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## <Fundraising for China' s Social Think Tanks: Channels, Influencing Factors, and Mechanism Construction Postprint>

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### Abstract

[Purpose/Significance] Social think tanks constitute an important component of new-type think tanks with Chinese characteristics. Funding represents a critical factor in their full development. Without a robust financial foundation, social think tanks cannot achieve long-term sustainability, nor can they maintain adequate independence. While the funding issue appears to be an operational concern for social think tanks, it fundamentally reflects the development environment for such institutions, bearing upon their capacity to generate and actualize influence and credibility, and concerning their very value of existence. [Method/Process] This paper, building upon existing relevant research literature and empirical analysis, conducts an inductive examination of the funding channels for China's social think tanks, and systematically identifies the internal and external factors that influence and constrain their fundraising capabilities. [Results/Conclusion] The paper proposes recommendations for establishing a diversified funding mechanism for social think tanks in China.

### Full Text

#### Preamble

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**Fund Procurement of Chinese Folk Think Tanks: Channels, Influencing Factors, and Mechanism Construction**

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#### Abstract

[Purpose/Significance] Folk think tanks are an important component of new-type think tanks with Chinese characteristics, and their sufficient development

depends significantly on funding. Without a strong financial foundation, folk think tanks cannot exist long-term nor maintain adequate independence. On the surface, funding is an operational issue for folk think tanks, but in essence it reflects the development environment for these organizations, affecting whether they can generate influence and credibility, and determining their existential value.

**[Method/Process]** Based on existing literature and empirical analysis, this paper examines the fund procurement channels of Chinese folk think tanks, analyzing and identifying the internal and external factors that influence and constrain their fundraising efforts.

**[Result/Conclusion]** This paper proposes recommendations for establishing a diversified fund procurement mechanism for Chinese folk think tanks, drawing on international experience.

**Keywords:** Folk think tank; Fund procurement; Charitable donations; Non-commercial income; Tax preferences

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## 1. Fund Procurement Channels for Folk Think Tanks

### 1.1 Donation Income

Donations constitute the foundational revenue for folk think tanks and can be categorized as institutional or individual contributions. According to requirements from the Beijing Civil Affairs Bureau, startup capital for folk think tanks must be donation-based in nature, and founders must complete a “Donation Commitment Letter for Startup Capital.” The Chongyang Institute for Financial Studies at Renmin University of China is a major funded project primarily supported by a 200 million yuan donation from Qiu Guogen, Chairman of Shanghai Chongyang Investment Management Co., Ltd., to his alma mater. The Charhar Institute has received donations from media groups including Yunnan Baiyao Group Co., Ltd., Shangzhi Group, Longrun Tea Group, TCL Group, and Chang’ an Automobile Co., Ltd. In the 2015 fiscal year, donation income accounted for 85% of total revenue at the Shanghai Institute of Finance and Law. Institutional donations dominate, with individual contributions remaining minimal.

### 1.2 Government Financial Support

Governments provide funding to folk think tanks through grants and service procurement. Publicly available budget information from the China Development Institute (Shenzhen) reveals that this folk think tank operates as a public institution receiving government 核定 subsidies, with its budget statements comprising both fiscal appropriations and self-raised funds. In 2016, government grants accounted for 11% of total revenue, primarily covering staffing costs, limited public expenses, and certain government service projects and policy re-

search initiatives, while most daily operations and research funding required self-sourcing.

### 1.3 Service Income

Service income represents the self-sustaining capacity of folk think tanks. At the China Development Institute (Shenzhen), service income (operational revenue) comprised 87% of 2016 total revenue. For a domestic financial and legal research institute, service income accounted for 15% of 2015 revenue. The Unirule Institute of Economics derives significant resources from project consulting fees, reflecting a business model that supplies public policy research through commercial consulting services.

### 1.4 Endowment Funds

Few folk think tanks maintain their own endowment funds, which can ensure relatively stable funding sources. The China Center for International Economic Exchanges has established a foundation board responsible for diversifying funding sources. The China Institute for Reform and Development initiated the Hainan Reform and Development Research Public Fund. The China Society of Economic Reform receives support from the China Economic Reform Research Fund. The Center for China and Globalization (CCG) and similar institutions have initiated non-public funds like the Yu Global Talent Development Fund, where corporate and individual donors receive tax benefits according to national laws and regulations, and the foundation can issue donation receipts.

### 1.5 Founder Support

Since its establishment, certain think tanks have primarily relied on founder Fang Ming to provide operational funding, with corporate sponsorship covering daily operations and specialized research activities. The China Index Academy's funding mainly originates from SouFun Holdings Limited, a company invested in by the U.S. International Data Group (IDG) and Goldman Sachs. The development of the Pangoal Institution has received support from its founder.

### 1.6 Membership Fees

Membership fees represent a fundraising method targeting think tank members. The China Center for International Economic Exercises a membership system, with members including the China Development Bank, Export-Import Bank of China, CITIC Group, China Eastern Airlines, and Everbright Group. According to its charter, members must fulfill their obligation to pay fees as stipulated. A domestic financial think tank has 理事 units and member units. A certain folk think tank's consulting committee establishes tiers including chairman, executive chair, vice chairs, standing directors, and directors, with vice chair annual support fees set at 30,000 yuan.

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## 2. Factors Influencing and Constraining Folk Think Tank Fund Procurement

Based on research findings regarding folk think tank funding channels, each organization employs diverse fundraising methods, demonstrating significant institutional randomness, marked disparities, and disequilibrium. Constrained by various factors, Chinese folk think tanks have yet to form universal fundraising mechanisms, with funding shortages and instability being widespread problems that hinder development and expansion. Even the Unirule Institute of Economics, which ranks among China's top folk think tanks, still faces funding as its core constraint, and acceptance of overseas foundation donations invites controversy. The well-known Charhar Institute cannot even afford to hire full-time researchers.

### 2.1 Think Tank Development Pattern Factors

Currently, over 90% of China's think tanks are officially affiliated in the broad sense, backed by government departments with stable funding, personnel, and special information resource access. In this landscape dominated by government-led and government-dependent think tanks, the necessity and role of folk think tanks are undervalued, with policy decisions rarely drawing on their expertise. Even relatively successful folk think tanks often possess semi-official characteristics, existing as "government-dependent" organizations. Among the 12 folk think tanks selected for national high-end think tank construction in 2015, some management layers belong to the "system insiders" who "eat from the fiscal bowl." Social science associations, which constitute the majority of folk think tanks, mostly operate as affiliated organizations under official auspices, with personnel and resources receiving government department "care."

### 2.2 Social Culture Factors

Compared to interests, culture, concepts, and emotions more dominantly shape human behavior. "People possess bounded rationality, dedicating only limited energy to acquiring information and calculations necessary for informed decision-making, while relying more on customs, habits, moral norms, standard procedures, and imitation for most decisions." This can largely be attributed to the fact that "most human behaviors originate not from logical reasoning but from emotion." While donations and individual giving account for significant proportions of Western think tank funding, they remain extremely rare in China, closely related to social culture and human emotions, concepts, and principles.

Deep-rooted "official-centric," "status," and "connection" cultures mean both government officials and the public identify poorly with the civilian status of folk think tanks. Moreover, compared to the rich trustee concept in the West, China's

s Confucian ethics emphasize family wealth concepts, somewhat inhibiting the formation of social donation awareness. From a cognitive structural perspective, Chinese society remains at a low-level charitable consciousness, where philanthropy is understood as social responsibility rather than as supporting public policy research institutions.

### 2.3 Taxation Factors

Tax-exempt status is crucial for folk think tanks to receive donations. Article 26 of China's Enterprise Income Tax Law stipulates that qualified non-profit organizational income can be tax-exempt. Further regulations specify that qualified non-profit organizations are public institutions, social organizations, foundations, or private non-enterprise units established or registered according to national laws, with approval from civil affairs and tax authorities. Folk think tanks mainly take the form of social organizations, foundations, or private non-enterprise units. However, regulations including the Social Organization Registration Management Regulations (State Council Order No. 250, 1998), Foundation Management Regulations (State Council Order No. 400, 2004), and Interim Regulations on Private Non-Enterprise Unit Registration Management (State Council Order No. 251, 1998) require approval from a "business supervisory unit" before registration.

The Several Opinions on Promoting Healthy Development of Folk Think Tanks proposes "improving the registration management system," but still requires dual management by civil affairs departments and business supervisory units. Registration authorities require "business supervisory unit" approval as a prerequisite, implementing a dual-review, dual-supervision system. For example, when a private research institute applied for establishment, Beijing Civil Affairs Bureau explicitly required founders to obtain approval from their business supervisory department before submitting registration materials. This means disagreement from either the registration authority or supervisory unit prevents establishment. Particularly, supervisory units must oversee activities without receiving benefits, making them reluctant to serve as business supervisors for folk think tanks.

At a deeper level, "from the government's perspective, the existence and development of independent civil organizations inevitably create checks and balances, undermining government authority and subjecting government decisions to influence and control. Consequently, governments tend to restrict the emergence and legal existence of civil organizations, attempting to incorporate them into hierarchical power systems for strict control." This results in folk think tanks that qualify as private non-enterprise units being unable to register with civil affairs departments, instead operating as companies without tax benefits, leading to high costs and difficulties in development and talent attraction. Even when established as private non-enterprise units, they face heavier tax burdens than public institutions or social organizations.

## 2.4 Market Factors

The market economy is built upon land, capital, labor, knowledge, and other factor markets. The knowledge-related factor market is the marketplace of ideas. In a closed system where the government holds absolute power in public policy formulation, opportunities for multi-stakeholder idea collision are scarce, and civil society participation channels remain extremely limited. Nobel Economics Prize winner Ronald Coase identified this as a major challenge: “The lack of a marketplace of ideas is the root cause of many problems in China’ s economy.”

A well-functioning marketplace of ideas fosters tolerance and serves as an effective antidote to bias and self-poisoning. Developing such a marketplace would make China’ s economic growth more knowledge-driven and sustainable. In its absence, official and semi-official think tanks, as public organizations, inevitably fall into the “public paradox” due to lack of market mechanisms. They monopolize research projects from government and public institutions, leveraging systemic connections to deliver research results to policymakers. In government procurement of policy consulting services, some departments set high entry barriers; others create implicit conditions favoring official think tanks or award bonus points; some require project leaders and core members to hold senior titles and degrees and have experience with municipal or ministerial-level major projects, excluding most folk think tanks.

## 2.5 Internal Factors

Chinese folk think tanks are generally small in scale with low governance standards. They lack interactive mechanisms with government and society, personnel exchange systems with universities, and lack results promotion and funding mechanisms. Researchers mostly participate part-time, without stable talent teams to deliver competitive social services. Their low recognition among government and civil society constrains their fundraising capacity.

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## 3. Establishing Diversified, Multi-Channel Fundraising Mechanisms for Folk Think Tanks

According to resource dependency theory, folk think tanks exist in interdependent relationships with external organizations and individuals who control resources, and these external relationships more significantly influence organizational choices and behaviors than internal structures. As these power relationships evolve over time, folk think tanks may increasingly resemble their primary funding providers. Multi-channel, adequate research funding helps ensure balanced fundraising objects and reduces dependency on any single interest. The following recommendations are proposed:

### 3.1 Implement Charitable Donation Systems and Encourage Corporate and Individual Giving

Charitable donations are crucial funding sources for folk think tanks, requiring support from civic charitable consciousness and social philanthropic values. First, charitable concepts and culture must be widely, deeply, and continuously promoted to cultivate public awareness and encourage enterprises, social organizations, and individuals to legally donate to or sponsor folk think tanks.

Since the mid-1980s, corporate donations have increasingly exhibited strategic philanthropy—where corporate giving aligns with overall business strategy and commercial objectives. Most research indicates individual donors have mixed motivations combining altruism and self-interest, with financial capacity affecting donation amounts. Regardless of motivations, tax policies significantly guide giving behavior. China should enhance tax benefits for corporate and individual charitable donations to incentivize support for folk think tanks. Regarding corporate donations, Article 9 of China’s Enterprise Income Tax Law allows deduction of charitable donation expenses up to 12% of annual total profits. International standards generally exceed 50% of income, suggesting China should raise its general charitable donation deduction standard. For individual donations, China’s Individual Income Tax Law and its implementation rules allow deductions up to 30% of taxable income, which should be increased to 40%-50%.

### 3.2 Allow Folk Think Tanks to Generate Operational Income

**3.2.1 Permit Operational Revenue** While folk think tanks differ from enterprises in maintaining non-profit orientation, “non-profit does not mean non-profitable; the distinction lies in profit distribution.” China’s Enterprise Income Tax Law Implementation Regulations define non-profit as: all assets belong to the legal entity, surplus primarily serves the organization’s established purposes, and remaining assets upon dissolution cannot be distributed to any individual or for-profit entity. Here, non-profit mainly refers to profit non-distribution constraints, not that services must be free. Folk think tanks may charge reasonable fees according to national regulations. Increased operational income means greater public goods supply and social welfare, while appropriate fee-based services enhance beneficiaries’ valuation of think tank services. Given Chinese folk think tanks’ nascent state, encouraging them to expand service channels and become self-reliant enhances financial independence and helps achieve organizational goals.

**3.2.2 Clarify Criteria Distinguishing Operational from Non-Operational Income** Determining whether income is operational or non-operational should consider the think tank’s mission. Activities within mission scope constitute non-profit activities with non-profit income. The assessment must determine whether certain activities are necessary components of non-profit operations. Many argue that since folk think tank income is used according to charters for public goods and services rather than distribution

or employee benefits, such activity income should not be equated with business operations. From this perspective, governments should encourage folk think tanks to supply public policy research through commercial consulting operations.

**3.2.3 Allow Investment Income** As a form of operational activity, folk think tanks should be permitted to invest their funds according to legal, safe, and effective principles to preserve and increase value, potentially limited to low-risk, low-return areas like government bonds or bank wealth management products.

### 3.3 Tax-Exempt Treatment for Folk Think Tanks

**3.3.1 Qualification for Tax-Exempt Status** To gain legitimacy, organizations must conform to environmental norms, values, beliefs, and customs. The “business supervisory unit” requirement does not guarantee legitimacy for folk think tanks. The dual management system creates many problems: registration difficulties, government emphasis on oversight over development, and registered folk think tanks facing excessive government interference, lacking independence, voluntariness, and non-governmental characteristics. Governments should establish equal access standards, regulate folk think tank behavior through systems, industry self-discipline, and evaluation, while lowering entry barriers and gradually allowing registration based on a filing system, exempting founders from finding business supervisory units.

**3.3.2 Tax Exemption on Normal Income** Normal income refers to revenue from activities consistent with organizational missions, including government grants, charitable donations, service income, etc. The Ministry of Finance and State Administration of Taxation’s Notice on Tax-Exempt Income for Non-Profit Organizations (Cai Shui [2009] No. 122) specifies that donation income and government subsidy income (except fiscal appropriations under Enterprise Income Tax Law Article 7) are tax-exempt. However, it excludes income from government service procurement. Income from government services should qualify as normal, mission-consistent income deserving tax-exempt treatment, just as income from services to other non-profit organizations.

**3.3.3 Tax Exemption on Passive Income** Passive income includes interest, dividends, rent, royalties, and capital gains. Most countries exempt “passive income” for non-profits. China strictly limits passive income for non-profits, only exempting bank deposit interest from tax-exempt or non-taxable income. China should exempt all passive income for folk think tanks, regardless of whether source income was taxable or non-taxable.

**3.3.4 Preferential Tax Treatment for Operational Income** Most countries adopt limited prohibition on non-profit economic activities, primarily regu-

lating through taxation to preserve non-profit nature. International practice reveals several principles: (1) Ultimate use principle—if operational income is fully or partially used for non-profit purposes, that portion should be tax-exempt. (2) Fair competition principle—if non-profits compete with for-profits, they should face identical taxation to avoid unfairness. (3) Non-distribution principle—since non-profits don't distribute profits to shareholders but use them for non-profit purposes, they shouldn't face identical taxation as for-profits but rather lower rates. (4) Deemed donation principle—when non-profits use operational income for non-profit purposes, it can be treated as self-donation, deductible from taxable income. The author recommends applying fair competition principles to folk think tank operational income: use lower tax rates than for-profits, and allow deductions for portions used for non-profit purposes.

### **3.4 Encourage Government Procurement of Folk Think Tank Services**

Official think tanks receive full government funding, meaning the government has essentially predetermined that their knowledge production reflects internal political system balance of interests and ideas. Experts in official think tanks, as rational pursuers of self-interest, inevitably consider superiors' intentions and preferences when researching. William A. Niskanen, a leading public choice theorist, asked: "If a bureaucratic agency's structure and power must change significantly to alter its work, why not rely more on existing private markets to provide public services?" Partially utilizing for-profit or non-profit private enterprise resources to provide public services is valuable, as it undermines bureaucratic monopolies. As statutory procedures in public policy processes, all stages of policy formulation and implementation require different consulting reports for reference, creating objective needs for sound government procurement mechanisms. To encourage folk think tank development, procurement bidding thresholds should be lowered, orientation should shift from process to results, think tank cooperative project funding systems should be established, and valuable research reports from folk think tanks should receive market-competitive project research funding to enable greater participation in government policy consultation.

### **3.5 Cultivate the Marketplace of Ideas**

Folk think tanks' nature determines they must survive through marketization and socialization of ideas, which depends on establishing and improving public policy institutions and mechanisms. This requires standardizing decision-making procedures, utilizing market mechanisms to integrate and allocate valuable decision-making resources from inside and outside the system, and transforming the closed, bureaucratic interest-heavy decision-making system. As comprehensive reform deepens and markets play a decisive role in resource allocation, many official think tanks will lose the highly concentrated system on which they depend. "The primary goal of any privatization effort should be introducing market forces into public services." Drawing on state-owned enterprise

marketization reforms, official/semi-official think tanks should separate from government, with qualified ones transforming into folk think tanks through non-discriminatory treatment and market competition, building an open network for modern decision-making and creating institutional space for folk think tank participation.

Establishing an ideas marketplace requires systematic arrangements for market access, policy idea quality evaluation, diversified think tank funding, market supervision, and exit mechanisms. However, we must also guard against “market failure” and avoid complete marketization, as “once think tanks are fully marketized and society-funded, they can easily be captured by powerful interest groups and become policy lobbying tools, as seen in the U.S.” China’s political system ensures the internal ideas market cannot be entirely market-driven, allowing an autonomous government to select from the marketplace according to policy needs without being beholden to special interests.

### 3.6 Enhance Folk Think Tank Fundraising Capacity

Modern charitable fundraising is a complex operational system encompassing strategy, development, fund operations, evaluation, and feedback. Edward P. Djerejian, founder of the James A. Baker III Institute, noted: “In today’s environment, think tanks must become entrepreneurial organizations, and fundraising must be included among the essential responsibilities of think tank managers.” As public awareness of folk think tanks’ importance grows, their development can utilize more social resources, but resources remain limited. Facing complex fundraising environments, folk think tanks must innovate their concepts, methods, and approaches, adopt entrepreneurial models, and enhance effectiveness, transparency, credibility, and brand influence to improve their ability to attract charitable resources from social organizations and individuals.

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## Conclusion

Although this paper has made efforts to address fund procurement issues concerning Chinese folk think tanks, as noted, “no matter how hard we strive for scientific objectivity, we cannot completely avoid bias.” The issue of folk think tank fundraising warrants further in-depth research. This paper serves as an entry point for contributing to the development and expansion of folk think tanks and their role in public policy formation, ultimately improving service to party and state decision-making.

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