, Shenzhen, Zhuhai, Shanghai, and delivered an important speech, putting forward the standard of right and wrong for judging of all aspects of work, mainly to see whether there should be conducive to the development of the productive forces in a socialist society, whether it helps increase the overall national strength of a socialist country..... The key is to develop economy. Development is the absolute principle¹. Subsequently, The Third Plenary Session of the fourteen Committee of the CPC (Communist Party of China) pass the "decision on setting up several question of socialist market economy system of the Central Committee of the CPC", clearly stated the distribution principle that is "giving priority to efficiency, taking into account fair". These policy documents undoubtedly made it clear that what the target of this round of competition among local officials is to increase local revenues, boosting local GDP.

ZhangJun (2005) believes that this is a round of competition for "growth", "let local officials can establish a ' competition for growth ' of 'political achievement concept' itself is the most effective incentive mechanism". It is the mechanism of "growth" competition that "political achievements" can measure local economic development, which powerfully explained the rapid economic development of China. Under

¹ Deng Xiaoping's "talking points in Wuchang, Shenzhen, Zhuhai, Shanghai and other places," (January 18, 1992 - February 21, 2012), "Selected Works of Deng Xiaoping," on page 377 of Volume 3

the influence of political incentives , local governments have made in favor of local economic growth behavior(Li and Zhou, 2005; Xu XianXiang , Wang Xianbin , 2010), the local government as a "political entrepreneurs", reflects the features of those are "local state corporatism " (Oi,1992), "government corporation" (Walder, 1995), "town government company" (Peng, 2001), "regime operator for profit" (Zhang Jing, 2000; Yang Shanhua , SuHong, 2002)and so on. The local government initiated "urban entrepreneurialism", acted as "growth alliance" or "growth machine" (Wanglei,2012; Zhu, J, 1999; Zhang, Le-Yin, 2003), spare no effort to invite investments from overseas and effort to build "achievement projects" in pursuit of maximizing tax revenue also high growth of GDP.

Indeed, political achievement competition in a large unitary state is the most effective incentive mechanism to stimulate the local vitality in the premise of central authority ensuring, moreover, enhance the whole country's performance. From 1979 to 2012, China's GDP grew at an average annual rate of 9.8%, the total economic output in 2010 exceeded Japan , become the second largest economy in the world. However, over the past thirty years, the competition pattern changed along with the market-oriented reform deepened. Competition of blind pursuit of "growth" in the creation of economic growth miracle at the same time been criticized because of its negative impact: Repetitive construction, destruction of the environment, illegal land use, neglect of public service functions; social security, health, education, housing and other social areas were seen as part of the economic sphere in GDP as the core of the development model, the interests of all sectors are sequentially "orderly" sacrificed (Ding Li, 2014). Many scholars emphasized that GDP is no longer the only goal of government competition, social construction and development has been widely concerned (Li Peilin, 2005; Yu Keping, 2007; He Zengke, 2011).

Calls for deepened reform are heard everywhere, "reform" has become the core of vocabulary of contemporary Chinese society. The government administrative reform become the best choice that central government to deal with the transition dilemma. In 2007, the report of the 17th Party Congress mentioned "should implement the spirit of reform and innovation in all aspects of state governance" while the word "innovation" appears 56 times in 18th Party Congress report. Leaders of Party and state stressed reform and innovation in various meetings. September 5, 2013, Xi Jinping spoke at the first phase of the eighth G20 summit," We're on a comprehensive study of deepening and overall reform, to promote and coordinate the system reform of economic, political, cultural, social, ecological" October 7, Xi Jinping delivered a speech at the APEC CEO Summit: "engine of growth come

from where? My view is that it comes only from reform, from adjustment, from innovation". Obviously, the competitive situation has changed. So, how the government "innovation" evolved from a means to solve development problems to "achievement" goal itself? How could competition for "innovation" be possible?

To innovate for "innovation": How "innovation" to become the target of political competition

Political pressure: not allowed do not reform

"Promotion tournament" is actually a performance contest on how to complete the task arranged by superior, the competition in the interest of "growth" was formed when the task concerns economic development. In other words, superior task is the barometer of local government behavior. Generally, government officials, especially officials hold the allocation power of resources always first calculation is political gain. Obedience and compliance to superior policies and actively complete commands and instructions issued by superior, which is a kind of show of political loyalty to superiors and such loyalty is likely to get recognition and the approval of superior or promotion opportunities. Certainly, obedience behavior is necessary for realization of unified leadership in a highly centralized system of government, meanwhile, it is a prerequisite for the huge bureaucratic system to achieve effective governance under the authoritarian system. Under pressure-type system, higher levels of government, especially the central government and the Party committees at all levels in order to complete some important tasks, they would identified such task as "political mission", requiring lower levels of government and departments fully completed and give the corresponding political and economic incentives and punishment (Yang Xuedong, 2012). As mentioned before, reform and innovation became the most important political task, local government had to reform and innovation on governance system under political pressure.

With the innovation of the social management system as an example, since 2004 the CPC's Fourth Plenary Session of the Sixteenth Central Committee proposed to "promote the innovation of the social management system, maintain social stability", to 2013 the Third Plenary Session of the Eighteenth claimed "to innovate the social governance system", the central policy text appears dense innovation policy advice about social management system. Social management innovation has been identified as a priority in less than a decade. In short, the central government issued a political task of "social management reform" for the lower levels of government. Guangdong Province in 2011 published official documents those are "decision on strengthening the social

construction" along with seven supporting documents to comply with the policy of the central government. This province created an upsurge of "social construction". As a former comprehensive reform pilot County in Guangdong Province, Shunde was identified as the pilot of social system reform in this round of reform. The summary of Shunde Reform said: "The reform in Shunde, Secretary Wang Yang (when he was the secretary of a provincial party committee in Guangdong) personally named, personally commanded, personally planned, personally guided and he pay attention to also promote the reform with full support throughout the whole process". He asked Shunde learn the advanced experience of Hong Kong and other places of social management and to become the pioneer of social services and management system reform. "Allow reform failed, and not allowed do not reform" that is what he ordered. In fact, the reform of social system is the "thesis writing" that Guangdong gives Shunde to do.

Bureaucratic tasks: to innovate for "innovation"

How local government to undertake the political mission of reform and innovation? Create a new government agency has always been the choice when the government face a new governance issues, that is to add a functional department to achieve goals of rational rule in the bureaucratic system. Economic Restructuring Office of the State was set up in 1998. National Development and Reform Commission (NDRC) were set up in 2003 by restructuring of Economic Restructuring Office and the former State Economic and Trade Commission and incorporation of some of their functions. In 2013, Central Leading Group for comprehensive deepening reform which headed by the national leaders was founded. These institutions are the specialized department in charge of reform in the national political system. Social Work Committee as which known the NDRC in social sphere also have been established in recent years. In 2012, Social Work organizations have been set up at all county-level to coordinate and promote the social construction in Guangdong province, The organization once established, will find and amplifying organizational performance in order to obtain the survival space, constantly expand the organization legitimacy, at this time of "innovation" is not only the tool for rational realization, and the administrative goal itself.

There are 113 shortlisted items of five local government innovation award belong to "implementation-type"¹ innovative ratio up to 77.8% (Yang Xuedong,2011) . In addition to complete the innovation tasks arranged by superior, such as "super department" reform, local

¹ "Implementation -type" innovation usually has two forms: one is a response to a certain goal or a policy advocated by the central intent; the other is to realize the specific requirements of the central or higher.

government also innovating spontaneously. The author interviews in the local Social Work Committee asked why to innovate, "This is my job and the job itself is to promote the reform", the interviewer replied. An interesting phenomenon is that the regular work of the department to require participants to be conceived several innovative ideas or issues owing to their department added new function of reform study. Department staffs racked their brains to search the optimal practice for the sake of "reform and innovation" achievement. Therefore, when asked about what the difficulties to innovate that the answer is not the system space nor the resource block but the lacks of creative talent with good ideas.

Performance assessment: cannot but innovate

The "innovation" became the task itself, which is still not strong enough to explain competition such active. The combination of the top-down bureaucratic system and the appraisal of government performance is the key. The evaluation system is equivalent to the baton with which the higher levels of government to control lower levels under the hierarchical structure while the adjusting of measurements items and index is rule confirming for "promotion tournament" at different times. Still take Guangdong Province as an example, the province cleaned up various assessments and inspection comprehensively in 2013, and only 33 inspection projects were retained from the original 279 provincial appraisal and the withdrawing or merging rate was up to 88%, but added assessment items of the social construction. Evaluation index system is divided into four dimensions which are social programs, social security, social justice, social participation and which including 37 secondary indicators. From the beginning of 2014, the achievement of basic and progress conditions of social construction would be ranked among regions, which as the important evidence for political achievement evaluation and annual performance assessment and appointment for officials at all levels.

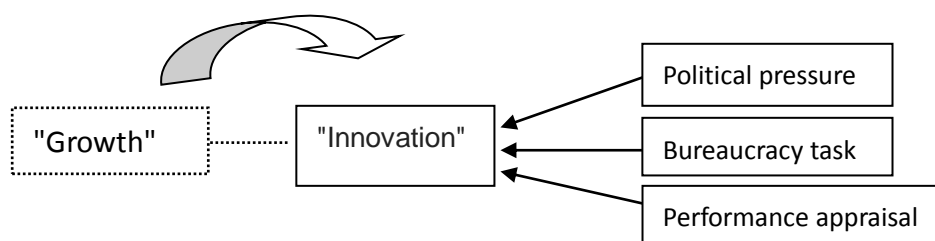
Recent studies have found that the focus of the performance assessment of county and rural has undergone a series of changes: indicators on economic development and social stability continue to strengthen and the town government downward pressure of social stability maintaining through "veto power" (Liu Mingxing et al., 2013). Table 1 excerpts from performance scheme of town of Shunde who is the reform pilot of social system of Guangdong Province (See Table 1)

Table 1: 2013 key performance indicators of town government in Shunde (Excerpt)

Second-level index	Third-level index	Indicators of decomposition	Annual goals	weight (%)
The innovation of social work (RongGui town)	To explore the charity cooperate with social organizations, set up a charity fund	By RongGui Government Network, RongGui charity network, TV stations, newspapers launch publicity.	To complete the formulation and implementation measures of fund use by the end of Decemeber	12.5
		Founded Fund (Fund name).		
		According to the donor formulate implementation measures of the use of the fund.		
		Use of government networks and RongGui charity network announced.		
Comprehensive rural reform (Da Liang town)	Improve rural collective assets Transaction Management of Daliang	Learning the other town experience, combined with the actual situation of DaLiang, to prepare the discussion paper of construction of DaLiang's rural collective assets publicly traded platform	Construct DaLiang rural collective asset publicly traded platform And perfect management measures, implementtrade through the trading platform	14
		Introduction of implementation measures on DaLiang rural collective assets publicly traded platform and work plan on leadership team, coordinating committee		
		Held various communities (villages) thematic working meetings, interpret the implementation measures and operating guidelines		
		Achieve community (village) collective assets publicly traded through the platform of (Village) collective assets publicly trade		

In other words, the contest between government officials is not merely a GDP competition from Hu Jintao who put forward the scientific concept of development in 2003. With the innovation of social governance system is increasingly advocated, assessment indicators increasingly diverse.

Figure 2: From “growth” to “innovation”: Change on competitive situation



Competing for "innovation": to obtain the relative performance advantage

The promotion competition of economic growth among local officials was trying to win the relative performance. That means the central government according to economic growth gap between current officials and former officials, this region and surrounding region, present rate and the long-term trend for performance evaluation of local officials. (Zhou Lian et al, 2005).It is necessary to improve the relative performance to gain competitive advantage in the competition of promotion. When the economic slowdown and the traditional model of economic growth unsustainable, for maximum benefit considerations, local government is bound to adjust competitive strategy to find new growth point of performance and gain a competitive advantage. The following specific practice materials about innovation are mainly from the Shunde District of Foshan city of Guangdong Province known for reform and innovation.

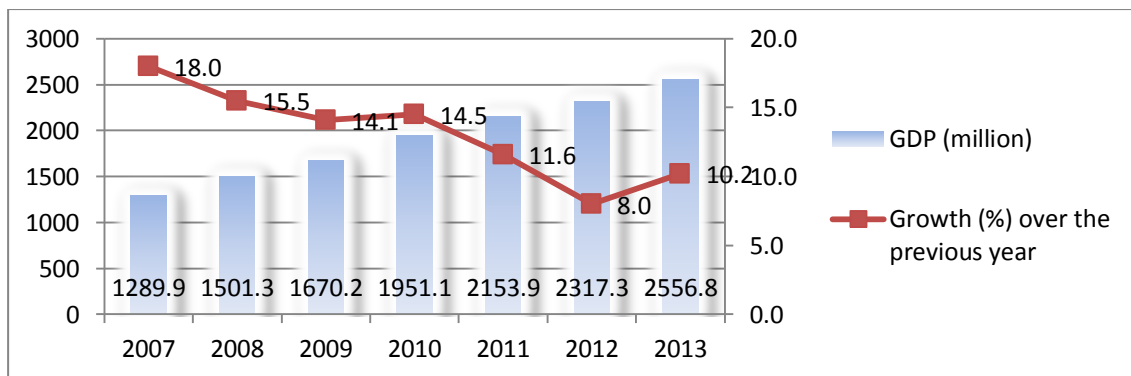
Cost of competition of "growth" increased while profit space narrowing

For "growth" competition, GDP rapidly developed all over the district and that the miracle of economic growth hence created. However, negative effects of "growth" competition have aroused more and more concerns. For attracting investments from overseas, local governments take the super national treatment policy or financial behavior out of the system such as reducing the local actual tax burden to attract capital, labor and other elements to flow to this area (Yang Ruilong, 1998; Guo Qingwang, 2006; Li Tao, 2011). Some studies have found that such competition reduces the efforts of local government environmental regulation (Zhang Quan, 2008), driven by inter-district and departmental interests, local governments tend to relax the access control of local enterprises even conspired with companies to break the regulatory barriers (Jiang Wei and Shi Jinchuan, 2004). Local protection is emerged, restrict resources into local market or limit the local resources flow to other region, which resulting in market segmentation (Feng Xingyuan, 2001). Competitive strategies of local governments above, often reflected a flexible policy and opportunistic behavior and sometimes even inconsistent with the central policy. In addition, public awareness of environmental protection and media monitoring increasingly frequent, central government alerts and punishing on local violations are more severely, these factors make the maintenance of growth to pay increasingly higher costs.

Besides, Development Research Center of the State Council expects the Chinese economy's potential growth rate to have turning changes in the period of the "Twelfth Five-Year Plan" , which will drop to about 7% in the next five-year. The original investment-led growth momentum of

China's economy that mainly relies on exports gradually weakened while the new consumer-driven growth momentum has not yet formed. Cost advantage brought by cheap labor, a lot of land supply, environmental damage and various preferential policies gradually subsided. Shunde industrial system dominated by the manufacturing sector¹ positioned the low-end of the global industrial chain, which is under great pressure on a series of economic environment and policy². GDP growth is slowing, showing a downward trend. (See Figure 3)

Figure 3: GDP and its growth rate in recent years, Shunde



From the efficiency of investment in the past decade to see, fixed asset investment of secondary industry which output growth showed a decreasing trend. Externally, Shunde, export proportion of labor-intensive products that represented by home appliance is still huge (electromechanical exports accounted for 69.6%), but export growth was down from 30.1% in 2010 to 1.3% in 2012, enterprises are facing more severe restructuring challenge, it is difficult to sustain growth advantage. Internally, the consumption growth rate declined significantly. 2013 total retail sales of social consumer goods in Shunde 73.025 billion yuan, an increase of 12.0% and the growth rate is only half of the 2008's. In a word, costs increasingly higher and profit space narrowing that if maintain the original model of economic "growth" competition.

"Innovation" competition cost reduced but returns increased

Government innovation is creativity reform carried by public authorities in order to improve administrative efficiency and promote the public interest. Three decades of economic reform, successfully inspired

¹After the reform and opening up, Shunde gradually established manufacturing based on home appliances, furniture, machinery, hardware, agricultural mainly included flowers, breeding, service industry based on real estate, catering and tourism as the leading industry system.

²After the economic crisis, volatility in raw material prices, the rapid decline of the export market, revaluation of the RMB, the implementation of the new labor contract law, the export tax rebate rate adjustment and so on, these factors contribute to rising manufacturing costs.

the vitality of the economy, but also made "reform" become the preferred strategy when governments meet with any governance issues, furthermore, the "reform" has gradually evolved into a kind of symbol which expresses change, innovation and progress. In the process of promoting administrative system to rational, the reform of the administrative system has become the symbol that government was playing active role, local governments have also begun to enter the "reform" path dependence. Arthur (1994) argued that "locking" refers to the initial just fortuitous events, eventually become a common choice of the game players in virtue of the system self-increasing mechanism and learning effect. Reform and innovation just like this from the first few events becoming a popular choice as the governance body of the local government. Resistance of reform is reduced, a survey shows that reform on Super-Ministry System of Shunde operated up to now was recognized with a higher overall degree, there are 84% citizens and 80.5% government staffs were satisfied or basically satisfied with it. As we know, since the 1990s, Shunde successively becomes the comprehensive supporting reform pilot, modernization pilot, the administrative system reform pilot and social system reform pilot.

Typically, path dependence was seen as an institutional dilemma that is difficult to break, this means that the system being a locked state owing to increasing effect returns to scale after the path is established. Nevertheless, the local government for the path of "reform" dependency is in increasing return period. Previous reform broadens the space of current innovation; social system innovation in Shunde today is the extension and supplement in the framework of super-departmental institutional reform in 2009. In addition, Social Work Commission of Guangdong Province signed an agreement on supporting Shunde to create a demonstration zone of province's social construction and governance innovation, require build Shunde into a highland on social construction and management innovation, which means that Shunde will receive the corresponding policy support and a certain degree of discretion.

A new institution requires a large amount of initial cost from design to implement but with the institution pushed on continuously, unit costs and additional costs will decline. For those of local government as a reform pilot, has paid a high initial cost in the early period of reform. As a result, do not change or changed not much but a waste of the existing system and policy resources to some extent.

"Innovation" can produce multiple political gains

Niskanen considered that the utility function variables may enter the bureaucracy, including the wages, allowances, public reputation, power,

money, output of bureaucracy, the degree of difficulty of change. While working and investing in "innovation", is a kind of choice that can bring multiple political benefits.

Firstly, "innovation" contributes to promoting the transformation of economic development. Economists believe that the government's own reform is the key element to accelerate the transformation of economic development mode (Wu Jinglian, 2011). As mentioned above, the use of the power of resource disposition of local government officials to create GDP "achievements" but hinder the normal development of the economy eventually. Only further deepening of economic reforms those are: urban and rural binary system reform that can bring the greatest dividends; market-oriented reforms that can bring a fair competitive environment for company; state-owned capital allocation system reform can improve the efficiency of allocate state-owned capital as well as income distribution system reform that focus on the initial distribution and so on(Li Yining, 2013), will it be possible to usher in a more open, freer, more competitive nature of the market economy to promote economic transformation and sustainable growth. The recent rise of commercial registration system reform of which simplify and cleanup permitting matters has been gradually showing the role of lower transaction costs and release entrepreneurial potential of social investment also activate the economy. Local government promote the further development of the local economy by creating "soft power of management advantages", while economic performance whatever the period are extremely important for the officials.

Secondly, "innovation" helps to maintain social stability. From a planned economy to a market economy, economic reforms changed the situation where valued state above social so then the totalistic society trend to differentiation(Sun Liping et al, 1994). However, the governance structure lags behind social structure which changed after market-oriented reforms. Chinese Academy of Social Sciences published the "2010 Social Blue Book", said the economic structure of society has reached the middle stage of industrialization but the social structure of the community is still in the primary stage of industrialization which means about 15 years behind the economic structure. Land disputes, lease issues, village affairs dissension and other unexpected mass incidents highlight the "unstable" phenomenon of the social. Pressure on state's institutional legitimacy ballooned (Cai He, 2012). Thus the task of local government that maintenance of stability is extremely arduous. Only when the state is committed to innovation of social management system, will it be possible to provide a stable social order for economic development. Innovation on community governance got involved with set up the institutionalized channels to attract private participation (Tang Juan, 2009) and in

partnership with community organizations for collaborative governance (Zhou Hongyun, 2010). The practice of community management reform in Beijing, Nanjing and other cities is trying to break the mode of “community residents committees led” (Fan Yaodeng, 2011). More and more local governments began to relax registration and establishment of social organization, the social forces became involved in community service.

Shunde is further by virtue of social innovation to construct new interest coordination mechanism and new platform of participation in public affairs for citizens. Such as the establishment of working system of Party Representative to collect the opinions of the masses and setting up various decision-making advisory bodies to attract more elite duties as an advisory committee; and efforts to encourage and support social organizations. Shunde District Secretary also said that in 2012 work on comprehensive governance, petition letters and stability maintaining has completely changed the previous situation that “be kept constantly on the run”¹. The innovation of the social management system will help to establish a new mechanism for the coordination of interests and make up the short board of social development so as to alleviate social contradictions.

Thirdly, “innovation” is expected to win public reputation. When various redistribution problems and market negative external effects caused by the change of social structure, the demands for livelihood projects and improving social governance of the general public rise (Zhou Xueguang, 2013). Reform and innovation of the social management system enable the public finance structure changed of which the proportion of investment on people's livelihood project in public budget increased. For instance, the annual expenditures on livelihood undertakings of Shunde accounted for beyond 70% of the entire public finance expenditure in 2013. Additionally, the delivering way of public services changes toward to establish partnerships with civil society organizations and also introduced more institution of decision-making hearing, publicity and the accountability on decision-making of social management. The most important is, some functions of government began to gradually withdraw from the field of social management (Zhou Hongyun, 2013). Therefore, innovation of social management system is also considered as the important power source and breakthrough as which to improve the level of democratization, the government performance and political legitimacy and to promote good governance and political progress (Chenjia Xi, Wang Yongcheng, 2013). We can say that the government's own reform provided an opportunity for reshaping the

¹In the first half of 2013, the region's 110 alarm (criminal and security) fell by 38.3%; eight types of violence declined 23.9%, the sense of security and satisfaction to further enhance.

relationship between the state and local community. Around the various "social innovation park", "innovation center" and such other social management platforms built by which to propagate social construction that has made considerable degree of recognition to social innovation for ordinary people and society organization. The above situation where towards good governance to help local win public reputation. List several interview records those selected from interview with local people and social organization when the author investigated in Shunde below.

"In recent years the government attaches importance to social construction, to organize us to participate in public service innovation game, we can get bonus, is a source of funding..... "

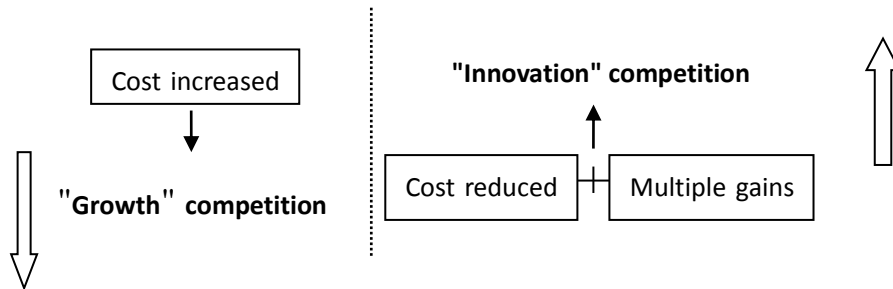
"Before, there is no this activity (Charity Carnival), now all of Shunde's charity organizations have chance to get together, to provide public service ".

Fourth, "innovation" will improve the adaptive faculty of organization. In terms of the degree of difficulty of innovation, China has the advantage of late-development. When targeting the innovation of social management system, organizational learning is an inevitable choice. To learn and transfer some foreign related system can shorten the time of system innovation and reduce the cost of innovation (Yang Xuedong, 2005). Government reform practice of developed Western countries and the Hong Kong, the Singapore government in Asia all are the learning benchmark for local governments. Imitation and transformation of foreign experiences, ideas and institutions become the main way of innovation to achieve. DiMaggio and Powell especially highlighted the coercive, normative, mimetic processes that makes reproduction of organization structure and practice in 1983, and behavior of imitate peers is the method that used by organizations to cope with the uncertainty. Imitate successful experience within and outside can improve the success rate of innovative behavior and that implied social innovation conducted by organizational learning is a relatively low cost of rational choice and potentially high returns. Meanwhile, changes in the dynamic environment enhanced the role of organizational learning for organization competing so that enhance the organization's competitive advantage (Hurley, 1998). Visible, point to "innovation" competition will promote the formation and development of "learning organization" of local government and at the same time, while the ability to adapt to the environment improved. As we all know, such adaptive faculty is particularly important for local government in social transformation.

Case only selected from Guangdong Province that does not represent a competing for the "innovation" is only limited to the coastal developed areas. It is the innovation competition within the ambit of institution competition that distinguishes which from the resources competition, so

that enable which with more universal and acceptability relative to “growth” competition. The broad coverage and the active degree of western undeveloped regions of China concerning local government innovation award is verified this argument (Yang Xuedong 2012).

Figure4: "Innovation" competition performance advantages



Conclusions and discussion

Why do local governments focus on the institutional innovation that it seems risky and quite difficult? This paper argues that it is based on local competition mechanism of "achievement - promotion" conspired to them keen on the behavior of "innovation". First of all, the local governments compete for GDP achievement after china's reform and opening up, there is undoubted that the strong incentive effect of promotion tournament on "political achievements" brought about the great achievements of China's economy development. That is, the competition of political achievement among local governments is a strong framework to explain the local government behavior. However, how the "innovation" become competitive bid the local government pursued? Under the political pressure of "not allowed do not reform", "innovation" has become task of bureaucratic organization itself, and moreover, in the face of changes of performance measure, the local governments "had to reform". "Innovation" from a means of promoting local economic development has evolved into the target of local government competition.

In the competition, who made the relative performance advantage, who likely to win. It is in order to gain a competitive advantage in the political competition to accumulate capital of promotion. The local government chooses to compete for "innovation". First, the traditional competition that focus on "GDP" growth increased costs, revenue margins shrink; Second, the cost of "innovation" competition reduced, returns increased; Third, as an institution competition, the competition for "Innovation" can bring multiple benefits for local governments: to promote the transformation of economic development, maintain social "stability", to get public reputation and improve the ability of adaptation.

Anthony Downs had classified bureaucratic behavior in the bureaucratic organization, and points out that the motivation of officials from utility maximization and benefit maximization, local governments choose to "innovation" to compete is the rational choice which maximizing their own interests under the changeable administrative environment.

Three decades of competition in local economy disregarded the needs of social field and which has brought the throes of transition, but also changed the competitive situation of local government. For central government, introduce and lead innovation by publishing policies intensively, for local government, encounter challenge of social governance directly, consequently, the local government transformed from "political entrepreneurs" to "organizational change agents" to adapt the changes of environment. Starting from the idea, they try to design, to research, to make policy also to put it into effect. They are always combined the various system resources creatively to produce new form of organization and ideology. Of course, this kind of innovation competition under pressure of political achievement, there may lead to some unexpected consequences such as innovation with undue haste and which are not coordinated with local social development and so on. Since there is no rigorous investigate and survey, innovation policy are not "acclimatized" and even some local governments may create "achievement project" that just a show-style reform. Therefore how to avoid the negative effects of competition, and create a good standard of competition and competitive environment, it is the subject of a new round of competition should be considered.

This paper puts forward an argument that is compete for "innovation" clearly, in the interest of analyze the behavior changes of local government whose attention turned from pursuit of economic growth to social innovation. This explanation will enrich the research content and category of local government competition in theory. The promotion competition around the "innovation" once produced and became a trend, which will actually promote local government turns to compete for "public interest" on which based "vote with their feet". From "growth" to "innovation", reflecting the impact of changing about promotion idea and incentives strategies of central government officials and rulers has been generated. But how to make this "innovation" competition towards sustainable, to institutionalize, to avoid above deviations, should be a need to explore in the next step of local government research. Though, the relationship between innovation and promotion also need to be validated with empirical data, but the purpose of this paper is to analyze the strategies adjusting of local government during the transition period and show the diversity of the local government behavior.

References:

- Peng Shanmin (2012). The construction of hub social organizations and social autonomy management innovation. *Journal of Jiangsu Administration Institute*, 1
- Feng Zhiming (2011). The "hub" of social organization construction by the communist youth league, *Journal of Beijing City University*, 5
- Guo Zhenglin (2004). The "isolated island phenomenon." in the reform of villages and towns. *Banyuetan*, July 30th
- Yu Jianrong (2010). The plight and outlet of current grass roots political reform in China. *Issues of contemporary world socialism*, 2
- Ye Guiren (2013). The decentralized reform model under the authority system – super-ministry system of Guangdong provincial as an example, 3
- Yang Xuedong (2008). Nearly 30 years of reform and Chinese local government and change: governance perspective. *Sociology study*, 12
- Li Lulu (2012). Social structure stratification and interest relationship marketing—the new challenges facing China's social management. *Sociology study*, 2
- He Yanling (2013). "Return to the society": Chinese social construction and adaptation of national governance structure , *Opening Times*, 3
- Yang Xuedong et al (2013) persons active in local politics : a comparative analysis of local governance path , , *Southeast Academic* , 4
- Jane Guangzhou (2008). The reform? Illegal? Xuancheng pilot housing transfer survey, *Oriental Morning Post*, July 24.
- Yin Hongwei (2008). Start all over again for Chongqing's land reform experiments, *South wind window*, 23
- Yang Xuedong (2013). Those active in local politics: a comparative analysis of local governance path, *Southeast science*, 4
- Zhichang Zhu (2007) "Reform Without A Theory: Why Does It Work in China?" *Studies, Organization*, Vol. 28, No.10, pp. 1503-1522
- Tang Liping (2011). Institution innovation and alienation analysis in competition among local governments, *Journal of Shanghai Administration College*, 1
- Han Fuguo (2012). Relevance of Local Government Innovation and Regional Economic Growth - Based on cross-case area between China Local Government Innovation differences , *Journal of Zhejiang University*, 3
- Zhou Lian (2007). Study on promotion tournament mode of Chinese local officials , *Economic study*, 7
- Zhang Jun (2005). Competition for growth: an interpretation of the mystery of China, *Dongyue forum*, 7
- Chen Jiayi, Wang Yongcheng (2013). Political drive: dynamic analysis of local government innovation. *Politic study*, 4
- Tiebout. C (19, 1956). "A Pure Theory of Local Expenditures", *Journal of Political Economy* 64, Pp416-424
- Qian Yingyi, Xu Chenggang (1993). Why China's economic reforms distinctive-- the M type hierarchy and entry and expansion of non-state sector. *Comparative economic and social systems*, 1: 29-40

Blanchard, O. & Shleifer, A. (2000). Federalism With and Without Political Centralization: China versus Russia. NBERW or King Paper.yj

Shang Huping (2010). The road of the local government incentives and efficiency rise, Chinese Reform Forum Network: April 6
http://www.chinareform.org.cn/gov/system/Forward/201007/t20100709_33541.htm April 6th

Li, Hongbin, and Li-An Zhou, (2005). "Political Turnover and Economic Performance: The Incentive Role of Personnel Control in China". Journal of Public Economics, vol.89,

Xu Xianxiang, Wang Xianbin (2010) promotion incentives and economic growth, World economy, 2

Oi, Jean., (1992). "Fiscal Reform and the Economic Foundations of Local State Corporatism in China", World Politics 45, 99) 126

Andrew G. Walder (1995), "Local Governments as Industrial Firms: An Organizational Analysis of China's Transitional Economy." American Journal of Sociology 101: 2 (September 1995): 263-301

Peng, Yusheng (2001). "Chinese Villages and Townships as Industrial Corporations: Ownership, Governance, and Market Discipline"

Zhang Jing (2000). Grassroots political power - Country System Problems, Hangzhou: Zhejiang People's Publishing House

Yang Shanhua, Su Hong (2002). From the agent authority managers to profit based regime operators, Sociology Study, 1

Wang Lei, Li Ying, Tian Chao (2012). China's urban entrepreneurialism -- performance effects, system foundation and influence, Public administration review(China), 2

Zhu, J. (1999), Local Growth Coalition: The Context and Implications of China 's Gradualist Urban Land Reforms. International Journal of Urban and Regional Research, (2) 1999, PP 534 – 548

Zhang, Le-Yin (2003)'Economic Development in Shanghai and the Role of the State', Urban Studies, 40:8, 1549 – 1572

Ding Li (2014). "China model" of economy to the end" towards the end of January 5th, the consensus network access: <http://www.21ccom.net/articles/zgyj/gqmq/2011/0516/35590.html>

Li Peilin (2005). Emphasis on promoting the social management system, People's forum 10

Yu Keping (2007). Promote reform and innovation of social management system, April 23rd

He Zengke (2011). Take governance and good governance as the direction to advance the reform of social management system, Chinese community newspaper, 12

Yang Xuedong (2012). The pressure system: the condensed history of a concept, Social science, 11

Yang Xuedong (2011). Chinese local government reform in the past 10 years -- Based on the evaluation China local government innovation award, Journal of public management 1

Liu Mingxing, Hou Linke, Tao (2013). An Empirical Study of Chinese county government performance evaluation, World Economic Forum, 1

Zhou Lian, Li Hongbin, Chen Ye (2005). The relative performance appraisal: An empirical study of Chinese local officials promoted mechanisms, Economic journal, 1

Yang Ruilong (1998). A study of three stage theory on conversion side of our country's system, Economy study, 1

Guo Qingwang, Jia Junxue (2006). Local government behavior, investment impulse and

macroeconomic stability, *Management world*, 5

Li Tao, Huang Chunchun, Zhou Yean (2011). The tax, tax competition and economic growth of China, the world economy.4

Zhang Quan (2008).Fiscal decentralization, public preferences and environmental pollution - Evidence from Chinese Provincial Panel Data, Working paper of School of Economics of Renmin University of China

Jiang Wei, Shi Jinchuan (2005). Study on the entry barriers and growth of private enterprises -- the case of Geely Group, *Management world*.4

Feng Xingyuan (2011). Institutional competition among district governments, *Journal of National School of Administration*, 6

Arthur. W. Brian, *Increasing Returns and Path Dependence in the Economy*, Ann Arbor: University of Michigan Press, 1994

Niskanen, *Bureaucracy and public economics*, Wang Puqu etc.translated (2004). Beijing: China youth press,

Wu Jinglian (2011). Government reform is the key to speed up the transformation of economic development mode, *Beijing daily*, December 5th

Li Yining (2013). The current Chinese economic reform what first caught, *Theory study*, 6

Sun Liping, Wang Hansheng, Wang Sibin, Lin bin, Yang Shanhua (1994). Changes in social structure of China since the reform,*Chinese social science*, 2

Cai He (2012). The effectiveness and legitimacy of the State Governance: re-thinking on tow paper of Zhou Xueguang and Feng ShiZheng, *Opening Times*, 2

Tang Juan (2009). Embedding and absorb: interactive mode of community construction, from Yu Keping edit: *Case study report on local government innovation in China (2007 - 2008)*, Beijing: Peking University press, 2009 Edition

Zhou Hongyun (2010). The government and civil society partnerships, *community management research*, 8

Fan Yaodeng (2011). The samples study on Chinese Urban Community Management System, *Guangdong and social science*, 3

Zhou Xueguang (2013). I see social construction: trends, challenges and opportunities, *Society*, 3

Zhou Hongyun (2013). The reform of social management system: innovation, present situation and prospects, Zhou Hongyun ed., *Social management innovation*, Beijing: Central Compilation and Translation Press

Yang Xuedong (2005). Institutional transplant and native practice: the evolution of the legislative hearing as an example, *Journal of Huazhong Normal University*, 6

Hurley R, Hult G. (1998). Innovation, market orientation, and organizational learning: an integration and empirical examination. *Journal of Marketing*, 62 (3): 42-54