

# Big Society, Small Government

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*U*nder the slogan “Big Society, Small Government,” the 2004 National Congress of the Communist Party of China (CPC) endorsed efforts to construct a “system of social protection, including social security, social assistance, and charitable undertakings,” in which “civilian organizations have become bridges and belts linking the Party and government with the mass, an indispensable force to promote economic development and social progress, and play an important role in the harmonious development of a socialist civilization.” In addition to granting explicit official recognition for the first time to nonprofit organizations (NPOs) in China, the CPC also committed itself to expanding the nonprofit sector under the rubric of party leadership, government responsibility, and citizen participation. Put another way, citizens shall support the growth of the NPOs and these social organizations will assist the Chinese government, all under the broad direction of the CPC.

What are the prospects for China’s emergent nonprofit sector? One answer to this question is that the CPC is plotting a strategic retreat from authoritarian forms of governance and banking on unprecedented forms of devolution to manage the complexities of its rapidly transforming economic and social order. The creation of a broad stratum of intermediate organizations situated between citizens and the state, in effect, represents the birth of civil society in China. Another interpretation is that the form and direction of the policy will likely reaffirm a time-honored tradition of fashioning social institutions into

closely guarded instruments of political rule rather than open-ended instruments of power sharing between a party-state and society.

From a liberal-pluralist perspective, the latter seems more probable. Liberal-pluralists closely adhere to Tocquevillean precepts of civil society that emphasize the degree of independence of voluntary associations from government supervision and regulation. In this formulation, states should act as passive recipients and impartial arbiters of political demands arising from collectivities neither implicated in the formal apparatus of government nor subject to undue state influence in the generation of their political preferences. Moreover, civil associations maximize the scope of individual and collective endeavors reserved for private initiative, and as such, minimize the scope of government action. By this standard, CPC rule precludes the emergence of a civil society in China.

From a neo-institutionalist perspective, however, the outlines of an emergent civil society in China are more apparent. Neo-institutionalists proceed from the assumption that state and society are relatively autonomous from each other, but never categorically so. State and civil society constantly interact and mutually reshape each other in both intended and unintended ways. Therefore, the object of analysis is to explore the continuum of state-society relations in comparative and historical terms, rather than deduce and apply fixed thresholds at which civil society is said to exist or not exist. For neo-institutionalists, civil society exists in degrees. For liberal-pluralists, civil society exists in kind. A neo-institutionalist approach frames the discussion here.

This essay develops in three parts. The first section presents a thumbnail sketch of historical trends in the nonprofit sector in the United States. The purpose of this discussion is two-fold. One is to generate a broader vocabulary for describing the contours of the nonprofit sector and the complex interactions between NPOs, state, and market. The other related aim is to provide a comparative benchmark for highlighting the salient characteristics of China's developing nonprofit sector. The second part gives a brief overview of some of the key historical processes that have shaped the Chinese nonprofit sector and how they alternatively resemble or differ from the American case. The conclusion offers a brief speculation about the prospects of CPC efforts to strengthen the Chinese nonprofit sector, assuming that the communists will endure as China's governing party for the foreseeable future.

One further caveat: The following analysis primarily focuses on NPOs commonly deemed *charitable*, otherwise called *public benefit*

NPOs. These are organizations that deliver education, research, health, and other welfare services, among other activities held to benefit broad cross-sections of society. The second branch of the nonprofit sector, grouped in U.S. law under the somewhat confusing designation *social welfare organizations* (i.e., mutual benefit associations and advocacy organizations), more generally pursues and represents the interests of a well-defined class of members (for example, trade unions, political lobbies, fraternal associations) rather than the general public or large segments of it. For charitable NPOs, political partisanship and advocacy is secondary to their service mission both in practice and in law. For social welfare NPOs, the formulation, articulation, and defense of political and economic interests of partisan groups are often the ranking objectives. Both classes of NPOs are important elements of civil society and overlapping tendencies appear in each. Students of civil society more often focus on the nature and extent of advocacy organizations to gauge state-society relationships. This essay takes a different tack, in part to balance the disproportionate emphasis on advocacy-oriented NPOs in current scholarship, and in part to draw attention to some of the continuities between Chinese and American societies, rather than glaring differences, again with an interest in presenting more balanced East-West comparisons.

### **I. Community, Society, Democracy, and Market: The Logics of American Civil Society**

The ends and means of NPOs vary across place and time, as does the relationship between governmental, commercial, and nonprofit sectors. What follows is a highly abbreviated schematic overview of the diverse patterns and practices that have marked the achievements of America's charitable and civic associations in the nineteenth and twentieth centuries. The concepts of community, society, democracy, and market provide heuristics for cataloguing a range of possibilities for the nonprofit sector. NPOs appear in many guises: deeply parochial, rivaling, and autonomous institutions operating beyond the reach of government oversight; federated agents of rationalization, cosmopolitanism, and modernization; extra-bureaucratic extensions of government agencies and programs; and highly commercial enterprises in competitive markets.

## A. The Communitarian Ideal

The *communitarian ideal* evokes images of town hall meetings, church assemblies, and a broad array of fraternal associations based on gender, racial, ethnic, linguistic, national, and occupational identities and solidarities. These associations resemble Alexis de Tocqueville's vision of America—the benign sociability of primordial communities peopled by citizens who live and work together and who share common values and norms. Tocqueville's Americans voluntarily cooperated to manage almost every collective endeavor of public significance, save for a few responsibilities unavoidably delegated to a minimalist state, such as national defense, the administration of criminal and civil justice, and the protection of property rights. It is a civic universe of localism and parochialism that provides the wherewithal for the founding and maintenance of schools, colleges and universities, hospitals and asylums for the sick and disabled, orphanages for abandoned children, reformatories for fallen women, and houses of industry and correction for the poor and the derelict.

The communitarian ideal, however fitting it was as a description of pastoral life in antebellum America, did not offer convincing solutions to looming civil disorder. Toquevilleans sometimes overlook the fact that civic life in nineteenth-century America could not contain endemic strife in the nation's burgeoning cities stemming from racial, ethnic, religious, and class divisions. Grinding poverty, chronic sickness and epidemics, and rampant vice were also unrelenting, grim realities of urban living. Moreover, America's civic culture and associations had failed to produce the moderation and compromise that would have averted a civil war.

## B. The Civic Ideal

The post-Civil War era witnessed a profound transformation in the governance, financing, and aims of NPOs. Wealthy industrialists and financiers quickly displaced clerics from the leadership of the governing boards of civic and charitable organizations. Trained professionals increasingly assumed command of the managerial ranks of NPOs as well as claiming for themselves the bulk of permanent staffing positions, leaving to volunteers either honorific or auxiliary roles in the work of incipient civic bureaucracies, public and private. Professional fundraising drives targeting workplaces replaced religious congre-

gations as the primary source of donations. As Max Weber would describe it, the nonprofit sector became *rationalized*. The logics of efficiency, planning, coordination, and expertise now overshadowed traditional communitarian precepts of charity in shaping the ways and means of fielding social services.

As Paul Boyer notes, the rise of a new civic ideal marked the passage from *gemeinschaft* (community) to *gesellschaft* (society) in the Progressive Era. First, the Progressive movement ceded much of the field of voluntary initiative to government action. The challenges of creating sustainable urban environments required the massive transfer of responsibility for public health, safety, welfare, and basic utilities *from* commercial and communitarian associations *to* reforming state and municipal agencies. Apparently, Americans needed government after all, but of a different kind. Party dominance of city government, and the legacy of corruption and party patronage associated with it, increasingly came under attack by those favoring nonpartisan municipal elections. Reconstructed executive branches of federal, state, and local governments headed up bureaucratizing and professionalizing civil services, and the rationalization of statutory law gradually substituted the rule of law for the much more arbitrary bent of party officialdom. Second, the civic ideals of progressive reformers left an expansive, if much reduced, universe of charitable and civic endeavors to nonprofit organizations, but under similarly altered terms and conditions. While reconciled to the persistence of a nonprofit sector marbled with parochial affiliations—religious and ethnic—progressives generated an expansive superstructure of coordinating and standardization agencies atop formerly competitive charitable institutions. It was an age of federations that centralized charitable fundraising through metropolitan agencies like community chests (the forerunner of the United Way) and coordinated service provision through citywide associations like the Charity Organization Societies. This new civic ideal was decidedly cosmopolitan, emphasizing tolerance and mutual accommodation among pluralistic, and sometimes antagonistic, charitable associations. The emphasis on interfaith and interethnic cooperation also carried with it secular tendencies. The natural and social sciences, now supported in America's reformed colleges and universities, increasingly afforded the knowledge base, technology, and legitimacy for advances in education, health, and social services.

### C. The Democratic Ideal

The Great Depression, World War II, and the Cold War brought yet another reconstruction of the U.S. nonprofit sector. Domestic and foreign policy imperatives elevated the federal government to unprecedented importance in American society. The favorable reception of Keynesian economics provided one rationale for dramatically inflated government spending. Mobilization for war was another. Yet another was the international appeal of the Beveridge Plan that extended the notion of citizenship beyond civil and political rights to include entitlements to health care, education, old-age pensions, and unemployment insurance, in addition to adequate housing and other basic necessities. More specifically, U.S. leadership in the Cold War drew sustained and embarrassing international attention to the underside of American society: widespread poverty and the long delayed extension of civil and political rights to African-Americans. All these forces set the federal government to work constructing a new democratic polity, one with a renewed commitment to civil and political rights and new commitments to social rights. In this radically altered context of American federalism, the future of the nonprofit sector now hinged on the disposition of presidents, congresses, and judiciaries.

Nonprofit organizations became key shareholders of growing federal largesse. Before the Great Depression, the prevailing logic embedded in state and municipal policy was that public and private charities should operate independently of one another. Federal officials injected a radical bias into policies of human betterment. One of the signal objectives of national programs launched after WWII was to make private institutions a primary recipient of federal spending on health and human services. This novel synthesis of public funding and private provision made NPOs indispensable elements of the modern welfare state and of government efforts to buttress the civil rights movement. Under federal sponsorship, the scale and scope of the nonprofit sector expanded exponentially in postwar America, as did government regulation of NPOs.

### D. The Market Ideal

The economic stagnation of the 1970s, the collapse of the Keynesian consensus, and the much debated *crisis of democracy* in the advanced industrial world prompted yet another far-reaching transformation

in government financing and regulation of NPOs. The New Deal and Great Society programs, in tandem with the civil rights movement, had greatly multiplied the beneficiaries of government social programs and escalated demands for new ones. The election of Ronald Reagan set in motion a broad set of policies to scale back demands on the federal treasury. First, under the rubrics of the New Federalism, the federal government reduced or capped federal spending on social services and transferred to state and local governments greater responsibility for subsidizing NPOs. Second, the Reagan Revolution inspired new policies for expanding the reach of private pension, health, and welfare plans to lessen reliance on government-financed social programs. Third, Republican leadership enacted sweeping federal legislation to establish competitive markets in the human services sector of the economy, ostensibly to increase productivity and rein in cost inflation in the nonprofit sector.

Shrinking government subsidies, the growth of private welfare plans, and pro-marketization policies inspired a commercial transformation of the nonprofit sector. Faced with reduced public funding for non-paying beneficiaries and steep competition for fee-paying clients, NPOs retooled for profitability. They reduced their service commitments to needy populations, aggressively marketed new services tailored to attracting wealthier patrons and clients, established for-profit subsidiaries to expand their revenue base, and entered into joint ventures with business firms to develop and exploit new markets, especially in the fields of education, research, and health care. The aggregate effect of this commercial transformation of the nonprofit sector has been to blur the boundaries between for-profit and non-profit enterprises. NPOs are colonizing markets once exclusively reserved for commercial firms. For-profits have enlarged their presence in the realm of education, health, and social services—endeavors historically dominated by NPOs and government agencies—with the blessing of pro-market privatization policies.

As the foregoing suggests, static characterizations of NPOs that social scientists often equate with civil society (especially those wedded to Tocquevillean ideals) simplify the complexities of, and gloss over important historical variations in, the accomplishments of the U.S. nonprofit sector. The differing, competing logics of civil society in the U.S. indicate several possibilities from which to construct associations that mediate relationships between individuals and the state, and that operate both inside and outside the boundaries of governmental



and business sectors. As we turn to a comparative analysis of Chinese NPOs, it becomes apparent that they combine several elements—some familiar, some unfamiliar—of these varied patterns of civil society.

## **II. Chinese NPOs and the Transition to Capitalism**

The advent of Deng Xiaoping's presidency dates the emergence of China's contemporary nonprofit sector. Rural collectives and state-owned industrial enterprises in urban areas provided a floor, however minimal, for economic and social security under Mao's reign. The disbanding of rural collectives and the ongoing dismantling of state-owned industries in favor of private ownership of agricultural and commercial enterprises stripped away China's pre-market system of social provision without a well-articulated, comprehensive plan for its replacement. The rapid and sustained growth of social-service NPOs under state-sponsorship represented an interim strategy to fill the breach for Deng and his successors, and the outlines of a more permanent alternative to China's transitional welfare state are still unclear. Consequently, the nonprofit sector remains suspended in the interstices between socialism and capitalism, as with much else in China, and is marked by conflicting tendencies associated with each.

China's interstitial nonprofit sector bears important similarities to the American one. Both Chinese and U.S. governments have lodged broad responsibilities for educational, health, and social services with NPOs. Each polity has done so with massive government subsidies in one era followed by retrenchment in another. The current aim of U.S. and Chinese public policy is to field nonprofit sectors that can absorb, deflect, or defer demands on the state for more spending on social programs by offsetting shrinking public resources with more private income from donations and commercial revenues. National governments in both countries have increasingly charged local, provincial, and state authorities with overseeing the transition and with renegotiating the relationship between government and NPOs. The boundaries between the nonprofit and commercial sectors are blurring. NPOs in each nation must strike a precarious balance between the democratic ideal (the provision of a social minimum) and the market ideal (government load-shedding).

These parallels, however, overlay highly disparate historical contexts in which the American and Chinese nonprofit sectors originated and matured. Communitarian ideals and practices provided the fun-



daments of the American nonprofit sector, even if contemporary NPOs bear only a slight resemblance to their nineteenth-century antecedents. The material of China's emergent nonprofit sector is patched together from the remnants of a socialist polity assuming a greater role in the global economic order and striving for broadly accepted and respected participation in the international civic order. Under these circumstances, nineteenth-century American shibboleths may have limited applicability or relevance. From the standpoint of Chinese efforts to develop a reputation for responsible global citizenship, a nonprofit sector with immediate potential to address global issues in realms such as public health, environmental protection, and international peace and security becomes a matter of some importance. The uncertain prospects of generating uniquely indigenous NPOs with strong affinities for coordinating their activities with international agencies has often been resolved in favor of deliberate, state-guided attempts to ensure a degree of compatibility between national and transnational associations. Such commonly observed elements of state mediation in developing nations—voluntarily or involuntary engaged in harmonizing their domestic nonprofit sectors with international networks of NPOs that have crystallized in the developed world—often involves reliance on extensive international aid, as is the case with China.

The architecture of the Chinese nonprofit sector bears the imprint of international considerations and forces not easily reconciled with the highly romanticized grassroots image of Tocquevillean civil society. Domestic contingencies and imperatives have also shaped the development of Chinese NPOs in unconventional ways. The launching of the nonprofit sector coincides with concerted efforts to pare away vast layers of officialdom that accumulated under socialism. The staffing, financing, and governance of NPOs point to an expanding sector that serves both as an outlet for déclassé state functionaries and disappointed aspirants for government employment as well as a vehicle for new forms of social initiative. The need to absorb a large surplus labor force tailored for public sector careers may also account for the enduring dependence of Chinese NPOs on liberal government funding. Chinese governments have not gambled on deep, lasting cuts in state subsidies to the nonprofit sector that might swell the nation's legions of unemployed. They have, however, strongly encouraged NPOs to generate alternative sources of revenue, most commonly from user fees and other direct charges to beneficiaries of agency services, in addition to overseas aid. In terms of government supervision, the

requirement that NPOs must officially register and operate only with the approval of a sponsoring government department or a CPC-sanctioned mass organization is consistent with the fiscal underpinnings of the nonprofit sector. Funding begets regulation. The practice also conforms to historical precedent in other Asian societies. Apart from basic concerns over accountability for government spending, the uses of sponsorship are many. Discouraging organizations from working at cross-purposes with government policy and containing threats to national security often rank among them. Asian patterns of official sponsorship also demonstrate a greater preoccupation with moderating social tensions stemming from ethnic, religious, and other partisan identities. Government agencies give preference to singular integrative associations—rather than multiple competing ones—operating in any given realm of philanthropic endeavors.

Lastly, it is worthwhile to recall the differences that separate the U.S. and China in terms of economic development. Sustained growth over the course of the twentieth century yielded ample surpluses for U.S. policymakers to divert into social programs that buoyed the American nonprofit sector. China faces much starker trade-offs between investing in social entitlements and government measures that will speed economic growth. Furthermore, it must confront agonizing choices about the relative importance of public and private funding of health and human services. Private donations cover only a small fraction of the operating costs of NPOs in advanced welfare states. The economic viability of the nonprofit sector in the long run will rest on the growth of government-financed and administered social insurance and assistance programs, or the widespread adoption of corporate-sponsored and privately administered benefit plans, or some combination of the two. The latter requires several layers of intermediary organizations, commercial and nonprofit, that variously coordinate the associated efforts of employers, employees, insurance carriers, and service providers—all within a highly regulated environment. Whether under state or corporate sponsorship, the experience of developed nations indicates this much: the requisite institution-building needed to finance and administer social security programs has been the slow boring of hard boards. At present, China's incipient social programs for pensions, unemployment, and health insurance cover less than one-eighth of the employed population. For a nation whose comparative advantage in the global economy depends on low wages, any movement to raise labor costs with broad-based social insurance taxes or other employer-

subsidized welfare plans may drive investors into other reaches of the world's abundant supply of cheap labor markets.

### III. Big Government, Big Society

The notion of tapping into vast reserves of latent social and economic capital to address pressing social problems is a tempting one for China's overextended government, now seeking to balance the twin imperatives of assembling the infrastructure for a private enterprise economy and of moderating the widespread social dislocations of rapid development. Nonetheless, the historical experience of the world's most affluent nation should temper any expectations in developing societies that expanding the scale and scope of the nonprofit sector will produce a windfall of voluntary efforts destined to relieve states of extensive obligations to finance and organize a broad spectrum of social programs that afford their citizens a minimum standard of living. Nonprofit sectors in the developed world operate within the context of elaborate government-mandated social insurance schemes, widespread government subsidies (direct and indirect) to NPOs, and supplemental employer-financed benefit plans that provide highly routinized funding for NPOs devoted to organizing educational, health, and social welfare services. Governments and NPOs most commonly operate as complements to each rather than as substitutes. A strong civil society requires vigorous, effective governments as well as prospering economies.

Current efforts to level government spending on social entitlements in the advanced industrial democracies have endeavored to shift more responsibilities for social welfare onto individuals, families, workers, corporations, private insurance and investment markets, and NPOs. Yet the rhetoric and the realities of privatization sometimes differ. The much-heralded *third way* has not unraveled the complex interdependence of government, business, and nonprofit sectors in modern welfare states. The primary achievements of concerted efforts at load-shedding have been to cap government spending, head off demands for expanding existing social programs or for creating new ones, and, most predictably, to create or bolster markets in pensions, health care, education, and other social services that primarily benefit groups in the upper reaches of occupational and organizational hierarchies. In this new political economy of the nonprofit sector, the redistributive potential of NPOs is marginal at best. If the American experience is

any guide, Chinese authorities cannot and should not expect their emerging nonprofit sector to bridge grave economic disparities of its own accord or to lower the barriers to basic human services, issues that represent an ongoing challenge to maintaining peace in a fragile social order.

The uses of an expanding nonprofit sector in China will likely remain selective rather than exhaustive. Some forms of social capital are much more compatible than others with the principles of Democratic Centralism and of Communist Party rule. The *communitarian ideal* has strong affinities with religious and ethnic factionalism that the CPC has doggedly sought to keep in check. Nonetheless, opening the field of social policy making to provincial and municipal initiative has strong appeal for China's overtaxed central government. The *civic ideal* is altogether more congenial to CPC precepts of the *harmonious society*, given its non-partisan leanings. Some elements of the *democratic ideal*, most notably the growth of a state initiated, financed, and regulated nonprofit sector to field a wide range of human services, are consistent with historical and current practices in China. Presumably, the use of government grants-in-aid to underwrite advocacy organizations is one legacy of the democratic ideal in the U.S. to which the CPC will not assign high priority. And lastly, the *market ideal* may find some place in the landscape of China's evolving nonprofit sector. Most every social welfare regime tolerates private sector alternatives to publicly financed and administered services for citizens who prefer to spend more on educational, health, and social benefits than governments budgets allow. Nonprofit organizations act as a safety valve for channeling discontent with public services among citizens of means into politically less troublesome alternatives. These commonly observed arrangements for opting out of public services are still a far cry from establishing and subsidizing competitive markets in human services among government, for-profit, and nonprofit organizations. As yet, the notion of multiple competing suppliers of public goods and services is still foreign to Chinese law and practice. ●

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