Ethics-Driven vs. Institutionalized Self-Discipline

A Study of Project Hope’s Public Accountability and Supervision Mechanisms

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Public accountability is a key theme in studies of the third sector. It is at the same time a “central dilemma” facing third sector organizations. On the one hand, the nature of their activities and features makes it more difficult for third sector organizations to secure and enhance their public accountability (Rochester, 1995). On the other hand, while fraud is not unique to nonprofit organizations, it seems to give rise to more disquiet in this sector than in commercial contexts. “The difference lies in the special insult we feel when everyday evil, which we may learn to watch for, sneaks to us disguised as virtue” (Hayes, 1996, 100).

Taking Project Hope as a case, this paper tries to shed light on public accountability and supervision mechanisms for nonprofit organizations in China in the transitional period. Project Hope is widely regarded as a huge success in terms of public accountability, and this success has been achieved in the context of an unfavorable external environment. An interesting question thus emerges: What is the secret of Project Hope’s success? This article argues that: 1) The key to Project Hope’s success is self-discipline or self-restraint; 2) External supervision has played an important role, but it is to a large extent the result of skillful mobilization by the China Youth Foundation, a by-product of self-discipline; 3) The self-discipline exercised by Project Hope’s organizers is based on altruistic morality, a sense of mission and social responsibility, rather than a result of a “rational choice” in the face of strong external constraints (such as government regulation, public supervision, and “market competition”). Therefore, Project Hope’s success should not be taken as an ideal model for other nonprofits in their pursuit of public accountability. The fundamental way for securing public accountability is a transformation from ethics-driven self-discipline to institutionalized self-discipline.

Abstract: Public accountability is a key theme but also a weak link in the study of the third sector in China. Taking Project Hope as a case study, this paper tries to shed light on public accountability and supervision mechanisms for nonprofit organizations in China during the period of economic transition. Project Hope is widely regarded as a huge success in terms of public accountability, despite an unfavorable external environment. An interesting question thus emerges: What is the secret of Project Hope’s success? This article argues the following: 1) The key to Project Hope’s success is self-discipline or self-restraint; 2) External supervision has played an important role, but it is to a large extent the result of skillful mobilization by the China Youth Foundation, a by-product of self-discipline; 3) The self-discipline exercised by Project Hope’s organizers is based on altruistic morality, a sense of mission and social responsibility, rather than a result of a “rational choice” in the face of strong external constraints. Therefore, Project Hope’s success should not be taken as an ideal model for other nonprofits in their pursuit of public accountability. The fundamental means of securing public accountability is a transformation from ethics-driven self-discipline to institutionalized self-discipline.
Environment: Legal Framework, Government Regulation and Social Context

Like many other nonprofits in China, the China Youth Foundation (CYF) has achieved rapid development in an unfavorable external environment. Xu Yongguang, General Secretary of CYF, identifies three constraints: the low level of economic development, the unsound legal and policy framework, and the traditional culture and modes of thought (Xu, 1998). Similar conclusions can be drawn when we turn our focus from growth to public accountability.

Legal Provisions — the Basic Rules for “Public Welfare Organizations”

Currently, three sets of regulations by the State Council and a set of provisional rules by the People’s Bank regulate public welfare organizations (PWOs) in China. External supervision of PWOs in China is based on an imperfect legal framework. First, all of the regulations are administrative rules rather than state legislation, and thus less authoritative. Second, they focus on procedure rather than substance. With regard to the criteria for registration of social bodies, for example, there is only a requirement of “legality.” “Social groups must abide by the Constitution, laws and regulations, uphold the unity of the country and various nationalities, and must not impair state, social and collective interests and the freedom and rights of other citizens” (State Council, 1989). Third, current regulations are characterized by a lack of specificity. Despite the official recognition of the multiplicity of social organizations, the authorities have adopted a “one-for-all” approach, failing to make different rules for social organizations of quite divergent natures. Finally, the restriction that “same or similar social organizations should not be allowed to be established in a given administrative region” only serves to remove the possible pressures and constraints brought about by “market competition” among social bodies. In a word, the problem of legal provisions is not only one of lack of quantity, but also one of inappropriate regulations.

Government Regulation — Organizational Arrangements for the Supervision of PWOs

New Institutionalism has made a clear distinction between “institution” and “organization.” While institutions are the “rules of the game,” a set of legal provisions and norms whereby the collective controls the behavior of individuals, an organization is a social actor established to pursue given objectives in the context of institutional constraints. The organizational arrangement for regulating PWOs in China is characterized by a multiplicity of supervisors and a lack of motivation. Civil affairs departments, parent departments and the People’s Bank are all named supervisory bodies over PWOs, but there is neither a clear division of responsibility among them, nor concrete rules with regard to the procedures, means and sources of information whereby effective supervision can be exercised.

From a theoretical perspective, this arrangement may fall into what Olson named “the logic of collective action.” In practice, it is a known fact that the multiplicity of supervisors has resulted in a state where “three monks have no water to drink.” Government officials have admitted that civil affairs departments were unable to fulfill their duty of supervision because of “the multiple tasks they perform, the lack of human resources and the overwhelming quantity and multiplicity of social organizations” (Wu and Chen, 1996). Another illustration is the changing attitude of the central Audit Department toward Project Hope, from active involvement to passive shirking of responsibility. As a result, CYF had to turn to a societal audit institute.

Social Environment — “Moral Decay” and the Lack of Supervision Consciousness

The lack of supervision consciousness refers to the insufficient awareness among the general public that it is not only necessary but also their constitutional right to exercise control and supervision over public organizations and public officials. This is a result of decades of totalitarianism and omnipotent government, the “vanguard” idea and the “moral man” hypothesis implies, and the failure to introduce the principle of
"checks and balances" into the political system. In other words, the old system relied solely on the "moral consciousness" of individuals to ensure public accountability, a practice necessarily leading to the lack of awareness about public supervision. To make the situation worse, the problem of a lack of consciousness has been compounded by widespread corruption among public officials.

Project Hope: A Success Story in an Unfavorable Environment

It can be concluded from the above discussion that PWOs in China face an unfavorable environment of external supervision. Just as power without constraint necessarily leads to corruption, the lack of external supervision will do great harm to public accountability. Project Hope, organized by CYF, is an exception. It is widely acknowledged to be a huge success, in terms of both institutional development and public accountability.

A Clean Operation in an Environment of Widespread Corruption

Stephen Hatch (1980) has made a distinction between accountability of a lower-order and that of a higher-order. According to Hatch, accountability "in the narrowest sense" means "avoiding malpractice and keeping the accounts properly" (quoted from Hayes, 1996: 97). This is to say that the absence of corruption or scandal is a basic requirement of accountability.

Corruption is known as a "cancer of society" in China during the transitional period. The seriousness of corruption is widely recognized. It has made its way into PWOs in the form of profiteering, tax evasion, and dubious financial practices.

The China Foundation for the Disabled and the affiliated Kanghua Firm, for example, were investigated and punished for misconduct, and there were reported cases of huge funds missing from the China Sports Foundation and Song Qingling Foundation, involving 20 million and 18 million Chinese yuan respectively (Wenzhai, 1999, p. 2).

In comparison, Project Hope's transactions involve one billion yuan, and no serious violation of rules or malpractice in financial management were found in years of auditing and inspections. There were some minor incidents involving corruption at grass-root levels, but they were addressed in a timely manner. Overall, Project Hope remains a clean operation in a social environment marked by widespread corruption and moral decay. This was achieved mainly by "contract management" in which a small number of people manage hundreds of local organizations with insufficient "legal authority" associated with superior/subordinate relations.

Good Reputation and "Brand Attraction"

Another illustration of Project Hope's success in achieving public accountability is its good reputation and the trust the general public places in it. Numerous surveys show that 93.9 percent of municipal residents have a clear idea of what Project Hope is all about. Fifty percent can recall the "most important events" in the history of Project Hope, while 63.8 percent can name its organizer, CYF (Research Center, National Science Commission, 1998). When asked "What is the best-organized project by the Communist Youth League?" 37 percent of the respondents mentioned Project Hope, and another 20 percent mentioned other sub-projects under Project Hope.

With regard to CYF's work, 55.9 percent expressed their satisfaction, and those dissatisfied only accounted for 6.8 percent. Since the donors who could name Project Hope's organizer (not necessarily correct) tended to be more satisfied, many respondents actually expressed their satisfaction with an "unknown" organization (Kang et al., 1997).

Project Hope's good reputation became an asset that attracted more donations. The total amount of funds raised exceeded those of other PWOs in China, with 90.5 percent expressing an intention to continue donating to the organization. The cost/return ratio for fundraising accounted for 8 percent for CYF as a whole, while that for the construction of Hope Primary Schools was as low as 2 percent. While there have been numerous complaints against government departments from various sectors, the brand Project Hope has served as an antidote to red-tape, rent-seeking, and bureaucratism. It is easier to succeed when doing business with bureaucrats in the name of Project Hope (Kang, 1997).
From among donors’ letters to CYF, we found numerous deeply moving stories. A college student finally realized his “dream” of sponsoring a child deprived of education with 400 yuan earned through blood donation. The last will of a prisoner facing capital penalty was to donate 40 yuan to Project Hope as a gesture to “atone for his crime.” As more and more award winners donate their bonus to the organization, it has become the first choice for philanthropic donors (Kang, 1997).

The Social Impact

According to Hatch’s distinction, higher-order accountability “refers to the effective use of resources for the purposes for which they were provided” (quoted from Hayes, 1996, p. 97). Judging from results and social impact, Project Hope is again a huge success. During its 10-year history, 8000 Hope primary schools were constructed, the number of buildings “at risk” in primary schools was reduced by 76.5 percent, sports space was increased by 75.4 percent, and the number of books in primary school libraries more than tripled. From 1989, when it was launched, to 1996, more than 313 million yuan was spent. Pupils directly sponsored by Project Hope numbered more than 400,000. According to an independent report, the efforts of CYF made 1.5 million children return to school, and Project Hope “has already become an important channel through which children of poor regions continue their education” (Research Center, National Science Commission, 1998). In addition, Project Hope has also produced a positive indirect social impact by encouraging the development of a “spirit of public welfare” among ordinary Chinese, arousing awareness among public officials at various levels of the great significance of education, and helping stimulate a strong desire for learning among children (Research Center, National Science Commission, 1998; Li, 1999).

Self-Discipline and the Mobilization of System Resources

When asked the secret of Project Hope’s success, Xu Yongguang replies very simply: self-discipline. The answer is quite logical in view of the unfavorable external environment. As Kang Xiaoguang concluded after an in-depth study, “CYF took the lead in establishing a sound supervision mechanism… But up to now, what really matters is internal supervision, and the key for internal supervision to take effect is self-discipline or self-constraint by the top leaders of CYF” (Kang, 1997).

Self-discipline exercised by CYF top leaders materialized, first of all, into a sound and effective internal control and supervision mechanism. This includes:

- the establishment of a Supervision Commission and the appointment of 12-15 full-time independent inspectors, an emphasis on basic principles (the so-called transparency in five areas and five “Nos”)
- the making of detailed rules and procedures governing financial management, project management as well as internal control
- technical support (e.g. a computerized management information system) (Zhou and Chen, 1999)

However, Project Hope’s internal supervision is not the focus of discussion here. The main reason is that, since the local organizations helping implement Project Hope are not regional branches under CYF, internal supervision mechanisms mainly apply to staff members in CYF. In other words, CYF had to rely on other forces to supervise the operation of Project Hope. An interesting point is that, fully aware of the lack of “legal authority,” CYF tried with great skill to mobilize and make use of organizational resources to secure compliance and ensure public accountability. This peculiar strategy proved to be a success within a peculiar environment.

Creating a “High-Voltage Wire”:
Making Full Use of Political Resources

Corruption of public officials is a widespread phenomenon. However, if one looks over the reported cases in China, one can find that the frequency of corruption varies greatly in different areas depending on a number of factors. While public construction is an area where corruption is widespread, Party membership fees
and disaster relief grants are hot potatoes which most corrupt officials dare not take. Cases of corruption occur more frequently in local infrastructure projects than in “key projects” designated and financially sponsored by the central authority. There seems to be a clear distinction between corrupt behavior merely for personal gains and that carried out in the name of a community or for collective and local interests. Accordingly, the attitudes of public officials and ordinary citizens differ greatly toward corruption of different natures.

From the above discussion, a distinction can be made between spheres of activity more prone to corruption and those “sensitive” enough to deter corrupt behavior.

To borrow a term from Xu Yongguang, those sensitive spheres are like “high-voltage wires nobody dares to touch.” An important factor in Project Hope’s success in achieving public accountability, therefore, is CYF’s efforts to mobilize and make full use of political resources, making Project Hope a “high-voltage wire,” a sensitive sphere of activity.

The political resource was the recognition and strong support from top Party and government leaders. It is true that a combination of several factors served to make Project Hope a “high-voltage wire,” including its public welfare nature and the special way of funding. But the most important factor was the attention and strong support given to Project Hope by top leaders. Virtually all the political “heavyweights” in contemporary China, from the late Deng Xiaoping to Jiang Zemin, demonstrated their strong support of Project Hope, either by writing a few words of commemoration or by making a personal donation (Kang, 1997).

The attention and support of top leaders not only helped CYF to attract more funds, but also served to turn Project Hope into a “high-voltage wire.” It should be noted that the mobilization and utilization of political resources by CYF is not to “persuade” top leaders to donate. Rather, it is in the form of propaganda campaign, or, to use the terms of Xu Yongguang, “seizing on an incident to exaggerate matters.” A typical example is CYF’s skilful manipulation to “expose” the fact that Deng Xiaoping made a personal donation to Project Hope. In 1992, CYF received a donation totaling 5000 yuan handed over by two army officers on behalf of somebody else. Upon repeated requests, they only left the name of “an old Communist.” After tremendous efforts, CYF managed to get the information that this “old Communist” was Deng Xiaoping. The problem they faced next was the requirement not to leak this information by the high authority, acting on Deng’s own wish. CYF’s maneuvering began with a careful selection of regions and children to sponsor, and the result was a number of children deprived of education in the Baise District, Guangxi Province, where Deng himself fought guerrilla war for years in his early revolutionary career. In January 1994, a big fundraising concert was organized and many top leaders were to attend. CYF invited some of the children to the concert to “report to Deng Xiaoping on the progress they had made in school” in the People’s Hall. Deng Xiaoping’s donation to Project Hope was thus exposed and spread all over China overnight (China Youth Foundation, 1997).

Chasing Demons with the Help of a Deity: The Mobilization and Use of Administrative Resources

There are, of course, people “brave” enough to touch high-voltage wires. So, CYF did not rely solely on the mobilization of political support to deter corruption and ensure accountability. Another strategy was to make full use of administrative resources, especially the power and authority of the Central Committee of the Chinese Communist Youth League (CCYL), to deal with malpractice and punish those responsible.

As mentioned earlier, it is a formal rule that foundations at the national level are not allowed to set up local branches (General Office of the CCPCC and the General Office of the State Council, 1991). CYF’s relation with the regional foundations and local organizations implementing Project Hope, therefore, has been one between independent legal persons rather than one between the superiors and subordinates. The absence of “roots” or
“legs” in regions or localities and the insufficient “legal authority” makes it hard for CYF to exercise effective control and supervision over local organizations. At the same time, any fraud or malpractice committed in the name of Project Hope by those local organizations will do great harm to Project Hope’s reputation. In addition, it is impossible for CYF with dozens of staff to supervise hundreds of local organizations.

One way out of this dilemma is to “borrow” power and legal authority from other established organizations. The Central Committee of the CCYL is a natural and ideal candidate. First of all, as a “son of the Central Committee of the CCYL” (Xu quoted in Kang, 1997), the reputation of CYF and Project Hope is closely related to that of the CCYL. Moreover, just as the Central Committee of the CCYL is CYF’s “parent department,” CCYL committees at various levels are “parent departments” for youth foundations of the same level. In most cases, local CCYL organizations are deeply involved in or even directly carry out Project Hope activities. The use of CCYL’s quasi-administrative power and established mechanisms of hierarchical control, therefore, was CYF’s rational choice.

In 1994, CYF and the Central Committee of the CCYL formed six investigation teams to look into the implementation of Project Hope and crack down on profiteering in six provinces. The early years of Project Hope saw intense competition between local foundations or CCYL organizations and those above in fundraising and management. This resulted in what CYF called “money circulation outside the system,” meaning that local organizations allocated funds they raised in the name of Project Hope without informing youth foundations at higher levels or even without keeping proper accounts. Realizing the great danger, CYF had to launch a campaign to abolish youth foundations at the prefecture level and below and crack down on the so-called “vassal states” operating in the name of Project Hope that were not willing to follow CYF’s rules. This is understandably an arduous task. CYF successfully made the campaign an internal one within the CCYL system, beginning with a circular issued by the Central Committee of the CCYL, followed by tremendous efforts on the part of CCYL leaders at various levels. In its 10 year history, CYF also relied on other established organizations such as the State Administration for Industry and Commerce and the People’s Bank of China to crack down on profiteering in name of Project Hope and to protect its brand name (Kang, 1997).

“1 + 1 Mode of Sponsorship”: Inviting Donors to Exercise Supervision.

Since the goals of public accountability mechanisms include the protection of donors (Ware, 1989), direct involvement and supervision from donors is an effective measure to ensure public accountability. A key factor in Project Hope’s success in this regard is the introduction of the so-called “1 + 1 Mode of Sponsorship.”

Under this mode, an individual (or a family) sponsors a child deprived of education or an enterprise pays for the construction of a Hope primary school, with CYF acting as a mediator or broker. CYF sets up unified standards for the amount of money for different categories, and a form has to be signed by the three parties involved. By putting sponsors in direct contact with the sponsored, the “1 + 1 Mode of Sponsorship” not only succeeded in attracting more funds, but also facilitated the direct supervision by donors, which proved to be a crucial factor in Project Hope’s success.

In an interview with a journalist from Hong Kong, Xu Yongguang made the following comments: “Public supervision is a safeguard for Project Hope.” The introduction of the “1 + 1 Mode of Sponsorship” is to “ensure that the donors’ will is realized... This means that there must be feedback on the use of donation and the results it produced.”

The strategy was a success. On August 13, 1995, a letter from Lan Tai living in Sichuan Province appeared in the China Youth Daily, complaining that his donation failed to reach a specific pupil named Zhao Xibing living in Shaanxi Province. CYF immediately sent a team to Shaanxi to investigate the case. It turned out to be a case of corruption involving a local deputy director of education, who kept donations from six people totaling 170 yuan. Disciplinary action was then taken (China Youth Foundation, 1995). Similar cases demonstrating the effectiveness of direct supervision by donors abound in CYF files.
Conclusion and Discussion

A few points can be made from the above discussion. The key to Project Hope’s success in achieving public accountability is self-discipline on the part of CYF leaders, which resulted in the creation of sound internal control and supervision mechanisms. The success of Project Hope undoubtedly also has to do with external supervisory forces, but the evidence shows that these external forces are, to a large extent, the result of skillful mobilization by CYF. In other words, external supervision is a “by-product” of CYF’s self-discipline. A number of questions will naturally follow. What sustains CYF’s self-discipline? Is CYF an ideal model for other PWOs in China? What is the ideal way for PWOs in China to secure and enhance their public accountability?

Behind Self-Discipline:
A Hierarchy of Supporting Pillars

Since self-discipline is a kind of observable behavior, there must be something else behind it. Just as we need supply-side theories to explain what motivates people to volunteer, there must be some effort to explore what makes people exercise self-discipline.

Stopping in front of a red light on one’s own initiative (rather than being stopped by a policeman) is a praiseworthy self-disciplinary action, but motivations differ. It may be out of social morality or a law-abiding consciousness, or perhaps out of a fear of punishment. For still others, it is a subconscious reaction or as a result of a combination of various factors. Thus, we can say that there is a hierarchy of factors sustaining an observed self-disciplinary action. Self-discipline based on social ethics, altruistic morality, or a sense of social responsibility can be called ethics-driven self-discipline.

The Supporting Pillar for CYF’s Self-Discipline: Altruistic Morality and a Strong Sense of Social Responsibility

Supply-side theories provide numerous explanations as to what motivates people to engage in charitable activities. While cynics hold that people act in the name of charity simply to pursue personal material gains, rationalists emphasize other benefits such as social status, reputation, or power of influence. Another explanation is that religious beliefs play an important role for some people. And there are cases in which people act out of pure altruistic morality (Defourny, 1994; Shcard, 1995; Kendall and Knapp, 1995).

Exploring the driving forces behind CYF’s self-discipline, we have come to the conclusion that the self-discipline exercised by CYF, and especially its top leaders, belongs to the category of ethics-driven self-discipline, based mainly on altruistic morality, a sense of mission or social responsibility, or personal values. As Xu Yongguang once said, “the soul of CYF’s culture is a strong sense of social responsibility.”

From among the managers of the CYF, we found a number of people who either gave up a promising career in government, or gave up a key management post in a large firm with very high pay. They joined a cause that, they believe, will provide them with real satisfaction, with more opportunities to realize their personal aspirations, and with a real possibility of self-actualization.

In an attempt to understand why these people have a stronger sense of social responsibility than others, Kang Xiaoguang traced their histories. He concludes that a number of factors contribute to this. For some, a strong sense of social responsibility comes out of deeply felt sympathy toward children deprived of education, simply because they themselves or members of their family had experienced the same predicament. For others, it is the result of self-reflection on the meaning of life after a kind of confusion, a loss of purpose accompanying their success in business endeavor. For still others, it is out of a change of values brought about by extraordinary experiences in their career as bureaucrats (Kang, 1997).

The Limitations of CYF’s Model of Public Accountability

It is highly praiseworthy that CYF top leaders have demonstrated moral consciousness and exercised self-discipline. It should also be acknowledged that some elements of CYFs internal supervision mechanism
could be easily applied to other PWOs in their efforts to ensure public accountability. Looking beyond Project Hope and CYF, however, we have to emphasize that CYF’s model, though a great success, has a number of limitations.

First, there is a big question mark over the sustainability of altruistic morality on the part of individuals showing a higher level of moral consciousness. Surveys show that some people engage in charitable activities merely out of altruism. Surveys also show that pure altruists are the minority. From a theoretical perspective, the hypothesis of “rational man” is more plausible than that of “moral man.” In practice, the degeneration of many model workers or heroes into criminals in China is a clear indication that we should not rely solely on moral consciousness to ensure public accountability.

Second, even if those current leaders of CYF maintain high moral consciousness throughout their life, there is still a question whether they can pass this quality on to their successors. In other words, there remains a question of the sustainability of altruistic morality over generations. Since ethics-driven self-discipline is the sole basis for Project Hope’s internal as well as external supervision mechanisms, the absence of the former necessarily leads to the collapse of the latter.

Third, although top Party and government leaders’ appreciation and support is an important factor contributing to Project Hope’s success in achieving public accountability, the mobilization and use of political resources should be regarded as a kind of maneuver effective only under particular circumstance rather than a universally applicable strategy. Apart from the value of the result of the interaction between social actors, there is a risk of “diffusion effect,” the loss of effectiveness if too many “Damocles Swords” dangle over people’s heads.

Finally, the mobilization of administrative resources, although a factor for Project Hope’s success, should not be regarded as an ideal way of ensuring public accountability. The fact that a majority of CYF’s leaders once held leadership posts in the Central Committee of the CCYL, the parent department of CYF, helps to explain the effectiveness of the strategy. For those lacking the “insider” experience or personal connection, the same strategy will hardly work.

More importantly, we are going to face a dilemma if we expect PWOs in China to continue to rely on administrative resources to ensure public accountability. It is widely acknowledged that the quasi-official nature and the lack of independence are key problems facing third sector organizations in China. The mobilization of administrative power to enhance public accountability is a strategy only serving to strengthen the quasi-official nature of PWOs, prolonging the outdated relationship between government departments and PWOs and hindering third sector development in China.

Our central argument here, therefore, is that ethics-driven self-discipline is not an ideal model for ensuring and enhancing the public accountability of PWO’s in China. Then, what is the way out?

From Ethics-driven Self-discipline to Institutionalized Self-discipline

CYF’s self-discipline is based on top leaders’ altruistic morality and moral consciousness. It therefore belongs to the category of ethics-driven self-discipline. Ethics-driven self-discipline has a number of characteristics: 1) Moral consciousness is the only driving force behind self-discipline; 2) The existence of a “moral man” is a precondition for self-discipline; and 3) A “moral-man personality” has already formed before any action. In contrast, institutionalized self-discipline is one based on multiple supporting pillars, and it is a result of the interaction between social actors and the external environment in a dynamic process.

In the view of the New Institutionalists, ethics are an integral part of institutions. Institutionalized self-discipline, therefore, does not deny the role ethics could play in shaping human behavior. However, institutionalized self-discipline emphasizes the systematic constraints posed by both formal and informal rules, of internal ethics and external supervision. A sound external supervision mechanism not only shows the high risks involved in wrongdoing, but also increases the probability of being exposed in one’s malfeasance. Competition serves to make social actors highly sensitive to their reputation, or to make corrupt behavior not worth it from a cost-benefit perspective.
In essence, while ethics-driven self-discipline relies solely on the moral consciousness of a limited few, institutionalized self-discipline results when self-discipline is the only choice that is rational for “rational economic men.” When a particular pattern of behavior, formed under continuous external constraints, finally becomes a subconscious or natural habit, we can say that external constraints have internalized certain ways of thinking on the part of social actors. External supervision is therefore crucial. To realize the transition from ethics-driven self-discipline to institutionalized self-discipline, more attention should be paid to building the legal and policy framework and the institutional arrangements for supervision.

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Endnotes

1. For example, when Yale University launched its Nonprofit Program in the mid-70s, public accountability was a basic part of the initial research agenda.
2. Public welfare organization” is the official term for charitable organization in China.
3. These include: “Regulations on Registration and Management of Social Bodies” (1989); “Regulations on the Management of Foundations” (1988); “PRC Provisional Regulations on Corporate Income Tax” (1993), and “People’s Bank’s Provisional Rules on Auditing of Foundations” (1990).
4. According to current regulations, a social organization must find an official institution as a parent department before it is allowed to register as a social body. While civil affairs departments at various levels are in charge of registration, parent departments provide “guidance and direction” in daily operation.
5. An old Chinese saying states that “one monk is likely to carry two buckets of water on a shoulder pole, two monks may carry a bucket of water, while three monks will have no water to drink.”
7. According to Marx Weber, “legal authority” has a number of features including a clear definition of power and duties, possession of coercive power, formalized rules and mechanisms for hierarchical control.
8. CYF, the organizer of Project Hope, has a small number of staff (about 40 in 1998), while local organizations directly involved in implementing Project Hope numbered more than five hundred. According to current government regulation, foundations at the national level are not allowed to set up local branches. CYF’s relation with those local organizations, therefore, was one between independent legal persons rather than one between the superior and subordinates. The adoption of contract management means that CYF has insufficient “legal authority” to exercise effective control and supervision over local organizations.
9. The parent department of CYF is the Central Committee of the Chinese Communist Youth League. So ordinary Chinese regard the Communist Youth League as the organizer of Project Hope.
10. Interview with Xu Yongguang, June 1999.

References


