

# Stanford SOCIAL INNOVATION<sup>Review</sup>

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*Supplement*  
**Understanding China's Third Sector**  
By Hui Qin

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HISTORY **CHINA**

## Understanding China's Third Sector

A historical look at China's third sector, from the country's first imperial dynasty some 2,000 years ago to the present.

BY HUI QIN

**T**o understand the role of nonprofits and the ways in which the third sector is evolving in China—and to fully appreciate recent social innovations—it's important to first understand how social welfare and civic society has evolved in China over time.

China established a centralized state

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*Translated and edited by Chengpang Lee, a PhD candidate at the University of Chicago.*

based on the imperial bureaucratic-peasant system (aka the Qin system created during the Qin dynasty) some 2,000 years ago. Compared with the aristocratic and church-diocesan system in the pre-modern West, China's system gave its leader—the Chinese emperor—significantly more centralized power. But the Chinese state actually shouldered far fewer welfare responsibilities than did the Western systems.

The classic Confucian thinkers of the time did generate some ideas about welfare. For example, they believed that the government should take care of the elderly—peo-

ple over 70 years old—and children—those younger than 10—and that it should provide education to youth over 11 years old. The legalists who built the ideological foundation for the Qin system, however, pursued another route. They advocated for a strong state and a weak society. They believed that the state should monopolize all private interests, and that individuals should not accumulate wealth but instead should give their wealth to the state. They also believed in harsh punishments for those who didn't conform.

At the same time, these legalists reduced the state's civic responsibility, showing little sympathy to the weak by neglecting social protection and contending that poverty was the result of extravagance or laziness. To care for poor people, they maintained, was to encourage laziness or extravagance. They also defied notions of civic freedom and rights.

Constrained by the power of these legalists and like-minded emperors, and facing the insufficient provision of public goods, Chinese people traditionally turned to private associations for public goods and services. There is a consensus that in the West, church-

es and other religious organizations were the major providers of nongovernmental charitable and public services during the premodern period. But in traditional Chinese society, powerful kinship (family) organizations undertook that role. This understanding does come with a caveat, however: In the West, churches were often founded in political opposition to a king, while Chinese kinship organizations were completely subordinate to the emperor. However, the “legalist” Chinese royal court was always leery of the solidarity of the strong kinship organizations and attacked them relentlessly.

What’s more, these multifunctional kinship organizations (ones that were big and wealthy enough to provide benefits to people outside their family lineage) were common in southeast coastal China but, at least initially, not prevalent throughout the rest of the country. It was not until the Song dynasty (960–1279) that this kind of organization began to blossom throughout China, and only during the Qing dynasty (1644–1912) did they become full-fledged. These kinship organizations not only had charitable functions but also were not strongly opposed to modernization, individual freedoms, or a market economy. In the modern period, some of these organizations even began to downplay their traditional exclusive membership rules (based on kinship lineage), preferring instead to provide goods and services to address social challenges under a constitutionalized structure.

It’s important to note that during the premodern time in China, other associations responsible for the public good also emerged. For example, the *sheyi*, which was dedicated to providing obituary services, was functioning during the Northern and Southern dynasties and the Tang–Song dynasty. The public services undertaken by Buddhist temples were popular during the Song–Yuan period. And the *yicang* (public granary) and *yixue* (public schools) emerged during the Ming–Qing dynasty. However, like the *yamen* (local government offices) and local markets during the premodern time, these associations were not dedicated to serving the interests of the public but rather frequently were controlled by rulers of the country for their own interests.

### The Emergence of Welfare Organizations in the Modern Period

During the modern period, beginning around 1840, traditional charitable organizations (including kinship and religious-based entities) continued to grow in China’s rural areas. At

the same time, Western-style charity organizations were emerging in coastal commercial cities; these included professional and community associations, and foundations.

After the communist revolution in 1949, however, private associations—including kinship organizations, temples, and other forms of nonprofits—were almost entirely extinguished. Theoretically, this meant that the socialist state monopolized the right to provide for all public goods. And indeed, at this time, the state did greatly expand its role as a provider of public services. Compared with people living in the Western-style welfare state at this time, however, Chinese people were not entitled to seek accountability from the state or to demand a given level of service. And in certain extreme situations, such as during China’s great famine in the 1960s, many of those who were lucky enough to survive genuinely appreciated what the government did for them. Many of those who suffered from extreme starvation could blame only the natural disasters. Even compared to states with a *laissez-faire* welfare tradition, the Chinese governments during this period provided minimal social services.

The problems with China’s welfare provision during this period can further be seen in the unequal treatment received by different groups of Chinese. State welfare services favored social elites, while subordinate populations received little. This trend exacerbated social inequality in China. Although the wage difference among Chinese workers was not large during this period, the external benefits that were provided outside normal wages (such as housing and medical care) were very different between the elites and ordinary people. The tensions over different groups’ views of the distorted distribution of public welfare, and the repression of private welfare, were similar to those during the Qin system.

Strictly speaking, there was no private charity during the Mao period save for the charitable acts of individuals (such as helping beggars during a famine). However, the influence of the earlier, private-charity models was still felt. For example, most of the medical mutual-aid services that sprang up in China’s villages in the 1970s were essentially revivals of the traditional private forms of medical mutual-aid organizations.

China saw a major change with regard to private charity beginning in 1978, during what is known as the country’s first reform period. Although the market economy (or commodity economy) would generally align

with some democratic ideals as in the West, in the first decade of the reform the Chinese people did not possess a parallel view of what a nongovernmental organization (NGO) could be, much less a nonprofit organization, the third sector, or volunteer-based activities of significant scale.

However, in 1995—three years after Deng Xiaoping preached the move toward a “market economy” during his historic inspection tour in south China—many Chinese got to know the term “NGO” for the first time through an international event. That year the Fourth World Conference on Women was held in Beijing, marking the first time that China held an international conference of this kind. A parallel NGO Forum held near Beijing attracted more media attention than the conference itself, which generated some concerns from the Chinese government. Beginning with this event, the concepts of NGOs and the third sector gradually made their way into China and gained momentum. Over time, the Chinese government also learned that NGOs were not antigovernmental organizations or oppositional political parties and thus relaxed its initial cautious attitude.

Most important, the popularity of the market economy in China has supported the attitude that the market is more efficient than political (coercive) force in solving social problems. An unintended consequence of this evolving view, however, was that the government invested even less in social welfare services than before, especially since the tax reform in 1994. The government expected society to take on the responsibility of providing welfare services that it also requires through initiatives such as Project Hope—*xiwang gongcheng*—encouraging donations to support China’s mandatory education programs.

All of these conditions made NGOs and nonprofit organizations increasingly popular in China, and various third sector organizations mushroomed in the less restrictive environment. The more lenient regulations of the 1990s also created the running room that allowed foreign NGOs and other government-created organizations to develop in China. We witnessed the establishment of large charity organizations such as the China Charity Federation and the China Youth Development Foundation. We also witnessed the emergence of environmental organizations such as Friends of Nature, poverty relief organizations such as The Amity Foundation, numerous community service organizations and professional associations,

and foundations for education and science. These social organizations have made great contributions to social welfare.

In the 1990s, Chinese third sector organizations were not only burgeoning in China but also organizing globally. International exchanges between nonprofit organizations were characteristic of this period. For example, the Tsinghua University NGO Research Center and the China Youth Development Foundation held international conferences on nonprofit organizations during this period. And in 1998, 18 foundations established the China Foundation and NPO Information Network as a forum for charity organizations.

### The Challenge and Prospects of Philanthropy in Contemporary China

Beginning in the new century, however, the development of the philanthropic sector in China became more complicated. After the 2005 Orange Revolution in Ukraine, there were rising concerns in China about NGOs being used as a tool by the West for a “color revolution.” As a result, the government began to tighten its control over NGOs. In addition, following a period during which the concept of a market economy gained ground, the concept of the welfare state again became an influential concept in Chinese politics.

During the 10 years of the Hu-Wen regime (2002–2012), the government began to realize that it needed to provide certain social services. This was the reason for the termination of the Project Hope initiative. As public welfare investment by the government increased, the need for this kind of private welfare decreased.

Also, during that time, government-organized nongovernmental organizations (GONGOs) began to monopolize various charities. For example, the China Red Cross attempted to monopolize the donation market by excluding other private organizations to raise funds from the public. The China Red Cross and other GONGOs were also often very bureaucratic and lacked transparency. Further, numerous scandals severely impacted their public reputation and donations decreased. All of these events and activities have severely hindered the development of modern charity and philanthropy in China.

Nonetheless, after 30 years of reform, just like the concept of a market economy and a modern government, the concepts of a modern philanthropy and charity have begun to have a significant influence on China.

Facilitated by the Internet, the latest innovative concepts and practices of private philanthropy are diffusing into China. Concepts such as social enterprises, venture philanthropy, impact investments, B Corps, and the fourth sector have been introduced into China and are gaining in awareness and acceptance. These innovations have broadened the scope of philanthropy and charity in China; they have opened many possibilities for those who are interested in participating.

Furthermore, after several decades of economic development, there is now a group of well-off Chinese, whose investment capacity and ability to provide public goods far exceeds past capacities. With a growing middle-class consciousness, their ideas on doing good have also shifted from pure benevolence to a desire to promote positive social change through philanthropy. The weakening of the Chinese economy, the increasing risk of market investment, and the restriction of political participation are also contributing to this rising interest in philanthropy.

Although the Chinese government has recently paid more attention to welfare issues, the lack of accountability and the increasing complexities of welfare issues in modern society are leaving a large gap. The poor reputation of many GONGOs is also influencing society to demand more private welfare services.

The Chinese government today under the leadership of President Xi has not fundamentally changed the dynamic in China, where conservative and reforming tendencies coexist and conflict even as they guide social policies. This is evidenced in two recent pieces of legislation regulating public philanthropy, which tighten supervision on charities and at the same time ease restriction on fundraising from the public. Yet overall, Chinese philanthropy in the new century continues to develop and to persevere. The base of philanthropic resources is growing, and the ways in which to engage in philanthropy are expanding; and ultimately these are strong signals that the third sector and the fourth sector are advancing in China. ■

## OVERVIEW CHINA

# Making Strides in Social Innovation

Social innovation has become a critical tool in China’s efforts to tackle its social problems.

BY ZUOFU LAI & HONGYUN ZHOU

China’s economic reform and development in the past three decades has resulted in some great achievements that have attracted worldwide attention. With these successes, however, have come challenges, such as an increasing social divide and environmental degradation. These issues are highlighting the need for the country to address social inequality while maintaining social stability.

To address China’s challenges, governments, corporations, and society alike are

looking to the potential of social innovation. Encouraging and guiding socially minded innovative behaviors is seen as having great significance for fostering a better society and improving the quality of governance overall. And social organizations—nonprofit organizations, social enterprises, and other entities engaged in doing work for the social good—are thus increasingly able to effect change in areas ranging from economic development to environmental regulation.

These organizations complement the current market economy in a significant way, as they are helping to transform government functions and facilitate the provision of public services, as well as expand citizen participation. Many social organizations have proved to be an important source of innovation—even a force for change—on the

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*Edited by Fan Li, international advisor of Leping Social Entrepreneur Foundation and a cofounder of Global Links Initiative.*