State of Philanthropy in China

Author: Zhi Yu Gu

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State of Philanthropy in China

An understanding of the Chinese philanthropic community using the United States as a comparable

Zhi Yu (James) Gu
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Executive Summary

This thesis seeks to better understand the state of philanthropy in China via a quantitative and qualitative comparison of philanthropy between the United States and China. Due to the United States’ historical background in philanthropy and the current success of its philanthropic campaigns, it is an ideal target for the basis of comparison. Through the analysis, the paper concludes that philanthropy is similar enough between the two nations and created two regression models for China based on variables that explain giving in the U.S. The models explain three variables that influence giving in China. Two more regression models were constructed with more complex variables. However, the latter two models did not have enough statistical significance to be able to properly explain the variables as being factors that influence giving in China. The paper ultimately recommends China to focus on the variables of tax, GDP, as well as population growth. The thesis also included non-measurable factors that China needs to focus on, such as ridding itself of corruption and bureaucracy to regain the public’s trust in philanthropy.
Introduction

The term philanthropy is credited to the Greek poet Aeschylus, author of *Prometheus Bound*, which describes the story of Prometheus giving humans the gift of fire and optimism, fire to allow humans to be optimistic and with that optimism, to constructively improve the human condition. In combination, the word philanthropy was derived from the two Greek roots of phil- as loving and -anthropos as mankind. The combined word was meant to describe loving what it means to be human. Although the words philanthropy and charity are different, as philanthropy is aimed at doing good for mankind, whereas charity means doing good for the needy and understanding the plight of the needy, for the purpose of the report, these two words will be used interchangeably.

Philanthropy has grown in the past few millenniums and is a thriving component of any country. Currently, global contributions are estimated to be greater than $1 trillion, while contributions in the United States are estimated to be between $136 billion to $212 billion for 2011. Chinese contributions are projected to be $1.92 billion in 2011.¹

The thesis seeks to understand the state of philanthropy in China and do so through understanding the state of philanthropy and the variables that impact philanthropy in the United States. The United States was chosen as the model to base off of for two main reasons – one because it currently ranks first in the World Giving Index,² and two, because much more comprehensive research has been done in the United States in regards to philanthropy than any other country.

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This thesis will begin by using Alexis de Tocqueville’s *Democracy in America* and Oliver Zunz’s *Philanthropy in America: A History* to qualitatively understand the factors that promoted and hindered philanthropy in the United States. The thesis will provide a narrative of the American philanthropic development and highlight key factors and events that created the philanthropic environment today. A culmination of the factors will be used to create the first regression model to project the levels of giving in China for the upcoming year using the same factors that influenced giving in America.


The center’s projections come from its individual giving model, which takes in a multitude of variables, ranging from economic indices to population growth and death to estimate a level of giving. While the recent economic crisis has caused the center to revise its model to account for the recession, the foundation of the model is still very much appropriate. The thesis will seek to understand the model and to decipher the key variables that impact philanthropy in the United States. This will allow the project to make appropriate comparisons between giving in the United States and giving in China. An attempt will then be made to construct a second regression model for philanthropic giving in China by building off of the model constructed by the Center on Wealth and Philanthropy while revising the variables to ensure that it is appropriate for China.
The thesis will then attempt to create a third regression model based on all the variables studied independently. The variables with the highest correlation to giving will be combined together to create a “super” model. This model will ideally better reflect giving in China due to the strength of its correlation when considered independently.

Lastly, the final model will analyze the previous three regression models and cherry pick a few more variables to include in the model. This consolidated model will ideally be a better fit to project philanthropic giving than the previous three. The four models will all be checked against giving in the most recent year available to understand the validity, as well as the margin of error, to determine whether these are appropriate models to project philanthropy in China.

This topic is extremely interesting as China is experiencing rapid economic growth, which usually leads to higher rates of philanthropic giving. This economic growth has also fueled a greater discrepancy between the rich and the poor. As a result of the income and poverty gap, a greater social need needs to be filled and historically have been done through increases in philanthropy. The combined two factors now usher in the possibility of a golden age of philanthropy in China. Thus, properly understanding the relationship between the rapid growth of the economy and the increase in philanthropy will greatly assist policy making decisions for the future. Finally, because this is such a new field in China, any contribution to this field will ideally lead to further developments.

**Philanthropy in America: The Story**

The first mention of philanthropic giving in the United States can be traced back to Alexis de Tocqueville, a French thinker, who, in his analysis of American society, coined the term, “voluntary associations.” Tocqueville creates the term after seeing the American active
attitude in doing things in a community. Whereas Europeans had a tendency in having the
governments take charge on large roles, while doing the smaller tasks independently, Americans
had the tendency to act on both the small and the large tasks within these associations. What
Tocqueville especially noticed is that Americans not only gather in associations, but that these
were voluntary actions. Tocqueville claims that as these voluntary associations grow, “the art of
associating together must grow and improve in the same ratio in which the equality of conditions
is increased.” These voluntary associations became the backbone of American democracy,
hence Tocqueville’s title of *Democracy in America*. However, these voluntary associations also
became the forerunners of American philanthropy, especially when these associations take on a
social issue or a charitable cause.

Oliver Zunz, in *Philanthropy in America: A History*, weaves a narrative of American
philanthropy after Tocqueville’s observation of voluntary associations. Zunz begins the story
during the Reconstruction. As the Civil War ravaged the Southern States, Northern wealth
holders realized that it was important in “rebuilding the American South after the Civil War –
especially educating the freemen.” While the projects to provide aid between states were
nothing new, what was so monumental about this was the shift in focus on a national scope from
a provincial or local viewpoint. While Tocqueville’s concept of the voluntary association is
monumental in fostering an environment for philanthropic activities, the turn from the local to a
national scope created a new era of philanthropy.

It was also during this time that wealth holders began to experience difficulties in giving,
as obsolete legal frameworks began to prohibit them from properly giving. Whereas previously,

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“charitable had been for the needy; philanthropy was to be for mankind." this new surge in philanthropy could not be completed without an overhaul of the legal system. Wealth holder’s previous smaller amounts of giving provided little need to change the legal framework. However, the desire to expand into the national scope and provide financial funding on a larger scale required changes to the law. A key change that altered the philanthropic landscape was the change in the courts favoring the recipient of grants or donations. Previously, courts tended to favor the family members when they challenged a will that gave a sizable amount of wealth to an organization outside of the family. However, courts began to deviate and honoring the wills instead. This led to lower legal barriers for wealth owners to begin leaving money to charitable organizations.

During the same period, philanthropists also had great issues with individuals requesting alms or requesting assistance. They soon realized that, “if big-money philanthropy were to be effective, individual cases had to be somehow aggregated, and a few general principles of giving defined.” With the increased legal backing from courts for wealth holder’s decisions of where to place their funds, philanthropists noticed the need for more defined foundations with set goals to further social initiatives. During this time, rather than put their money into pre-existing organizations, such as schools or hospitals, they instead created their own foundations to solve specific social issues. Organizations such as the Ford Foundation and the Rockefeller Foundation were created specifically for the goal of advancing human conditions, namely reducing poverty. With the significant lowering of legal hurdles to cross over in providing funds

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5 Zunz, 10.
6 Zunz, 19.
to foundations or for the creation of foundations, philanthropists began to increase funding to charities.

Despite the success of these large foundations, they soon realized a need to capitalize on the masses and to create a “culture of giving.” While wealth owners such as John D. Rockefeller, Andrew Carnegie, and other wealthy individuals contributed vastly to foundations to tackle social problems, it was really the population as a whole through mass philanthropy that led America to where it is today. The foundations, in an effort to bridge the gap between the fund needed to tackle social issues and the amount provided for by wealth owners, asked ordinary Americans to “reallocate small sums they would have saved for personal use in hard times as gifts to large organizations for the collective good.” This in turn, created an environment for giving and furthered Tocqueville’s notion of voluntary associations. However, this time, individuals from the community were not only discussing the issues that confronted society at the time, but were also financially vested in these situations.

While mass philanthropy increased due to the foundation’s tactics of appealing to the social good, they soon hit a hurdle of individuals losing interest, as they realized that “the raising of money and supplies in response to relief appeals gradually lose interest.” Instead, they found that if they were able to focus “everybody’s attention on specific programmatic goals for a brief period of time brought in significantly more money than a diffused campaign.” These findings created the first form of research for philanthropy. Whereas traditionally, philanthropy has been left to individuals who volunteered their time, it was now beginning to turn into a profession.

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9 Zunz, 44.
10 Zunz, 49.
11 Zunz, 57.
12 Zunz, 62.
With dedicated staff to be able to man campaigns, philanthropy further became involved in the public eye. “Giving became a symbol of American nationalism and a measure of citizenship.\textsuperscript{13}”

Although charities and charitable foundations made great progress in becoming more visible in the public eye, they soon fell under scrutiny from the U.S. government. The rise in foundations can be attributed predominantly to large donations of the wealth holders. However, one large issue that arose was the tax-exempt status of these foundations. While these foundations were created for the goal of furthering social good, the national and state governments realized that they may have been too lenient on allowing land rights to remain in the charities’ hands for perpetuity,\textsuperscript{14} and as a result, attempted to impose a tax on these foundations. Harvard’s president at the time, Charles W. Eliot, defended the tax exempt status with the rationale that, “the income churches, academics, colleges, hospitals, asylums, and similar institutions of learning and charity were earning was already committed ‘forever’ to public use; therefore it could not be ‘diverted by the state for other public uses.’\textsuperscript{15}” This became the first of many fights between charitable organizations and the government. This tax issue brought doubt to charitable foundations as they were afraid that Americans will be unlikely to donate if they know that they will not be able to receive a tax deduction for their donations. While the mass philanthropy effort created a culture of philanthropy in America, the growing battle between the government and these organizations led to the possibility of a decline in philanthropic giving.

In addition to the tax issue, many philanthropists had difficulties maintaining a sense of autonomy between the government and their respective entities. During the 1930s, the drought in the Mississippi Valley area devastated the area’s locals. The U.S. government responded

\textsuperscript{13} Zunz, 66.  
\textsuperscript{14} Zunz, 86.  
\textsuperscript{15} Zunz, 86.
accordingly and reacted to provide disaster relief. In addition, many aid organizations followed suit, especially the Red Cross. Herbert Hoover created the National Drought Relief Committee to oversee the disaster relief and included the Red Cross in the committee. However, Hoover stepped in and prevented the committee from forcing the Red Cross into the role of a welfare agency, as the committee requested the Red Cross to provide full meals instead of food for assistance.\footnote{Zunz, 121.} This created a tentative peace between the government and charitable organizations as the government did little to change the laws regulating the foundations. The status quo created by Hoover between government and philanthropy would be shattered only years later. Despite Hoover’s intervention, no strict policy change actually occurred to impact the relationship between government and philanthropy.

As the economy stagnated further during the Great Depression, Franklin Roosevelt’s New Deal created massive agencies in charge of distributing resources to various regions in need. However, these new large entities damaged the fragile peace between the government and foundations. Soon, the philanthropies and the federal government began conflicting with each other and started serving similar constituents.\footnote{Zunz, 132.} This again raised the issue of autonomy as the organizations felt that they were doing the government’s job, albeit in a smaller capacity. Many times, they were afraid of the government simply taking over the foundation’s role in society and promised to remain independent to the donors who did not wish to be contributing to the government that they were already paying taxes to.

Rockefeller originally proposed to call the philanthropic industry, “the third sector,” “voluntary sector,” or “independent sector.”\footnote{Zunz, 232.} He championed the idea to band the philanthropists together into a federation of non-profits, for the fear that the sector will be

\footnotetext[16]{Zunz, 121.}
\footnotetext[17]{Zunz, 132.}
\footnotetext[18]{Zunz, 232.}
absorbed into the government. Thus, the goal of the federation was to moderate the conversation between the government and the foundations in deciding how to best allocate resources. However, “the federal government proved to be an unreliable partner, often turning its back to the poorest and channeling more of its money to the middle class, which voted.” While the concept of the third sector remained, this federation of non-profits never pursued further than a simple and optimistic idea.

The tax issue again heated up with the Ford Foundation. Henry Ford and his children at the time held a massive amount of Ford stock. However, when they passed away, they would have had to pay a large estate tax. Thus, in February 1936, Ford, rather than pass the stocks to his children, instead willed it to the foundation. It was estimated that had he not transferred it to the foundation, the Ford family would have paid an estimated federal estate tax of $321,000,000 and lost control of Ford. The Ford transaction was the first of its kind and set the precedent for future wealth transfers to foundations.

Despite all the conflicts between the government and foundations, the number of foundations actually grew tremendously during World War II. The war spurred many international foundations supporting the war effort abroad. In 1938, there were 188 foundations in the United States. During the war years, the numbers increased to 505. By 1955, the numbers tripled to 1,488. What made it even more impressive was that many of the foundations were beginning to be based outside of the Northeast.

It was another conflict that again united the U.S. government and local philanthropies. The rise of the Cold War spurred foundations “to help the U.S. government achieve its policy

19 Zunz, 233.
20 Zunz, 173.
21 Zunz, 174.
22 Zunz, 169.
goals. Whereas the rise of philanthropy was in response to create aid in a national scope as opposed to goals limited to local areas, the rise of the Cold War led to an international scope. Many of the foundations that were instrumental in the war efforts in World War II now turned its energy to the international stage to prepare for the Cold War.

The U.S. government took the first step in facilitating international philanthropy by creating an Office of Foreign Relief and Rehabilitation Operations. The government then followed up in founding many of the non-governmental organizations during the United Nations’ formation. Americans furthered push their international scope when Rockefeller offered his personal estate as the UN’s headquarters. However, he soon realized the need for a more convenient location and purchased a plot of land for $8.5 million in New York City for the UN. To show the U.S. government’s support, the senate passed a special act making it a tax-free transaction.

The increase in international focus led the U.S. government to revise its tax code to make it easier for Americans to donate. In contrast to the earlier tax-exempt debates, the government now allowed individuals to report charitable contributions as well as regular deductions. The treasury raised the allowable charitable deductions from 5 to 20 percent of income. However, while tax codes revisions allowed Americans to donate more, it was not just the wealthy that benefitted from this. Rather, it was more the donors from the lowest tax brackets that remained

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23 Zunz, 13.  
24 Zunz, 140.  
25 Zunz, 145.  
27 Zunz, 175.  
28 Zunz, 176.
the most generous.\textsuperscript{29} This showed that while a lower tax rate will lead to increases in charitable contributions, it is not the main contributing factor.

Despite growth in the philanthropic sector from revised tax codes and the rise of international philanthropy, foundations still struggled with the issue of size. While philanthropies were on the forefront of social justice and addressing social issues, they soon noticed that the federal government began outpacing them. One foundation noted that, “we raised three million dollars for cancer research and then read that the government proposes to appropriate thirty million to the same cause; it’s very discouraging.\textsuperscript{30}” The government’s ability to divert far more resources to issues than philanthropists began to trouble the philanthropic community. One area that philanthropy traditionally excelled at was addressing people’s social needs, however, state and federal governments covered an estimated 73 percent of social welfare services.\textsuperscript{31} The contrast led many foundations to narrow their vision and fund specific projects rather than fund a larger but unattainable goal. Even on issues such as poverty, they now needed to focus on a certain subsection of poverty, for example, food security, rather than the overall issue of poverty.\textsuperscript{32}

It was also during the time of increased government participation in social services that philanthropy took on a political divide. When Lyndon Johnson issued the War on Poverty, philanthropies aligned with the federal government in supporting the poor. They provided financial support as well as actual services.\textsuperscript{33} However, conservative groups took a different approach on Johnson’s War on Poverty. They did not see the benefits in disbursing all the resources to the poor. During the 1969 tax code revision debates, many conservative senators

\begin{itemize}
\item \textsuperscript{29} Zunz, 177.
\item \textsuperscript{30} Zunz, 179.
\item \textsuperscript{31} Zunz, 179.
\item \textsuperscript{32} Zunz, 208.
\item \textsuperscript{33} Zunz, 217.
\end{itemize}
supported a “death sentence” for foundations.\textsuperscript{34} Liberal foundations accused the conservative groups of resenting the social work that they have done. At the same time, conservative groups accused the liberal foundations of using foundations as a tax shield to guard their personal wealth. In compromise, the clause creating a life limit for foundations was removed. However, the tax code was revised to require foundations to make “annual disbursements starting in 1972: a minimum of 4.5 percent of assets the first year, 5 percent in 1973, 5.5 percent in 1974, and 6 percent in 1975 (later reduced to 5 percent). And the law required foundations to pay a 4 percent excise tax to provide Treasury with sufficient funds to perform its oversight responsibilities.\textsuperscript{35}” The law was seen as a compromise in that despite the increases to annual disbursements, it created a common basis for all charitable foundations to be held accountable for.

To better understand the effects of the tax code revisions, the senate authorized the Commission on Private Philanthropy and Public Needs, commonly called the Filer Commission, to study philanthropy and its effects. One of the largest impacts of the study was the conclusion that giving correlated to GNP as well as personal income.\textsuperscript{36} The commission also recommended Congress to replace the 4 percent excise tax imposed under the 1969 tax act to pay for the audits, as the IRS did not use up to the amount collected and the extra was argued to be able to better serve the needy. During the same time, Martin Feldstein, an American economist, recommended that the Treasury to increase the standard deduction ordinary Americans could claim on their returns, as more Americans would have an incentive to make a gift which could later lead to tax deductions.\textsuperscript{37} With these recommendations, Senators Daniel Moynihan and Robert Packwood introduced legislation in Congress to allow charitable deductions on top of the standard

\textsuperscript{34} Zunz, 226.
\textsuperscript{35} Zunz, 230.
\textsuperscript{36} Zunz, 238.
\textsuperscript{37} Zunz, 236.
deductions. The following year, United Way gained its greatest one-year increase in charitable contributions.\(^{38}\) This again confirms the idea that tax influences giving, although the exact correlation is unclear.

The Reagan administration’s election was seen as an impediment to the liberal model of philanthropy. The administration cut funding to social services and created alliances with churches.\(^{39}\) The conservative movement was extremely instrumental in gaining donations from smaller doors as opposed to the “big whales” that liberal foundations targeted. They focused on emotionally charged issues such as abortion, prayer in schools, and other controversial issues that tended to incite emotional responses. As a result, almost half of their funding came from small donors. Reagan administration’s tax cuts to the wealthy, reduced incentives for giving, due to the lack of tax benefits, and created less philanthropic donations.\(^{40}\) In addition to cutting funds from non-profits, the conservative moment also pushed for churches to be included as an “eligible contractee,\(^{41}\)” whereas previously, churches were not allowed to be included due to its status as a partisan organization, they were now included into the vetting process for government social processes. After years of attempting to remove federal funding, the conservative movement soon changed tactics and tried to increase federal funding to their non-profits.\(^{42}\) This was especially important for think tanks, a form of non-profit organization championed by conservatives. While the federal government traditionally separates advocacy and non-profits, the rise of the think tanks was a method to combine the two while retaining a tax-exempt status.

Despite the bickering between liberals and conservatives within the country, the 1983 to 1985 famine in Ethiopia again united the philanthropic groups in America. This again pushed

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\(^{38}\) Zunz, 237.
\(^{39}\) Zunz, 244.
\(^{40}\) Zunz, 253.
\(^{41}\) Zunz, 258.
\(^{42}\) Zunz, 256.
American philanthropies into the international spectrum, “the Ethiopian rescue placed a major role in promoting the idea that humanitarians should cross borders and transcend politics.” However, this time, the assistance that the United States provided via the federal government and non-profits carried with it no political agendas, unlike the support during the beginning of the Cold War era. It was also during this crisis that American philanthropies recognized the need to not only provide a short-term solution but to include a long-term goal in place to sustain the aid. Much like how American philanthropy in its infancy recognized the need to address the root of the issue, American philanthropies now exported the idea aboard to foreign nations.

In recent years, foundations such as the Ford and Rockefeller Foundation still play a large role in the philanthropic circle. However, new comers such as the Bill and Melinda Gates Foundation have also made large impacts in the world. Governments today are playing a large role in coordinating efforts in conjunction with non-profits and NGOs. Mass philanthropy, through the use of technology is now stronger than ever. Currently, “it is now possible for every citizen willing to spend a little money to respond directly and almost instantly to world emergencies simply by sitting down at a computer or picking up a cell phone.” Although the recent economic crisis may prove to hinder philanthropic giving, philanthropy continues to remain strong.

Zunz’s narrative shows the development of American philanthropy from a few wealthy individuals in the Northeast attempting to reinvigorating the Reconstruction South to a country coordinating international aid. He especially highlights the conflicts that charities faced with the government, whether it be legal hurdles or tax rates. Even today, these points remain pivotal points in debate, especially in the recent passing of the American Taxpayer Relief Act of 2012.

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43 Zunz, 265.
44 Zunz, 273.
45 Zunz, 293.
where tax became a large issue of contention. However, Zunz also noted several intangibles, such as creating a community of giving on the individual level that is unable to be measured, although will serve to differentiate giving in one country from another.

The next section will seek to highlight the measurable tangibles that influence philanthropic giving and how that impacts giving in America.

**Philanthropy in America: The Numbers**

As mentioned in the previous section, whereas Zunz provides a qualitative narrative of philanthropy in America, this section will investigate the quantitative factors that influence giving in America. The focus will mostly be based off of reports published by the Center on Wealth and Philanthropy as well as other projections of wealth estimates by other sources.

The concept behind the report * Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy* arose from a similar report in the 1990s by Robert Avery and Michael Rendall who estimated that giving over the next 55 years, from 1990 to 2044, would result in intergenerational transfer of funds to be about $10.4 billion. The report was the first of its kind to record intergenerational giving and not just provide estimates for a certain year. However, the center saw the flaws in the research in that it only included limited demographics and the amount transferred will not all necessarily go into charitable giving. As a result, the Center on Wealth and Philanthropy embarked on a research project to better understand the amount of giving to charitable foundations.

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The center designed a Wealth Transfer Microsimulation Model to better account for the variables that it thinks will influence giving. Although the model is proprietary, the paper outlined several factors that it believes to strongly influence giving.

Unlike the approach taken by Zunz, the paper here outlines many economic factors that influence giving, some which Zunz also notices. The paper first outlined the real growth in the economy, as confirmed by the Filer Commission’s finding that influence giving. As the economy continues to grow, individual’s own personal wealth is likely to grow with the economy. As a result, the individual is more likely to have an increase in disposable income that will allow her to donate a greater dollar amount to philanthropic services. However, the greater dollar amount does not necessarily correlate to a larger percentage amount, as studies have shown that Americans in the lower income brackets tend to give more, proportionately, than middle class Americans. The second variable examined by the study is the size of the final estate value of a wealth holder. While individuals do give a great amount during their life-time, giving by bequests in a will tend to be much larger than an individual’s life-time giving. The larger the size of the individual’s wealth, the larger the overall amount and percentage amount of wealth she will donate to charitable organizations via a bequest. This reaffirms the previous notion that the more money an individual has, the more she will be likely to give it away. The last effect studied in the paper is taxes, specifically estate tax. The study found that estate taxes, in theory, should correlate to giving – higher level of taxes would increase giving, while lower level of taxes would decrease giving. However, realistically, as a percentage of giving, taxes paid tend to be the second highest for wealth holders with a net worth of $10 million to $19.9

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48 Havens and Schervish, 6.
49 Zunz, 177.
million. The group pays 17.24% of their total net worth to taxes, second only to those with a net worth of $20 million or more. However, charitable donation is lowest for the group, at 9.07% of total net worth compared to all other groups. Although the idea that higher tax spur increased charitable giving via deductions, the role of taxes is much more complex than a simple correlation.

An integral assumption for the model “is that the economy will sustain the rates of growth in wealth that are built into each scenario.” Although a perfectly valid assumption, the belief turned out to be incorrect as the dot-com bubble of 2000 and the following 2001 recession caused the researchers to rethink their assumptions. At the same time, this belief again turned out to be troublesome during the 2008 financial crisis. The center’s model is very dependent on charitable giving via bequests, which itself depends on an individual’s net worth at the time of passing. The Pew Trust estimates that the financial crisis caused wealth in home and stocks to drop $3.4 trillion and $4.7 trillion, respectively. Although the loss from the crisis is still not yet clear, this combined $8.1 trillion loss in wealth represents a significant loss in giving. Zunz, too, points out at the uncertainty of the future of philanthropic giving post-crisis.

The publication of the report created much discussion and debate regarding the center’s projections that the researchers published a second report, Why the $41 Trillion Wealth Transfer Estimates is Still Valid: A Review of Challenges and Questions. The key questions challenged the findings of the $41 trillion wealth transfer, especially in light of the 2001 recession. Although the report addressed several criticisms in regards to specific values chosen for the center’s projections, the purpose of this thesis is not to argue over select data, but rather to choose

51 Havens and Schervish, 6.
52 Havens and Schervish, 10.
variables that may influence giving. However, a key component that the research raised in the second report is the increase in living conditions for Americans resulting in the increase in age span. This increase in age span leads the average American to more spending during the individual’s life as well as a need to save more of the discretionary income for future living rather than directing it towards charity. At the same time, the longer life span of Americans also creates a larger expense towards the individual’s end life to medical expenses. This increase in medical expenses often comes from the individual’s net worth, further decreasing the amount an individual is able to give in bequests. Thus, the increasing age of Americans as well as the improvements in living conditions could possibly lead to decreases in charitable giving.

A quantitative study of giving in America through the two reports published by the Center on Wealth and Philanthropy shows the need to examine key assumptions such as economic grow, size of an individual’s wealth, tax rates, as well as average age span for a country’s citizens. These statistics will prove to be interesting factors when compiling the statistical analysis. Although the report compounds these to project giving over a period of time, this thesis believes that the factors still remain significant for projections over a one year period.

**Philanthropy in China: A Narrative**

Unlike philanthropy in America, philanthropy in China is still a relatively new concept. Unfortunately, no comprehensive texts examine the history of philanthropy in China or the current state of philanthropy in China besides a few online blogs and articles. Even resources from the government are scarce, as they too are unsure of how to manage the philanthropic market. However, the philanthropic community has come a long way since the 1980s, when mostly “government-backed foundations or government-organized NGOs (GONGOs)”
controlled the field.\textsuperscript{54} Even then, progress is still slow, as it is only in the past year that China had its first National Charity Fair.\textsuperscript{55} The three day fair was meant to showcase the charities from around China, attracting 233 non-profit organizations, 99 foundations, and 95 corporations. Despite the slow progress, it is still a step in the right direction.

Much like America’s beginning in philanthropy via Tocqueville’s voluntary associations, China’s associations centered on the family clan. Because China, for most of its history, has remained an agrarian nation, not much mobility was required and families supported one another within the communities. The family model worked fairly well, although was in no ways philanthropic. It was simply just the family members supporting one another. It was not until the rise of Buddhism in 100 AD that prompted the rise of almsgiving. Although one could argue that it was for the purpose of reaping good karma to attain reincarnation, it nevertheless spurred some form of philanthropy, albeit in the rudimentary form of almsgiving.\textsuperscript{56} Although the government always attempted to provide for its citizens and curtail poverty, it was not until the Ming Dynasty (1368 – 1644) that citizens began to participate in something similar to Tocqueville’s ideas of the voluntary associations.\textsuperscript{57} It was due to a combination of economic prosperity, peace, and national spirit that spurred philanthropy.

Helen Li, in an essay titled, “Historical Reflection on Chinese Philanthropy,” highlights three factors that influence giving – family/community oriented, charity-focused, and top-down.\textsuperscript{58} Li claims that Chinese philanthropy took on the family/community oriented aspect from its original modus operandi of the family clan. Much of the charitable work arose from a desire

\textsuperscript{55}Li, Helen. “China’s First National Charity Fair to Open in 7 Days.” Global Philanthropy Common. 7 June 2012. <http://www.gpcommon.org/2012/07/07/china-charity-fair/> 
\textsuperscript{57}Li, 2. 
\textsuperscript{58}Li, 3.
to fulfill a need within the family. Thus, family, often time, numbering up to hundreds or more, became the community. Li’s second claim of charity-focused seems consistent with the American philanthropic model of working towards social causes, especially helping the underprivileged. Li hints at the possibility of Buddhism having a strong influence, although do not make the direct comparison. What contrasts Chinese philanthropy with American philanthropy of the time is that while American philanthropy focused on social work, they also advocated for education as well as economic development, whereas Chinese philanthropists focused exclusively on social need. This factor will remain in place until the late 1980s, where the government officially changed its position on philanthropy and began advocating for beyond just simple social improvements. Lastly, Li’s analysis of the top-down approach made philanthropy in China a very bureaucratic process. Per Chinese culture, elders in a community or family unit often have the most amount of power. Li notes that it is the same case with philanthropy, often time having the elder of a family, or the elder monk deciding charitable goals. While the goals are good in nature, it discouraged the American concept of philanthropy of the masses. When one centralized individual makes all the decisions, it becomes difficult to encourage the masses to participate, especially when they know that they have no input in the process.

While philanthropy in China was helpful in promoting social work to the severely disadvantaged and resolving social dilemmas, especially within a community, it did not foster an environment of giving. Thus, while disaster relief and poverty assistance became the staple of Chinese philanthropy, the concept of philanthropy for the greater good of mankind was never established.
When the Chinese Communist Party assumed control of the government, they put an end to private philanthropy. “In 1949, the government assumed the role to provide all public goods to its people, and saw no need for private charity in a communist state.” In the 30 years after the ruling, philanthropy was seen as a dirty word, as it was many times labeled as “bourgeois hypocrisy.” As the country developed, communities from the rural area began expanding into the cities, sometimes commuting, often times settling into the new area. This disrupted the family clan concept that supported the local community. Instead, the mass migration created a whole new ecosystem without a clearly defined concept of a community. Lastly, with the increase in economic prosperity, individuals began a trend of turning inwards to the self. Although individualism is not wrong in its own right, this conflicted greatly with traditional Chinese teaching, where the self was repressed. This individualism clashed with the top-down approach of the elder making all the decisions. This again created conflicts. Thus, the suppression of philanthropy, the destruction of the family clan community ecosystem, as well as the rise of individualism creates barriers to philanthropy’s existence.

With the struggles that Chinese philanthropists are facing, there is a need to view philanthropy in China with a new perspective. After decades of denouncing philanthropy, the Chinese government finally relented in 1988, when the Ministry of Civil Affairs created the Regulations on Foundation Management to allow for private philanthropies to finally exist and provide oversight on. However, even with the establishment of oversight, private philanthropies still struggled to come to formation, as organizations required a government sponsor to exist. As a result, the GONGOs were the first “independent” philanthropies as they

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59 Li, 4.
60 Li, 4.
simply requested sponsorship from the department that created them. In 1995, China held the World Women’s Conference in Beijing and the event proved to be a monumental moment in China’s philanthropic movement. For the first time, non-governmental organizations from around the world gathered in China and met with philanthropists in China. This gave China an opportunity to gain a world view of how other philanthropies operate. Three years later, China allowed for the creation of Civil Non-Enterprise Institutions (CNIs). Although more non-profits were able to register as CNIs, many still faced the same hurdle of finding a government sponsor. It was not until 2004 that foundation regulations changed and the government allowed private foundations to exist for the first time. The regulation brought about an influx of private foundations that could not secure a government sponsor but could now freely exist. Within a six year span since the approval of private philanthropies, in 2010, there were 1,101 public foundations and 1,088 private foundations in existence.62

Contrast to three decades earlier, China has drastically changed its view on philanthropy and philanthropic organizations. In 2008, the Chinese government, for the first time, publicly promoted philanthropy, even going as far as to include it in the 12th 5-year plan.63 Philanthropy for disaster relief were extremely evident in 2008, when the Sichuan earthquakes killed 69,195 people with 18,392 missing.64 The earthquake sparked a national outpour of money, resulting in donations for the year to grow threefold to 107 billion RMB, compared to 31 billion RMB, the year prior. The disaster specifically received 76.7 billion RMB, with 65.3 billion in cash and 11.4 billion in materials.65 The disaster not only brought about donations within the country, but also

62 China Development Brief, 6.
an inflow of funds from all over the world. Wealth holders in China have also begun advocating for the concept of philanthropy for the masses. Jack Ma of the Alibaba Group, an e-commerce firm with more than 100 million users, penned a note to encourage philanthropy among his employees, “If you have money, but have not turned this money into an experience to elevate your own or other people’s level of happiness, then you may very well only possess a lot of symbols and a mountain of very colorful pieces of paper.” The concept of mass philanthropy has been further pushed by Jet Li and the creation of the One Foundation. He clearly pushes the idea of mass philanthropy through reaching out to everyone in the country to create an environment for giving. The foundation’s motto of “1 Person + 1 Dollar/Yuan + 1 Month = 1 Big Family,” pushes the idea of philanthropy of the masses by fostering an environment to give.

However, there are many challenges ahead. Despite the increase in donations, Chinese philanthropy is still marginal, at a meager 0.17% of GDP, compared to the 2% in the United States. The U.S. also significantly outnumbers China with regards to the number of foundations, with one foundation for every 3,000 individuals, whereas China has one foundation per 650,000 people. Lastly, the World Giving Index has scored China at the 140th place out of 153 countries in the world, with 14% of the population giving money, 4% volunteering time, and 44% helping a stranger, whereas the U.S. ranks first, with 65%, 43%, and 73% for the statistics, respectively.67

Despite the success and the challenges that China’s philanthropic system faces, there are deeper systemic issues that they must address. Bureaucracy and corruption has long been issues that plagued China, and not only in the philanthropic sector. Due to the historical use of the top-

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67 An Overview of Chinese Philanthropy.
down approach for philanthropy, bureaucracy has long had its ugly head in the area. Often times, upper-level management of philanthropies enjoy privileges but do not deliver better work.\(^6\) However, while bureaucracy only hinders philanthropy from being accomplished, it is really corruption that leads to citizen’s distrust and lead to lower levels of giving. It is estimated that giving will fall as a result of the public’s distrust of recent events.

One of the worst scandals was during 2008, when a female associated with the Red Cross, Guo Meiemi, posted a picture of herself with extravagant cars as well as other luxury goods. Reports ultimately linked her to a high-ranking official in the Red Cross, hinting at the possibility of corruption and siphoning of money.\(^6\) The event was extremely closely linked to the 2008 Sichuan earthquakes, where billions of RMB of donations went missing. Although no formal accusations were made, the scandal destroyed public confidence in charitable organizations, especially in regards to disaster relief.

Although Chinese philanthropy has come a long way from its origins, it still has a long way to go. Despite the government’s original intentions of outlawing philanthropies, they soon recognized a need for philanthropists to fulfill social needs that the government themselves cannot provide. Through a series of regulation and policy changes, the government began promoting private philanthropies. Many of these foundations, especially the One Foundation, have begun pushing for the goal of encouraging an environment of mass philanthropy. However, despite the success in increasing funds raised per year, there are still bureaucratic and corruption issues that must be resolved for philanthropies to succeed.

\(^6\) An Overview of Chinese Philanthropy.
Regression Methodology

The prior sections were to give a qualitative overview of the history of philanthropy in the United States as well as in China, in addition to the current conditions of philanthropy in the two countries. The abovementioned information will now be used to construct regression models to best predict future levels of giving in China.

A total of four regression models will be constructed. The first will be to use variables outlined by Zunz in his novel. The second model will be to use the variables outlined by the Center on Wealth and Philanthropy report. A third regression model will be to independently regress each variable and take the top variables to combine for a regression model. A fourth regression model will be to cherry pick variables that were included in the previous three but with additional variables that are deemed influential in impacting giving in China.

A total of 84 variables were collected from a multitude of sources. See work cited for a list of sources. Due to philanthropic giving being the dependent variable and its limitedness of being only available from 2006 – 2011, the frame of study will be between those years.

Regression Models

A. Zunz Model

In Oliver Zunz’s recount of philanthropy in the United States, he outlined several factors that influence giving. One of the earliest hurdle philanthropists had to overcome was the legal framework. They needed to convince the courts to abide by the wishes of the grants provided and not to have an heir or another family member challenge and overturn the grant. Second, Americans, in an effort to rebuild the South, were overcome with a culture of giving, via citizenship. This culture of giving provided Americans with a sense of community. Third, the
relationship between philanthropy and the government was absolutely vital, especially on issues such as tax. Traditionally, higher taxes have led to higher levels of philanthropy, mostly due to individuals wishing to claim a higher deduction. Lastly, Zunz pointed out the Filer Commission’s finding that giving tend to correlate with GNP. As the country grew wealthier, individuals also become wealthier and have increased disposable income. As a result, individuals are more likely to give.

While Zunz highlights many important factors that influence giving, only tax and GNP are measurable factors. As such, the Zunz model will include taxes and gross domestic product (GDP). GDP is used instead of GNP as it is much more common. The equation is as follows.

\[ Y = \alpha \text{tax rates} + \beta \text{GDP} \]

A regression analysis indicates that

\[ Y = -0.810\text{tax rates} + 0.268\text{GDP} \]

The model exhibits an \( R^2 \) of 0.882 and an adjusted \( R^2 \) of 0.823, showing that the regression line is a good fit for the model. The F test also revealed a significance of 0.014, lower than the 0.05 threshold requirement. Thus, the model is a good fit in predicting philanthropy in China. A test checking the 2011 numbers shows an error of 3.38%.

This model’s high \( R^2 \) value as well as the significance of the F test shows that this is a good foundation to base the other models off of. This confirms the findings of Zunz’s narrative
as well as the findings of the Filer Commission in translating the basis of philanthropy from the U.S. tradition into a Chinese one.

B. Center on Wealth and Philanthropy Model

The Center on Wealth and Philanthropy Model will closely follow the two published reports from the center. The center lists four important factors that it believes to influence giving. The report highlights growth in the economy as the first factor that influences giving. Much like the rationale that Zunz provides, the report believes that higher levels of growth in the economy results in the individual receiving a portion of the growth, and as a result, more disposable income for the individual to donate from. Second, the center believes that the size of an estate holder will positively impact the size of the bequest she leaves, in that the larger the estate, the larger the size of the bequest. Due to the nature of giving resulting more from bequests than lifetime, the size of an estate holder very much influences giving. Third, the tax rates, much like Zunz’s findings, the report noted that higher taxes tend to lead to higher levels of giving. However, the center did not go as far as to call it a direct correlation, but that there is a relationship. Lastly, in the follow up report, the center noted that the improved livelihood of Americans may have led to lower amounts of money available for charity, due to the rationale that increased life span will likely drain the amount available for bequests.

From the center’s report, this paper is able to extract three variables. The first will be the GDP growth rate, contrasted with the regular GDP used in Zunz’s model. The variable of size of estates was unable to be obtained and skipped over. Even if data was able to be obtained, independent data would have created little new findings, whereas aggregated data would have diluted the individual nature of the proposal. Thus, the variable is a difficult one to study and
may possible be a variable to study regarding high net worth individuals, but not for an overall study of philanthropic giving. The second variable will be the tax rate, as a reliable and consistent estate tax rate could not be modeled. Lastly, net birth rate will be used to measure the livelihood of individuals, under the rationale that more individuals born today will be alive to live longer in the future. The equation is as follows.

\[ Y = \alpha \times \text{GDP growth rate} + \beta \times \text{tax rate} + \gamma \times \text{net birth rate} \]

A regression analysis indicates that

\[ Y = 0.109 \times \text{GDP growth rate} + (-2.375) \times \text{tax rate} + 20.993 \times \text{net birth rate} \]

The model exhibits an $R^2$ of 0.906 and an adjusted $R^2$ of 0.765, showing that the regression line is a good fit for the model. The F test also revealed a significance of 0.137, which unfortunately falls above the threshold of 0.05. Although the model itself may not be significant, a check of against the 2011 numbers shows an error of 9.91%, slightly higher than the previous model.

Despite the F test showing the model being insignificant, the relatively low margin of error predicts that this model is a reliable method of estimating giving in China. This model, like the previous one, exhibits that the variables of net birth rate can be translated from the U.S. environment into a Chinese one. This also would prove that a study into estate values and bequests of China would reveal a similar result to the ones in United States, assuming that estate taxes and other laws surrounding it do not differ too much.
C. Independent Variable Compilation Model

From the 84 variables collected, the study independently regressed each variable against philanthropic giving to determine the validity of each variable. Exhibit 1 shows the results of each of the regressions. This model seeks to collect all the variables with an $R^2$ of 0.65 or higher. Seven variables were found to fulfill the criteria. The number of 0.65 was arbitrarily chosen to fulfill two goals: one, that the coefficient of determination is high enough to show a correlation between the variable and giving, and two, that it is high enough to restrict the number of variables to a manageable number. The equation is as follows.

\[
Y = \alpha \cdot \text{population death rate} + \beta \cdot \text{agriculture household registered population} + \gamma \cdot \text{export of goods in USD} + \delta \cdot \text{per rural cash food expenditure} + \epsilon \cdot \text{passenger traffic} + \zeta \cdot \text{number of institutions of higher education} + \eta \cdot \text{tax rate}
\]

Unfortunately, the data set for export of goods in USD only extends to 2009, and is eliminated from the equation as a result. At the same time, agriculture household registered population only extends to 2010, and is also removed. Thus, the new regression model is follows.

\[
Y = \alpha \cdot \text{population death rate} + \delta \cdot \text{per rural cash food expenditure} + \epsilon \cdot \text{passenger traffic} + \zeta \cdot \text{number of institutions of higher education} + \eta \cdot \text{tax rate}
\]

However, a preliminary run of the variables showed that number of institutions is correlated to the other variables and must be removed. Thus, the final regression model is
\[ Y = (-8.158) \times \text{population death rate} + (-137.528) \times \text{per rural cash food expenditure} + \\
12.633 \times \text{passenger traffic} + (-0.327) \times \text{tax rate} \]

The model exhibits an $R^2$ of 0.936 and an adjusted $R^2$ of 0.808, showing that the regression line is a good fit for the model. The F test revealed a significance of 0.124, which, like the previous model, falls above the threshold of 0.05. Although the model itself may not be significant, a check of against the 2011 numbers shows an error of 17.42%. Unfortunately, the trend of increasing error continues.

The high margin of error of this model makes it hard to recommend as a reliable method of calculating giving in China. Although the F test shows similar significance between this model and the Center on Wealth and Philanthropy Model, the margin of error really discounts the validity of this model. Despite best efforts to remove corrupt data as well as removing data that exhibits multicollinearity, the model still exhibits high margins of error.

Much of the error could be attributed to the methodology in which the model was derived from. The variables selected in this model came about due to high $R^2$ value of these variables’ relation to giving in China when compared independently. While an assumption that adding these variables together would create a “super” model, the results show that it is wrong. Unfortunately, while the sentiments in building the model exist, the results did not show for it.

D. Cherry Pick Model

The cherry pick model seeks to select data from the previous three models as well as those that was not chosen from the previous three models and test its relevance. The goal here is to understand uncommon variables and see if they impact the level of giving. Several variables
such as GDP and tax rate were once again selected. However, three additional factors were chosen. First, the year-end average Shanghai Stock Exchange (SSE) Composite Index was selected. The goal of this variable is to see if Chinese firms’ stock performance is tied to the level of philanthropic giving or not. The assumption here is that as firms do better, corporate donations are likely to rise and impact overall charitable donations. Second, retail price index was selected to measure disposable income levels of individuals. Here, the belief is that if retail prices are higher than normal, then income must drop to accommodate for the higher spending, decreasing the level of disposable income available for philanthropy. Lastly, the variable of areas affected by natural disaster was selected. Although the measurement is mostly to measure arable land available for farming, the variable was chosen to understand whether natural disasters impact giving or not. While research tends to agree, it is unclear whether a correlation can be established. At the same time, this variable may not be the best as it measures area impacted by natural disaster and not severity. It is possible that one year, more land was affected by low harm natural disaster, whereas another year, less land but more harmful natural disaster impacted China. The equation is as follows.

\[ Y = \alpha \cdot GDP + \beta \cdot \text{tax rate} + \gamma \cdot \text{SSE composite index} + \delta \cdot \text{retail price index} + \epsilon \cdot \text{areas impacted by natural disaster} \]

A regression analysis indicates that

\[ Y = 0.623 \cdot GDP + (-4.244) \cdot \text{tax rate} + (-0.019) \cdot \text{SSE composite index} + (-1.934) \cdot \text{retail price index} + 11.728 \cdot \text{areas impacted by natural disaster} \]
The model exhibits an $R^2$ of 0.940 and an adjusted $R^2$ of 0.639, showing that the regression line is a good fit for the model. The F test revealed a significance of 0.404, which grossly falls above the requirement of 0.05. Despite the high $R^2$, the model is wholly insignificant in predicting giving in the next few years. A check against the 2011 numbers shows an extremely high error of 28.65%. Due to the model being insignificant, it is not unexpected that the error is so high.

The model’s insignificance from the F test as well as its high margin of error makes it a hard model to recommend in estimating the level of giving in China. This proves to be disappointing as the rationale for the model made theoretical sense. The model bases itself on the Zunz model by retaining GDP as well as tax rates. The two variables proved to be a solid foundation to add the other variables into. The variables of SSE composite index and retail price index show the financial welfare of corporations and individuals in China to estimate the amount of income available. The assumption was that a higher level of retail prices would negatively influence giving due to higher costs, while SSE composite index would positively influence corporate giving due to growth in the economy. Unfortunately, the model proved to be a poor predictor of giving in China.

F. Summary

The section below provides a summary of the equations available as well as the relevant $R^2$, adjusted $R^2$, the F test results, as well as margins of error.

Zunz Model:

$$Y = -0.810\text{tax rates} + 0.268\text{GDP}$$
Center on Wealth and Philanthropy Model

\[ Y = 0.109 \times \text{GDP growth rate} + (-2.375) \times \text{tax rate} + 20.993 \times \text{net birth rate} \]

Independent Variable Compilation Model:

\[ Y = (-8.158) \times \text{population death rate} + (-137.528) \times \text{per rural cash food expenditure} + 12.633 \times \text{passenger traffic} + (-0.327) \times \text{tax rate} \]

Cherry Pick Model:

\[ Y = 0.623 \times \text{GDP} + (-4.244) \times \text{tax rate} + (-0.019) \times \text{SSE composite index} + (-1.934) \times \text{retail price index} + 11.728 \times \text{areas impacted by natural disaster} \]

<table>
<thead>
<tr>
<th></th>
<th>R(^2)</th>
<th>Adjusted R(^2)</th>
<th>F test</th>
<th>Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zunz</td>
<td>0.882</td>
<td>0.823</td>
<td>0.014</td>
<td>3.38%</td>
</tr>
<tr>
<td>CWP</td>
<td>0.906</td>
<td>0.765</td>
<td>0.137</td>
<td>9.91%</td>
</tr>
<tr>
<td>Independent</td>
<td>0.936</td>
<td>0.808</td>
<td>0.124</td>
<td>17.42%</td>
</tr>
<tr>
<td>Cherry Pick</td>
<td>0.940</td>
<td>0.639</td>
<td>0.404</td>
<td>28.65%</td>
</tr>
</tbody>
</table>

The table above shows the R\(^2\), adjusted R\(^2\), F test, and error for the respective models. Unfortunately, only the Zunz model is significant. However, the CWP model can be admitted to project levels of giving in China. The model exhibited a low error margin and future data may be used to estimate the level of giving to test to rigor of the model.

Although the independent and cherry pick model proved to be inconclusive despite making theoretical sense, there may be a variety of factors besides bad modeling to account for the factors. The models were only able to use data from 2006 to 2011. Due to the new nature of research philanthropy in China, the dearth of data is understandable. However, it is possible that
the lack of data led to the inconclusive model results. A possibility to entertain is that the models are perfectly functional, but unfortunately, due to the lack of data, reaches inconclusive results.

**Recommendations**

The thesis has so far examined philanthropy in America, with its beginning in Tocqueville’s descriptions to the current day conditions of how to expand aid internationally. The two Center on Wealth and Philanthropy reports followed up to quantitatively understand giving in America. The paper also examined the history of giving in China, to mirror the analysis conducted on the United States earlier. The previous section attempted to construct four models to better understand giving in China as well as to project giving in China. Although two of the models that would have provided significant knowledge were ultimately concluded to be insignificant, the two simpler models provides a great background on how to better develop giving in China.

The first model, the Zunz model indicates that tax rates negatively influence giving, in that the higher the tax rates, the lower the amount of giving. This has been contrary to Zunz’s novel in which he suggests that a higher rate of taxes should lead to higher levels of giving due to the possibility of increases in tax deductions. The coefficient derived from the analysis of \(-0.810\) show that for each percentage point increase in tax rates, giving would decrease by 810 million RMB. This would lead to the conclusion that Chinese deductions work differently than the ones in United States. An alternative to this is that the Chinese treat deductions differently and that higher taxes take away from income, further depressing disposable income available for donations. Thus, a higher tax rate would lead to less income available to donate to charitable causes, which falls in line with the model. This further shows the complexity of tax rates and its
effect on giving. At the same time, the model found that level of giving increases with a rise in GDP, although at a lower extent. Each trillion RMB increase in GDP would lead to 268 million RMB in giving.

The second model via the Center on Wealth and Philanthropy report finds similar results as the Zunz model. The model finds that giving grows positively with GDP and falls with tax rate. However, the rates differ in that the center’s model uses the GDP growth rate instead of GDP and includes the new criteria of net birth rate. The birth rate is interesting in that increases in births would potentially lead to lower giving, in that individuals are more likely to retain the money as individuals live longer to save for late life expenses such as medical expenses. The data shows that for each percentage point growth in GDP, 109 million RMB of giving can be expected. Similar to the previous model, a percentage point decrease in tax rate would lead to a drop of 2.38 billion RMB in giving. This changes significantly from the previous model, where increases in tax rate exhibits smaller differences in giving. This again suggests the hypothesis posed earlier that higher tax rates decrease giving by removing a larger amount of income, which leads to less disposable income. Lastly, the model includes a new factor of net birth rate. This shows that an increase of one net birth per 1,000 results in an increase of 20.99 billion RMB. What is interesting and unexpected is that increases in net birth rates actually led to increases in giving. Contrary to the hypothesis, giving increases as individuals live longer. This increase can be attributed to the fact that per capita giving may remain the same and that the longevity accomplished in recent years do not negatively impact giving per capita. Thus, increases in net birth rate leads to increases in population and as a result, increases giving. It is important to note that while the factors of increase are significant, net birth rate per 1,000 have remained relatively consistent recently and only raised by one per 1,000 within the past five years.
An analysis of the two models reveals that a focus into measurable factors, the Chinese government should consider focusing on GDP and the tax rate. With China’s continual economic growth, it is clear that philanthropy will continue to grow. At the same time, the government’s policy in recent years to decrease the tax rate will continually lead to growth in philanthropy. However, the government needs to find a good balance between a low enough tax rate to encourage giving, and one high enough to fill the coffers. Lastly, the variable of birth rate is highly debated in China, especially with the one-child policy. However, with recent news hinting that the government may abandon the policy, it will most likely increase giving in future years.⁷⁰

Although the thesis will also like to push the idea that the variables involved in the independent model and the cherry pick model will accurately predict giving in China in future years, it does not have the evidence to support it. While the qualitative analysis would indicate that the factors involved influence philanthropy, the quantitative analysis proved to be inconclusive.

There are also several non-measurable factors that the government needs to address prior to China’s golden age of philanthropy. One of the largest goals that it needs to accomplish is for philanthropies to get the support of the government. In contrast with its policies of the past, the Chinese government has recently been actively promoting philanthropies. However, the support of the government is not the only thing philanthropies need to accomplish, they must also capture the hearts and minds of the people and create an environment for giving. Despite the recent growth of wealth in China, especially in the hands of a concentrated few who donate massive amounts, the majority of philanthropy will still be focused on the masses who donate small amounts. This was extremely evident during the 2008 Sichuan earthquakes, where giving from

average citizens made up a large portion of overall aid. In order to get the hearts and minds of the people, it must not break the trust of the people, especially via scandals and corruption. Transparency has traditionally been an issue for these organizations and it is absolutely pivotal to provide greater transparency to regain the trust of the people.

Although this paper is mostly focused on philanthropic giving and projecting giving in dollar amounts, another important factor in creating an environment of giving is not to simply push the idea of giving money, but also to push the idea of giving time and energy. Currently, the World Giving Index claims that only 4% of Chinese volunteer their time. If the government is able to push the idea of volunteering time as part of the environment to give, the two forces of time and money would synergize with each other, creating an even greater environment of giving, but this time of both money and time.

Conclusion

The thesis has conducted a thorough qualitative and quantitative analysis of giving in the United States and used the information to compare and contrast it to giving in China. Although the study attempted to create four models to predict giving in China, the paper was only able to prove that two of the models retain statistical significance. The variables examined here will be very important to watch for within the next few years and will impact policy making.

Although the thesis is very much rudimentary in the methods surveyed, the paper hopes to serve as a foundation for other studies to build upon. Currently, research on philanthropy in China is nonexistent. China’s economic rise has spurred a new wave of philanthropists trying to create social change and philanthropy will be drastically changing in the next few years. This is especially important as another earthquake hit Sichuan again on April 20, 2013, killing 160 and
injuring thousands\textsuperscript{71}. Although the recent earthquake do not rival the 2008 tragedy, many memories of the tragedy still haunts the country. As the country attempts to recover, support has flown in from all parts of the country as well as internationally.

As mentioned in the introduction with an analysis into the etymology of the word, philanthropy means what it loves to be human. Despite the horrors of the world and the tragedies that occur daily around the world, it is important to remember how to help the world and how to change it for the better. Thus, research into philanthropy is now more important than ever.

Acknowledgements

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"Banking and Insurance 2304.b0101 Total Cash Expenditures of Financial Institutions - Current period value 100 million yuan." ProQuest Statistical Datasets.


"Banking and Insurance 2316.b0201 Per Capita Savings Deposits Year-end - Period end value yuan." ProQuest Statistical Datasets.

"Banking and Insurance 2320.b0201 Foreign Exchange Reserve - Period end value USD 100 million." ProQuest Statistical Datasets.


"Crude Birth Rate China Crude Birth Rate Rate per 1000." ProQuest Statistical Datasets.
"Crude Death Rate China Crude Death Rate - Rate per 1000"

"Crude Oil Price (Light Sweet Crude) Price $." ProQuest Statistical Datasets.

"Culture 28010101101.b0201 Number of Art Performance Troupes - Period end value unit." ProQuest Statistical Datasets.

"Culture 2801010102.b0201 Number of Art Centers - Period end value unit." ProQuest Statistical Datasets.

"Culture 28010102.b0201 Number of Public Libraries - Period end value unit." ProQuest Statistical Datasets.

"Culture 2801010302.b0201 Number of Cultural Centers - Period end value unit." ProQuest Statistical Datasets.

"Culture 28010204.b0201 Number of Museums - Period end value unit." ProQuest Statistical Datasets.

"Culture 2812.b0201 Total Collections of Public Libraries - Period end value 10000 volumes." ProQuest Statistical Datasets.

"Divisions of Administrative Areas in China 0104.b0201 Number of Town and Township Governments - Period end value unit." ProQuest Statistical Datasets.

"Divisions of Administrative Areas in China 0104.b0201 Number of Town and Township Governments - Period end value unit." ProQuest Statistical Datasets.

"Domestic Trade 1904.b0101 Total Retail Sales of Consumer Goods - Current period value 100 million yuan." ProQuest Statistical Datasets.


"Education Yearbook 37010102.b0201 Number of Regular Institutions of Higher Education - Period end value unit." ProQuest Statistical Datasets.

"Employment 0901.b0201 Employment - Period end value 10000 persons." ProQuest Statistical Datasets.

"Employment 09010301.b0201 Urban Employed Persons - Period end value 10000 persons." ProQuest Statistical Datasets.

"Employment 09010302.b0201 Rural Employed Persons - Period end value 10000 persons." ProQuest Statistical Datasets.

"Employment 0910.b0101 Average Money Wage - Current period value yuan." ProQuest Statistical Datasets.

"Employment 0912.b0201 Registered Unemployment Rate in Urban Areas - Period end value 10000 persons." ProQuest Statistical Datasets.

"Fear Index (^VIX) Close #." ProQuest Statistical Datasets.

"Foreign Trade and Economic Cooperation 20020101.b0101 Import Value of Commodities (RMB) - Current period value RMB 100 million yuan." ProQuest Statistical Datasets.

"Growth Rate China Growth Rate %." ProQuest Statistical Datasets.

"Hang Seng Index (China) Close $." ProQuest Statistical Datasets.

"Health 300101.b0201 Number of Hospitals and Health Institutions - Period end value unit." ProQuest Statistical Datasets.

"Health 300106.b0201 Number of Maternity and Child Care Centers - Period end value unit." ProQuest Statistical Datasets.
"Health 3003.b0201 Number of Beds in Health Institutions - Period end value 10000 units."
ProQuest Statistical Datasets.

"Health 3004.b0101 Number of Hospital Beds per 10000 Population - Current period value unit." ProQuest Statistical Datasets.

"Health 300501.b0101 Number of Doctors per 10000 Population - Current period value person."
ProQuest Statistical Datasets.


"Imports China 00 All Trade Imports $." ProQuest Statistical Datasets.

"International Tourists 2108.b0101 International Tourism Foreign Exchange Earnings - Current period value USD million." ProQuest Statistical Datasets.

"Investment Fixed Assets 1001.b0101 Total Investment in Fixed Assets in the Whole Country - Current period value 100 million yuan." ProQuest Statistical Datasets.

"Investment Fixed Assets 10011103.b0101 Total Real Estate Development investment in the Whole Country - Current period value 100 million yuan." ProQuest Statistical Datasets.

"Investment Fixed Assets 10140101.b0101 Floor Space Sold of Commercial Buildings - Current period value 10000 sq.m." ProQuest Statistical Datasets.

"Investment Fixed Assets 10140201.b0101 Total Sale of Commercial Buildings - Current period value 100 million yuan." ProQuest Statistical Datasets.

"National Accounts 0401.b0101 GNI - Current period value 100 million yuan." ProQuest Statistical Datasets.

"National Accounts 0402.b0101 GDP - Current period value 100 million yuan." ProQuest Statistical Datasets.
"Net Migration Rate China Net Migration Rate - Rate per 1000." ProQuest Statistical Datasets.

"People's Livelihood 1307.b0101 Per Urban Capita Disposable Income - Current period value yuan." ProQuest Statistical Datasets.

"People's Livelihood 130801.b0101 Indices of Per Urban Capita Disposable Income(1978=100) - Current period value %." ProQuest Statistical Datasets.

"People's Livelihood 131201.b0101 Per Urban Capita Consumption Expenditure - Current period value yuan." ProQuest Statistical Datasets.

"People's Livelihood 13120102.b0101 Per Urban Capita Food Expenditure - Current period value yuan." ProQuest Statistical Datasets.

"People's Livelihood 131501.b0101 Per Urban Capita Floor Space of Residential Building Areas - Current period value sq.m." ProQuest Statistical Datasets.

"People's Livelihood 1325.b0101 Per Rural Capita Net Income - Current period value yuan." ProQuest Statistical Datasets.

"People's Livelihood 132601.b0101 Index of Per Rural Capital Net Income (1978=100) - Current period value %." ProQuest Statistical Datasets.

"People's Livelihood 13270301.b0101 Per Rural Capita Food Expenditure - Current period value yuan." ProQuest Statistical Datasets.

"People's Livelihood 13280301.b0101 Per Rural Capita Cash Food Expenditure - Current period value yuan." ProQuest Statistical Datasets.

"People's Livelihood 133101.b0101 Per Rural Capita Floor Space of Residential Building Areas - Current period value sq.m." ProQuest Statistical Datasets.

"Population 0801.b0201 Household Registered Population - Period end value 10000 persons." ProQuest Statistical Datasets.

"Population 08010202.b0201 Female Household Registered Population - Period end value 10000 persons." ProQuest Statistical Datasets.

"Population 08010301.b0201 Agriculture Household Registered Population - Period end value 10000 persons." ProQuest Statistical Datasets.


"Population 08030102.b0201 Rural Permanent Population - Period end value 10000 persons." ProQuest Statistical Datasets.

"Population 0806.b0101 Birth Rate - Current period value 0." ProQuest Statistical Datasets.

"Population 0807.b0101 Death Rate - Current period value 0." ProQuest Statistical Datasets.

"Population 0808.b0101 Natural Growth Rate - Current period value 0." ProQuest Statistical Datasets.


"Price Indices 120101.b0101 CPI(preceding year=100) - Current period value %." ProQuest Statistical Datasets.

"Price Indices 12010102.b0101 Consumer Price Index in Urban Areas Consumer Price Index(preceding year=100) - Current period value %." ProQuest Statistical Datasets.

"Price Indices 12010103.b0101 Consumer Price Index in Rural Areas (preceding year=100) - Current period value %." ProQuest Statistical Datasets.
"Price Indices 120102.b0101 Retail Price Indices by Category (preceding year=100) - Current period value %." ProQuest Statistical Datasets.

"Rate of Natural Increase China Rate of Natural Increase %." ProQuest Statistical Datasets.

"SSE Composite Index (China) Close $." ProQuest Statistical Datasets.


"Transport 1706.b0101 Freight Traffic - Current period value 10000 tons." ProQuest Statistical Datasets.

"Transport 170601.b0101 Freight Traffic by Railways - Current period value 10000 tons."

ProQuest Statistical Datasets.

### Exhibits

#### Exhibit 1: R^2 Values

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<tr>
<th>Index Name</th>
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<td><strong>Financial</strong></td>
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<tr>
<td>S &amp; P 500 Index (US) Close $</td>
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<td>NASDAQ Composite Index(US) Close $</td>
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<td>Dow Jones Industrial Average(US) Close $</td>
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<td>SSE Composite Index (China) Close $</td>
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<td>Fear Index (^VIX) Close #</td>
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<td>Crude Oil Price (Light Sweet Crude) Price $</td>
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<td>Natural Growth Rate</td>
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<td>Death Rate</td>
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<td>Birth Rate</td>
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<td>Male Household Registered Population</td>
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<td>Population China Population Count</td>
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<td>Registered Unemployment Rate in Urban Areas</td>
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<td>Rural Employed Persons</td>
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<td>Urban Employed Persons</td>
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<td>Employment</td>
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<td>Average Money Wage</td>
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<td>Import Value of Commodities (RMB)</td>
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<td>Total Retail Sales of Consumer Goods</td>
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<td>Exports of goods, services and income</td>
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<td>Imports China</td>
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<td>Category</td>
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<td>Growth Rate</td>
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<td>Rate of Natural Increase</td>
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<td>Towns</td>
<td>Number of Town and Township Governments</td>
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<td>Number of Town and Township Governments</td>
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<td>Consumer Indices</td>
<td>Retail Price Indices by Category</td>
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<td>Consumer Price Index in Rural Areas</td>
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<td></td>
<td>Consumer Price Index in Urban Areas Consumer Price Index</td>
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<td></td>
<td>CPI</td>
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<td>Real Estate</td>
<td>Total Sale of Commercial Buildings</td>
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<td>Floor Space Sold of Commercial Buildings</td>
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<td>Total Real Estate Development investment in the Whole Country</td>
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<td>Total Investment in Fixed Assets in the Whole Country</td>
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<td>Per Rural Capita Food Expenditure</td>
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<td>Index of Per Rural Capita Net Income</td>
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<td>Per Urban Capita Floor Space of Residential Building Areas</td>
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<td>Per Urban Capita Food Expenditure</td>
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<td>Per Urban Capita Consumption Expenditure</td>
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<td>Indices of Per Urban Capita Disposable Income</td>
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<td>Per Urban Capita Disposable Income</td>
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<td></td>
<td>Per Rural Capita Floor Space of Residential Building Areas</td>
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<td>Per Rural Capita Cash Food Expenditure</td>
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<td>Freight</td>
<td>Freight Traffic by Railways</td>
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<td>Areas Covered by Natural Disaster</td>
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<td>Areas Affected by Natural Disaster</td>
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<td>Financial Institutions</td>
<td>Cash Statistics of Financial Institutions</td>
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<td>Total Cash Expenditures of Financial Institutions</td>
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<td>Total Cash Income of Financial Institutions</td>
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<td>Use of Credit Funds of Financial Institutions</td>
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<td>Sources of Credit Funds of Financial Institutions</td>
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<td></td>
<td>Foreign Exchange Reserve</td>
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<td>Per Capita Savings Deposits Year-end</td>
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<td>Health</td>
<td>Number of Hospitals and Health Institutions</td>
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<td>Number of Doctors per 10000 Population</td>
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<td>Number of Hospital Beds per 10000 Population</td>
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<tr>
<td>Culture</td>
<td>Other</td>
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<td>---------------------------------------------</td>
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<tr>
<td>Number of Maternity and Child Care Centers</td>
<td>Number of Regular Institutions of Higher Education</td>
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<td>Number of Beds in Health Institutions</td>
<td>Tax (corporate)</td>
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<td>Number of Art Performance Troupes</td>
<td>Exchange Rates United States China Rate</td>
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<td>Number of Art Centers</td>
<td>International Tourism Foreign Exchange Earnings</td>
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<td>Number of Public Libraries</td>
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<td>Number of Cultural Centers</td>
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<td>Number of Museums</td>
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<tr>
<td>Total Collections of Public Libraries</td>
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</tbody>
</table>
Exhibit 2: Regression Equations

Zunz Model:

\[ Y = -0.810 \text{tax rates} + 0.268 \text{GDP} \]

Center on Wealth and Philanthropy Model

\[ Y = 0.109 \text{GDP growth rate} + (-2.375) \text{tax rate} + 20.993 \text{net birth rate} \]

Independent Variable Compilation Model:

\[ Y = (-8.158) \text{population death rate} + (-137.528) \text{per rural cash food expenditure} + 12.633 \text{passenger traffic} + (-.327) \text{tax rate} \]

Cherry Pick Model:

\[ Y = 0.623 \text{GDP} + (-4.244) \text{tax rate} + (-0.019) \text{SSE composite index} + (-1.934) \text{retail price index} + 11.728 \text{areas impacted by natural disaster} \]
Exhibit 3: Model Results

<table>
<thead>
<tr>
<th></th>
<th>R²</th>
<th>Adjusted R²</th>
<th>F test</th>
<th>Error</th>
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<tbody>
<tr>
<td>Zunz</td>
<td>0.882</td>
<td>0.823</td>
<td>0.014</td>
<td>3.38%</td>
</tr>
<tr>
<td>CWP</td>
<td>0.906</td>
<td>0.765</td>
<td>0.137</td>
<td>9.91%</td>
</tr>
<tr>
<td>Independent</td>
<td>0.936</td>
<td>0.808</td>
<td>0.124</td>
<td>17.42%</td>
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<tr>
<td>Cherry Pick</td>
<td>0.940</td>
<td>0.639</td>
<td>0.404</td>
<td>28.65%</td>
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</table>