

## **Finding the Cultural Context for Altruism**

by Blake Bromley

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I am grateful for the honour of being invited to Haimen City in Jiangsu, the birthplace of Zhang Jian to address the Fifth Zhang Jian International Symposium on the subject of philanthropy. Philanthropy has become an issue of increasing interest around the globe in recent years and everyone is trying to understand what it means and how it applies to our social environment. It is wonderful that you are focusing on a local Chinese philanthropist and entrepreneur so as to celebrate and learn from your domestic indigenous experience of philanthropy in China rather than simply looking at foreign examples. I look forward to learning from you in this symposium as well as sharing some of my international experience.

It is important that China develop an understanding of philanthropy which reflects the ancient wisdom and traditions of China as well as your current political, social and economic reality. It is also important for philanthropy in China to come to an understanding of philanthropy which balances competing and often contradictory impulses of altruism, cultural traditions, tax incentives and entrepreneurship. The relationship among these impulses will be different in Canada than in China. The relationships within China will be different in 1948 than in 1978 than in 2008 than it will be in 2038 because of changing political, social and economic realities. Changes in economic realities between the economic boom of 2008 and the current market anxieties in 2009 mean that there have also been changes in philanthropy.

Philanthropy is defined in the dictionary simply as “the love of mankind”. That definition is laudable and it would be wonderful if all philanthropy could live up to that simple description. The fact is that philanthropy more often refers to the industry which has grown up around the “business” of fundraising and distributing donations rather than the beautiful motivation “the love of mankind”. The reality is that philanthropy is driven by many motivations and it is overly simplistic to categorize it as a homogeneous altruistic motivation. It is often misleading to characterize some of the transfers of wealth to philanthropic purposes as even being philanthropic because the motive is self-aggrandizement or increasing commercial revenues by being seen to be associated with a charity. On the other hand, sometimes philanthropy is more effectively carried out by a commercial company implementing socially responsible practices towards its employees and the environment than by simply giving money to charities.

Consequently, I want to discuss philanthropy from four different perspectives. The first is the motivation of altruism. The next is the context of cultural traditions and social conditions. Third is the issue of tax

incentives. Finally, I want to consider entrepreneurship and accomplishing public good through corporate social responsibility and other initiatives.

## **Altruism**

I believe that the most fundamental characteristic of philanthropy is that it must be altruistic. Altruism is defined as “unselfish regard for or devotion to the welfare of others”. It is also defined as “willingness to do things which benefit other people, even if it results in disadvantage for yourself”. When we consider what we mean by philanthropy it is important to remember that it is a concept about which we have a visceral understanding in our hearts and a communal understanding in our moral and religious teachings long before it was given definition in our legal codes. In the modern world in countries such as Canada and the United States philanthropy is much more about fiscal issues and tax benefits than it is about legal issues. The challenge is whether we can continue to make philanthropy about altruism when it has become an industry dominated by fundraisers and tax benefits.

In order for a philanthropic sector in China or any country to remain free of corruption or self-serving, it must inculcate altruism and care for those who are weak and hurting in society. I was in China in May 2008 during the Sichuan earthquake and watched with admiration as the entire nation was motivated by altruism in helping the suffering people. While I was just a foreigner, I shared in your national pain as my car pulled over to the side of the highway in Beijing for the three minutes of silence as part of the national mourning. I was consulting at the Ministry of Civil Affairs at the time and made a donation to MoCA. As you are likely aware, the giving of the Chinese people to the victims of the Sichuan earthquake alone amounted to 75 billion Renminbi in 2008.

We all know that altruism exists in China among both the ordinary people and the most powerful and wealthy citizens. The challenge is to have that noble sentiment become what the famous sociologist, Professor Richard Madsen, calls a “Habit of the Heart”, so that it continues even when there is no national emergency which captures our attention and compassion. Just as important, altruism is necessary to prevent corruption and self-interest coming in to divert donated aid from the needs of those who are suffering to the comforts of those who are supposed to be serving them.

## **Cultural Traditions and Social Conditions**

Altruism is a quality which is found in individual persons and must be cultivated in individuals. Religious and cultural traditions can help individuals nurture altruism. In China altruism can be taught by cultural and religious traditions such as Confucianism or Buddhism. Being a foreigner I will not try to identify the forces which promote altruism in Chinese society. Nor will I delve into the extent which altruism can be encouraged by political doctrines. However, in order to illustrate my point, I will briefly sketch the historical origins of charity law in England which serve as the basis for the law in Canada.

Charity law in England was originally a branch of ecclesiastical law. Its earliest guidelines and governing principles are found in the teachings of Christian scripture, the Holy Bible. The religious teaching was not a sophisticated legal code. Rather, it set out simple and deeply moral teachings on compassion

and providing assistance to widows and orphans and those who suffer calamities in times of famine, flood or earthquake. There are similar traditions and teaching in all the great religions like Islam, Buddhism, Judaism. People who followed the Christian religion were encouraged to practice these altruistic principles in their individual lives. The law of the state gradually began to enshrine these religious concepts of charity into the secular legal system. However, it is important for China to recognize that Western legal traditions of charity ascribe greater altruism to providing assistance to a stranger than to a relative. China's tradition is to begin by extending charity to members of the clan. This is a critical difference based upon different cultural and social traditions and China should not automatically concede that the position of Western cultures and charity law on this issue is morally superior to the Chinese tradition.

While innate personal altruism is a wonderful ideal, it is greatly assisted if there is some disciplined teaching which encourages the noble instincts to share and help others to be put into practice. This is found in religions such as Judaism and Christianity which encouraged farmers in the poor agrarian economy of several centuries BC (Before Christ) to leave small amounts of grain in the corners of their fields when they harvested. This was so widows and orphans could glean that grain and participate in the harvest.

Great moral systems dealing with charity realize that providing for the needy and the poor should not be left entirely as voluntary activities. Consequently, Christianity and Judaism have the tithe which is a religiously imposed duty to give 10% of a person's income to charity. There is a similar obligatory 10% concept in Sikhism, known as *dasvandh*. Muslims have the somewhat different but still obligatory *zakat* and *khums*. In addition to the tithe, Scriptures encourage Christians to give voluntary offerings, especially of their "first fruits". Sikhs also have a voluntary offering known as the *kar bheta* and Muslims have the voluntary *sadaqa*. Voluntary donations go to feed and clothe the needy and other charitable purposes.

The relevance of this background to China is that the origins of the moral teachings and obligation to engage in charity begin not in the legal system but in religious teachings promoting altruism and the importance of concern for the suffering of others. I believe that if ordinary people are to become truly engaged in philanthropy and become regularly generous then China must look within its own moral, religious and ethical heritage to find traditions which promote charity which resonate with the ordinary Chinese people. Altruistic philanthropy will not come simply from creating a law to enable and enhance the legal environment for charity. The law will facilitate and encourage philanthropy but the charitable impulses must be inculcated through religious and moral teachings so that they become a "Habit of the Heart". China must look to its own indigenous cultural traditions to find the principles of community involvement necessary to build a harmonious society.

There is no need for a law to assist a person to give a few renminbi to a beggar on the street or to share your noodles with a person who does not have the money to buy his own. These are acts of individual philanthropy. However, when charities began to accumulate enough assets to build not only churches and temples, but hospitals, schools and shelters for the poor, they began to need the protection and enabling power of the law. When the thousands of alms and gifts accumulated into

enough money to buy buildings and fill them with medical or educational equipment, it became important that somebody be able to register legal title to the land and the buildings so that legal protections could be extended to the charities. Consequently, around the 12th to 14th centuries the English courts created the common law trust which evolved to enable charities to legally hold and administer not only land and buildings but also endowments. Endowments are pools of capital which are invested permanently and the income is paid out every year to charitable purposes.

It is too complicated to explain all the social conditions which contributed to the evolution of the law governing philanthropy. For the purposes of our conversation today I simply want to point out the interaction and interconnectedness of personal altruism being taught and nurtured by religious and moral traditions and ultimately being reflected in the law. This enables philanthropic organizations to move beyond individual acts of altruism and have the protection of the courts and the authorizing power of the state in serving the public good.

## Tax

One of the first issues which come to mind when people think about philanthropy is the tax benefits which attach to giving. Generally there are two levels of tax benefit. The first is that the philanthropic organization is exempt from tax on revenues it receives from donations, charitable programs for which fees are charged and entrepreneurial and investment activities. The more important benefit is that donors who make gifts receive tax incentives for their generosity. The challenge is to take advantage of the tax incentives without allowing these fiscal benefits to overwhelm and corrupt the altruistic motivation.

I spent a significant amount of time in the early 1990's advising the government of Russia as well as other countries in Eastern Europe on developing their statutes to enable philanthropic activities in the post-Communist environment. I cannot detail here the significance of social conditions and the extent to which the law was shaped by the political and economic changes after the fall of the Berlin Wall in 1989. However, one of the tragedies of the introduction of the philanthropic sector in those social conditions was that completely unreasonable and unattainable expectations were placed on the charitable sector. The capitalist economy was introduced with great ideological zeal and there was no social safety net to cope with the disruption of the social order. Instead, society was told that in the capitalist economy the solution was to have the charitable sector provide all the funding for the social services required. It was partly because these unrealistic expectations were placed upon a struggling and poor charitable sector when the capitalist market was introduced that the result in Russia was so unsatisfactory.

Another problem in Eastern Europe was that generous tax exemption privileges were granted to charities which did not have significant experience in either the charitable sector or the capitalist economy. The consequence was that the tax exemption became a corrupting influence. Charities would allow businesses to carry on large scale enterprises in the name of the charity and claim the tax exemption on the income. However, 90% of the income would go to the operators of the business and only 10% would remain with the charity as a cost of "renting" its tax exempt status. It is important that

China provide significant tax incentives to encourage genuine philanthropists to give. However, China must guard against these tax privileges from being abused.

It is important to recognize the inherent contradiction between altruism and tax benefits provided to donors. When a gift is planned around the tax benefits to the donor it does not completely fall within the definition of altruism. This fact does not mean that tax benefits to donors are a bad thing. It does mean that when introducing the charitable sector into China it is important that the public understand the limited nature of the tax benefit to the donor. Otherwise the public will think that donors are giving away only money they would otherwise pay in taxes. The problem I have seen in many countries where tax benefits for donations are introduced for the first time is that the general public thinks that charitable giving is for rich people who are sacrificing nothing because of the tax subsidy. This is part of the reason I have recommended to the Ministry of Civil Affairs that China consider a government funded matching grant system of incentives for individual donor rather than a tax deduction.

### **Entrepreneurship in Philanthropy**

Given the limited tax benefits provided to charities in China at this time and the restrictions which all governments place on the operations of charities, it is important for philanthropists to consider foregoing the “benefits” of charity status and operating exclusively in the for-profit mode. For example, a charity which works with disabled people could set up a for-profit company in China that manufactures wheelchairs and related devices to assist the handicapped. They would have no significant problem in incorporating and implementing their business plan. It would be much more difficult to become officially licensed as a charity. If they make a profit, the corporation can reduce its taxable income while simultaneously increasing its market share by giving wheelchairs to poor people as a form of promotion. The corporation can even reduce taxable income by lobbying for better building codes that require access facilities for disabled people. A charity would never be allowed to do this. It would also be economically sustainable without donations because the income from the business funds the public benefit activities as a deductible expense.

Using for-profit mechanisms attract less adverse scrutiny from governments. While many skeptics will discount the possibility of altruism driving the agenda of for-profit companies, in China it could be the most effective and tax-efficient way for philanthropists to proceed. A well planned “negative social investment” that triggers tax deductions to achieve a social purpose is just as tax efficient as a charitable donation deduction and has almost no regulatory hurdles. Innovative planning options such as this example of socially responsible business practices are important to promote philanthropy in the current social and political situation. In the Benefic office we use the term ‘benevolent organizations’ to describe such corporations because they achieve philanthropic objectives in ways which are more innovative than conventional charity structures.

### **Conclusion**

It is important to think of altruism in global terms as an innate virtue which can be manifest in all people. However, while virtue is universal, individual saints are local. People look to how a single individual

known to them demonstrated universal virtues in his or her personal life. They then spread the reputation of this virtuous person abroad until he or she becomes universally recognized as a “saint”. The truth of this analysis is demonstrated by this symposium which is rediscovering, documenting and proclaiming the virtuous conduct of the secular saint, Zhang Jian. While I do not know much about his life, I am certain that his life demonstrated altruism and the best of China’s moral traditions . Also, he undoubtedly accomplished a great deal of innovative philanthropy in China through his business activities long before the legal system came to recognize and embrace philanthropy.

Another important aspect of philanthropy is that local initiatives take root and are sustained much longer and with greater enthusiasm than foreign organizations. I commend the organisers of this symposium for returning to the town of Zhang Jian’s birth. I believe that the best way to perpetuate his memory is to build a solid local organization. This local initiative will come to be recognized nationally and internationally as you succeed in your local endeavours. Again, I thank the organizers of this symposium for the honour of being invited to come to China to speak to you today.