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# XPCG System Innovation Research under the Conditions of Market Economy

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## Abstract

Since established, a special management system which is a combination of the party, government, military and enterprises(CPFME) has being operated in XPCG. As China's market-oriented reforms continue to deepen, XPCG system has also become increasingly unfit for the requirements of the market mechanism. On the basis of fully Researching XPCG system and its practice of reform, this article has explored the reform of XPCG system and made appropriate policy recommendations.

Keywords: XPCG system, Market mechanism, Reform

### 1. The special history of the XPCG system

Originated from Qin dynasty, formed in Han, developed in Tang and flourished in Qing, **the XPCG system** has experienced more than a dozen of dynasties and decades of several governments with a history of two thousand years. The cultivating and guarding has become effective measures of prosperity and powerfulness. The central and local government had attached great importance to the cultivating and guarding is because it is related to the national unity and security, can get the support of local people and it is advanced compared to other forms on developing border.

After peacefully liberating Xinjiang in 1949, for the long-term stability and prosperity, the CPC Central Committee and the State Council ordered the People's Liberation Army to transfer its commission, from the Defense Force of battle to establishing the Xinjiang Production and Construction (XPCG), at the same time announced that XPCG implemented CPFME. In more than half a century, the XCPG system change can be summarized as three stages: the first stage is from the October of 1954 to the March of 1975, when XPCG system had a strong planned economy colour, and the production was included into the national economic plan. The second stage is from March 1975 to December 1981, when because of the destruction of the Cultural Revolution the XPCG system was withdrawn, and the original XPCG industry, transportation, construction and commercial enterprises all was handed over the autonomous region and the farms were given to the state to lead and guide. However, in view of the grim situation at home and abroad and Xinjiang special strategic position, in December 1981 the Central leader decided to resume the XPCG system. The third stage is from resuming to today, which is a period of rapid development of China's economy, but also an important period to XPCG when it carried out a number of reforms to fulfill its mission better.

### 2. The connotation of special management system of the XPCG

XPCG has the economic mission of developing and constructing in Xinjiang and promoting social progress, political mission of national unity and social stability and military mission of consolidating on the Northwest Frontier and the reunification of the motherland. The multiple tasks require complex system. Combining with China's actual conditions, the Chinese leaders, through summing up the historical experience, creatively raised that XPCG undertook special management system of CPFME. "Party" means there are Party organizations which play the central role of leadership on XPCG affairs in XPCG at all levels, and the party committee unifitely leads internal affairs and it is in charge of CPC Central Committee and Autonomous regions. "Governance" means the XPCG has the executive authorities and the political-legal organs or political and legal institutions so that XPCG has parts of the regime functions which manage the internal administration of judicial affairs and take on the development task of science and technology, education, culture and health. "Military" means there are military authorities and the armed institutions, and conserves armed forces which consists of farmers mainly, including reservists, armed police, other sounds armed and political and legal forces, which undertake to combat the "three forces", maintain stability in Xinjiang and consolidate the border of the motherland. "enterprise" means, with some nature of enterprises, XPCG can use the name "China's Xinjiang

Production and Construction Group" which manages a group of enterprises of agriculture, industry, traffic, construction and business to undertake the task of constructing economy.

Compared with other management system, XPCG system has tremendous advantages. Based on state-owned enterprises or state-owned enterprises, XPCG system exercises a high concentration of paramilitary management approach, which allows Crops has advantage of the highly systematism, prominent collectivize and strong sense of organizational discipline to concentrate its efforts on doing great things .Under extremely difficult conditions, XPCG can concentrate its limited manpower ,material , financial resources to carry out large-scale economic development, and ensure the XPCG quick response to the unexpected political events and good results. The irregulation control the process of economic operation; according to the efficiency of production factors contribution and markets to allocate of resources. The premise of market economy is "economic man" hypothesis, but the XPCG as a unity government and military standing organization noly is "political" lacking of independent interests and complying the highest national interests. From the micro level, the main demands of the market economy is the market decentralized decision-making and property rights. As is a large enterprise, Crops exists the mixed functions of the government and enterprises, regardless of political funding, these subordinated enterprises are state-owned enterprises, which are the drawbacks of fuzzy property rights, mixed government and enterprises. From the macro level, the market economy request the government mainly to control the market, but the XPCG is only "sub-government", has some of the functions of the government, not the right of industrial and commercial tax revenues, so can not effectively carry out the economy. In view of this, the XPCG must deepen market-oriented reforms in order to keep the economy health and rapid development.

# 3. The constraints of XPCG system innovation

#### 3.1 the constraints of path dependence in system innovation

Institutional economists believe the previous system often determines the choice of the future system changes, which is the dependence of system changes'. Due to various reasons, the impact is profound which path dependence of institutional change responds to the institutional change. Because the initial system choice will strengthen inertia of the existing system, the deep-seated reason why path dependence formed is interest factors. After the establishment of system, there will appear some vested interest groups, who have a strong demand for or rely on the system, seek to consolidate the existing system, impede the further reform, even if the new system more efficient than the existing system. XPCG with strong planning characteristics comes from the planned economy period, and the characteristics give some individuals or groups not only status, power but also many material benefits. After years of development, vested interests formed fixed thought of official position and mandatory, and such dependence on the institutional models, but who often is strong staff or groups who control over economic resources or the government right, lacking of enthusiasm of market-oriented reform. When reform measures need them to specific implementation, however, due to dependence on the previous system, these vested interests often weaken the extent of implementation. This is why, over the years, XPCG institutional innovation has always lingered in the system peripherals and difficultly break through the core and discard the impact of the planned economy. So, if crops want to speed up market-oriented reform, the leaders must break out the original pattern of interests, and establish the new interests distribution mechanism quickly.

#### 3.2 Risk constraints

XPCG implement special management of CPFME. Officials at all levels of the system is an effective catalyst for institutional innovation. Innovation is to break the original resource integration and to establish a new resources integrated approach. The XPCG system is conducive to cultivating high-quality management personnel, but anyone can not be omnipotent, regardless of knowledge or character is all flawed. Different from any government in mainland provinces and cities, XPCG internal exercise vertical management, which as a whole is under the central authorities and the Xinjiang Autonomous Regional Government, but internal units is not affiliated with the local, which makes the internal officers at all levels only need to obey their superiors, and must be responsible for the leaders. so, in such conditions, if you want to innovate, maybe you have to cost much than the innovation itself because of the communicating with leaders and the departments. What's more, innovation must meet the leaders and departments' need. Otherwise, innovation can not be moved on. That brings great risk to innovation, especially the operational risk and political risk. Operational risk means the innovator's limited rationality, incomplete information and asymmetric the innovator which will face the risk of failure. Political risk is the centralized system, the innovator of innovative behavior and higher-level preferences arising from inconsistencies in their performance evaluation to reduce the risk of punishment or to give. These risks will make innovators lack motivation for innovation.

### 3.3 Constitutional and legal constraints

Constitutional and legal is the compass of government, which is the basic principle that government must to base. On one hand, constitutional and legal guarantees the order of governmance, on the other hand, they affect and constrain the government's institutional innovation, mainly because through the basic political, economic, and cultural systems the constitutional order sets out the general direction of institutional innovation. Responsing to social issues, the constitution and the law always has afterwards remedy features, which will let system innovation in the framework appear delay problem, and reduce the government's innovation capability. XPCG is the central dispatch agencies, and In the framework of central license to carry out activities of cultivating and guarding. Although the central government issued various documents XPCG, or even to adopt a plan to separate, the status and role of the XPCG does not to be given legal recognition. Today, the continuous development of market economy, it is clearly a major defect which constrains the development of XPCG. Despite the central government departments have made many efforts, some laws and regulations still not pass, and government rights which the market mechanism needs are not being given. Different from any organization, XPCG is the world's unique military and political economic organizations, so its Laws and regulations will inevitably differ from any other organizations. The absence of laws and regulations to protect, XPCG to carry out any innovation are likely to be qualitative assessment in accordance with existing laws and regulations by people, which is clearly inappropriate and will definitely lead to a misunderstanding, further allows the XPCG to stop innovation behavior. So if XPCG want to innovate, it must improve the relevant laws and regulations, otherwise, institutional innovation will be faced with many problems.

## 3.4 The effect of Ideology and socio-cultural

Ideology is an important factor to institutional innovation, well-known system economist Norse believes" the changes of social ideology are major factors in the change of system". Ideology is also a kind of institutional arrangements, moreover a non-institutional arrangement, which will affect people's behavior and views and understanding of the current system. Macro-level changes in the ideology will have two effects to system innovation: on the one hand, rulers ideology change will allow them to actively adapt to the changing environment, further changes in governance and initiatively carried out system innovation; on the other hand, the people's ideological change would create a driving force for institutional innovation, which promote the rulers to carry out a passive system innovation. If the Government can not meet the requirements of the mass, it will become an obstacle of institutional innovation. As institutional innovation is not an isolated process, any of the institutional arrangements are always embedded in a complex structure of the system, and every specific institutional arrangements is mutual interactive and influent. During a long time XPCG community formed good XPCG culture, that is XPCG spirit of hard, industrious, dedication, At the same time, aslo formed bad social atmosphere of bureaucracy and inserting reform, which creates an extremely adverse impact on The new era of social change. A long time XPCG informal institutional arrangements form resistance to XPCG system innovation.

## 4. Policy recommendations

## 4.1 Hold on the same management system

This management system is a special management system to maintain the stability and prosperity of Xinjiang, during more than half a century, which is explored by CPC Central Committee and the XPCG who summed up historical experience and combined Marxism and Xinjiang practice. This management system advantages which is a high degree of organization, the group of prominent characteristics, to concentrate efforts to engage in major can help carry out large-scale development and construction in bad conditions and maintain national security in the complicated international and domestic situation. Different from the local government reform, in any case change, XPCG can not give up the system. So, when XPCG' market-oriented reforms meet the needs of the new situation of the socialist market economy, it must meet the need of special management system.

# 4.2 Continue to carry forward XPCG culture and strengthen the sense of innovation awareness

Culture is reflection to political and economic of certain social, and also counterproductive in the social political and economic. XPCG culture connotation can be summed up in four phrase, that is loving the motherland, selfless consecration, hard work and forge ahead which is valuable asset which the XPCG condenses into with sweat, reflection of XPCG' real life, spiritual bond which is to link up XPCG' generations. Today strengthening carry forward and study crops culture still have a positive significance which resolve the internal contradictions and reduce friction in the process of institutional innovation. Innovation has become an inexhaustible motive force for national prosperity, and XPCG must strengthen training for the sense of innovation. Working people is the main force of Historical development. And only that the XPCG have the sense of innovation can ensure the continued development of the XPCG.

## 4.3 To strengthen systematic study of the reform

Market-oriented reform is a systematic project. Domestic market-oriented reforms provide a lot of valuable experience for crops. However, XPCG reform must combine with its own characteristics, carry out carefully and detailed assessment and forecast to pre-reform, the middle of reform, the late of reform. After shaping the "first action group" of reform, timely actively promote the "second action group" of formation. Fully evaluate all kinds of difficulties reform encountered, and resolved timely. Often reform cannot achieve pareto optimal, and some people's loss should be granted to alleviate the social contradictions. At the same time, it is necessary to further improve the system of transfer payments and social security system.

# 4.4 Actively seek the support of the central legislation

XPCG system innovation capability is restricted by the entire system environment, and the most important thing is constitutional order, which is the basic rule in Setting up a collective choice, and directly affect the cost of Entering the political system, the degree of difficulty of establishing a new system and the way of using of public power, at the same time stable and viable constitutional order can introduce a sense of civilization order for reform which can Significantly reduce the risk of innovation. Although the XPCG is a local government to assume a large number of economic production Services, compared with the local governments lack the right of business management and tax which, undoubtedly, affect system decision's enthusiasm to carry out institutional innovation. Therefore, obtaining central legislative support for giving the powers of economic management will one of the elements of the current reform.

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