Contrasting Two Models of Wealth Redistribution

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ABSTRACT. Philanthropy tries to improve the condition of people. Yet there are different models of philanthropy. American philanthropy tries to improve conditions for different people, without reference to race or language; this evolved from the notion of equality. In contrast, Chinese clans arose in Singapore, as a response to a society segmented along racial and linguistic lines; in a culture that emphasized face, rich entrepreneurs could "buy" prestige and leadership positions, by assisting their poor. This article examines philanthropy as practiced by entrepreneurs in America, and compares this to the Chinese model of wealth redistribution. The latter is centered on clan associations. In the new economy, however, these have been losing importance, as governments take on some roles previously taken care of by such associations; this includes, for instance, education and assistance to start-up entrepreneurs. We conclude that there appears to be a relationship between philanthropy, government and entrepreneurship.

1. Introduction

As the world is caught in a torrent of change, there has been a resurgence of interest in entrepreneurship among economists, the general public and public officials. Schumpeter (1911) unveiled his concept of the entrepreneur against the backdrop of economic development. Schumpeter (1928, 1947, 1949) looked upon economic development not as a mere adjunct to the central body of orthodox economic theory, but as the basis for reinterpreting a vital process that had been crowded out of neo-classical economic analysis by the static general equilibrium theory. He drew attention to the role of the entrepreneur, a key figure, playing a central role in his analysis of capitalist evolution.

The function of the entrepreneur is to reform or revolutionize the patterns of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old line in a new way. To undertake such things is difficult, and constitutes a distinct economic function, because they lie outside of the routine tasks which everybody understands. The environment resists in many ways from simply refusing to finance or buy a new thing, to attacks on the man who tries to produce.

Three decades after the original publication of *The Theory of Economic Development*, it was the large corporation that draws attention to Schumpeter's gloomy prospects for economic progress. The ideologically plausible capitalism, as Schumpeter himself wrote in *Capitalism, Socialism and Democracy*, contains no purely economic reason why capitalism would not have another successful run. The socialist future of Schumpeter's drama, therefore, rests wholly on extraordinary factors. The large corporation, by taking over the entrepreneurial function, not only makes the entrepreneur obsolete, but also undermines the sociological and ideological functions of capitalist society.

Schumpeter was wrong about the future of capitalism in the United States. He did not err by missing the essential feature of the class struggle – the principle driving force of history – the

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struggle between elites and masses, privileged and underprivileged, ruler and ruled. He erred by underestimating the deep-rooted nature of the entrepreneurial spirit buried within American civilization. While, for Marx, the principle struggle was between privileged and underprivileged, for Schumpeter, as in the transition from feudalism to capitalism, the quintessential struggle is between elites and elites: merchants and aristocrats, entrepreneurs and bureaucrats, venture capitalists and Wall Street. In essence, it is the struggle over creative destruction. Perhaps Schumpeter did not see, partly because of his European background, that the entrepreneurial spirit would emerge from America's past to challenge, engage and extinguish the embers of bureaucratic hegemony, bringing to an end the era of industrial capitalism (Acs, 1984).

The direction of technological development is important because it is into these industries that resources will have to be channeled. Each of the last three industrial revolutions was characterized by a revolution that made possible the transportation both of raw materials and finished commodities to market. During the first industrial revolution (1780–1830), a system of canals in England made possible the transportation of goods at a fraction of the previous cost. During the second industrial revolution (1830–1850), the railways provided cheap continental-wide transportation in England, Germany and the United States. During the third industrial revolution (1920–1940), the automobile, truck and airplane made the transportation of goods and people inexpensive. The fourth industrial revolution (now under way) also has – as one of its integral parts – a transportation revolution. However, it is a revolution not in the transportation of goods, but of information. Like the technologies of the past – the steam engine, and the internal combustion engine – the microprocessor does not operate within the confines of existing structures but makes possible a new one: the Information Age.

Much of the investment to finance America's information infrastructure was made during the 1980s by Michael Milken. According to the *Wall Street Journal* (March 2, 1993), he was one of the supreme investors in the history of finance. Milken invested $21 billion in the information industry. His largest commitments were to MCI, Telecommunications Inc., McGraw Cellular Communications Inc., Turner Broadcasting, Time Warner Inc., and Metromedia Broadcasting. Virtually devoid of conventional collateral, none of these companies could have raised comparable sums from other sources. The original investment of $10 billion in the above companies had a market value of $62 billion in 1993. This web of glass and light is today an essential resource of America's information economy. Lacking such entrepreneurial finance, Europe and Asia command no comparable fiber optic infrastructure.

A second wave of entrepreneurial start-up companies, financed in part by venture capital, is today completing the infrastructure for the information age: America on Line, Cisco Systems, Amazon.com, Netscape, and Yahoo. The re-emergence of entrepreneurship in the United States during the 1980s, and the positive channeling of it, must be seen as a triumph of American capitalism (Acs et al., 1999).

However, entrepreneurship alone is not enough to explain the success of the American model. In particular, it does not explain why a smaller government in the United States does not hamper growth, and it does not explain why both the left and the right converge on the fundamentals of American capitalism. The answer to this puzzle we suggest is the important role that philanthropy has played in economic development in the U.S. model.

We define philanthropy as the voluntary and unconditional redistribution of wealth, by the private sector; donors share their wealth, thereby causing a one-way transfer of wealth.

The larger the philanthropic sector the smaller is the need for government. We note that the United States – which has had many philanthropists – has opted for less government than some European countries with fewer philanthropists and more government. However, if the debate were only over public versus private institutions it would not be very interesting. What is perhaps more interesting is to ask the question, "What role does philanthropy play in economic development, and therefore, in economic growth?" By developing a diversity that does not exist elsewhere in the economy, philanthropy makes a major contribution to economic growth. In other words, the central value of philanthropy lies not in the performance of any particular set of tasks but in the extra dimension it provides for seeing and doing things differently. We suggest that philanthropy provide a positive feedback mechanism for future economic growth, and a cumulative causation leading to higher levels of economic development historically.

In its examination of wealth, economic literature tends to focus on economic factors. This article focuses on a human aspect of wealth, i.e. philanthropy, which plays an important role in the redistribution of wealth in society (Acs and Phillips, 1999). Not surprisingly, there are several means to the redistribution of wealth, and around the world different cultures select the set of means by which they redistribute it – according to what they deem to be appropriate. The choice is made according to the prevailing cultural values of a given community – and these are influenced by the style of pluralism in a society.

In this article, we shall examine American (private sector) philanthropy as practiced by entrepreneurs, and Chinese (associational) activities (outside China). We shall then contrast the two models and suggest differences and similarities.

In the next sections, we discuss the methodology used in the paper, present a framework of pluralism, and then go on and develop the American Model of Philanthropy followed by the Chinese Model. In the last section we draw out some implications of these models for economic growth.

2. Methodology

Methodology for this study relied extensively on archival research, and on interviews. In Singapore, clan documents were used and, in addition, interviews with entrepreneurs and retired entrepreneurs were very useful. Sources of information included participant observation, unobtrusive measures, archival research and key informant interviewing. To increase accuracy, triangulation techniques were used, obtaining the same information from independent sources. Open-ended questions were found to be most useful.

3. Pluralism

We have identified three styles of pluralism, which we will later argue are explanatory variables for divergences in the evolution of philanthropy:

Melting pot pluralism

When members of a multicultural society share activities in a secular mainstream arena, the expression of cultural differences tends to be limited to private life. This form of socio-economic pluralism is best described as melting pot pluralism. Often, education and employment are shared in a common sphere of life, while cuisine, customs, languages and religion are a domestic concern. Melting pot pluralism tends to be stable. An example is the case of melting pot pluralism in the United States, or to a lesser degree, the cultural mosaic of Canada. This scenario facilitates the success of philanthropy across ethnic lines.

Structural pluralism

At the other extreme from melting pot pluralism is structural pluralism. This involves a society with different cultures who do *not* share a secular mainstream arena. Here, there is less interaction across cultures; rather, each has its distinct institutions resulting in incompatible lifestyles. Yet, all are tightly held together by a larger political force. This is the case in many parts of Asia.

Fragmented pluralism

Fragmented pluralism is an unstable state of socio-economic pluralism from which a society can shift (sometimes by force) to another form of pluralism, or even away from pluralism altogether, towards ethnic cleansing. With fragmented pluralism, distinct societies are *loosely* held together by a *weak* political unit, and each ethnic group lives a separate life; this is the case in Indonesia, where there is minimal peaceful interaction between competing ethnic groups.

4. Philanthropy

The American model

When the Berlin Wall fell, in 1989, the focus of the international order shifted from issues of East vs. West conflict, to questions of global competition. The perceived wisdom was that U.S. capitalism might not be able to compete in the new global economy. However, after painful ups and downs, the U.S. economy appears to be doing extraordinary well. According to Lawrence H. Summers, Deputy Treasury Secretary, the economy seems better balanced than at any time in his professional lifetime. Unemployment, in 1999, was just under 5%, the economy was growing at 3% a year, inflation was at bay, manufacturing productivity was rising, the dollar was strong, and the stock market was breaking records as a matter of course. It appears that the U.S. economy has restructured, moving from an industrial economy to an information one, and made the transition to the twenty-first century.

The impressive performance of the U.S. in the last few years may be contrasted with the rather lackluster performance in both Europe and Japan, where GDP has grown at less than 1.5% per annum during the last five years of the 1990s. In the European Union (EU), the unemployment rate remained stubbornly in double digits, and in Japan the stock market was stagnant since early 1992, at half its previous level. In Asia, the Economic Crisis devastated the region bringing to an end, at least temporarily, the Asian Miracle.

What explains this divergent macroeconomic behavior? We suggest that it is the willingness to change. For a variety of reasons, Americans tend to embrace change, sometimes even for its own sake, while Europeans and Japanese tend to mistrust it. However, what differentiates American capitalism from all other forms of industrial capitalism is its historical focus on both the creation of wealth (entrepreneurship) and the distribution of wealth (philanthropy). Philanthropy is part of the unspoken contract that underpins the American Dream. Much of the new wealth created historically has been given back to the community, to build up the great social institutions that have a positive feedback on future economic growth. For example, it was precisely the great private research universities of Stanford, MIT, Johns Hopkins, Carnegie-Mellon, Duke, Chicago, among others, which were created over a century ago by American philanthropy that played such a critical role in the recent American successes.

There is little doubt that the dramatic increase in the number of entrepreneurial firms (and business failures) in the United States in the late 1970s and early 1980s, then maintained at a high level in the 1990s, has contributed significantly to the relatively vigorous U.S. economy in recent years. A clear manifestation of this entrepreneurial success is the increase in the creation of new wealth in the United States. In 1950, 80% of wealth on the Forbes list of the richest people in America was inherited; by 1990, it had fallen to only 20%. This is important, because recent evidence suggests that the share of inherited wealth is negatively related to economic growth, while entrepreneurial wealth is positively related to economic growth at similar levels of development.

American capitalism may be a more enduring and sustainable model for economic development than either European, Japanese or East Asian versions. During the 20th century, government played an indispensable role in creating the welfare state. However, prior to that, a system of philanthropy was in place to look after the disadvantaged, and build the institutions of freedom and democracy that were so vital to the future of the country. While other countries maybe content to have the government run most of their schools and universities, pay for their hospitals, subsidize their museums and orchestras, Americans tend to think that some of these institutions are best kept in private hands. In 1997, Americans donated $150.7 billion to charity, as much as the GDP of Turkey.

Philanthropy has deep roots in America. The real founders of American philanthropy were the men and women who crossed the Atlantic to establish communities that would be better than the ones they had known at home. The Puritan leader John Winthrop forthrightly stated their purpose in the lay sermon, "A Model of Christian Charity," which he preached on the ship *Arbvella* to the great company of religious people voyaging from old to New England in the year 1630. These Puritan principles of industry, frugality and humility had an enduring impact on America.

Historically few Americans seriously question the right of any man or woman to get rich by personal effort, but a great many voiced endless concern about the use to which wealth was put once it had been won. In view of the popular prejudice against ostentatious enjoyment of riches, the luxury of doing good was almost the only extravagance the American rich of the first half of the nineteenth century could indulge in with good consciences. Therefore, in the past the malefactors of great wealth were also benefactors of extraordinary generosity.

One of the greatest American philanthropists of nineteenth century was George Peabody. A man of modest beginnings through canny investment gained a fortune, through impeccable honesty, he gained a reputation for flawless integrity and developed a philosophy of philanthropy. Two considerations seem to have been most influential in his philanthropies. One was a deep devotion to the communities in which he was reared or in which he made his money. The other was a secular vision of the Puritan doctrine of the stewardship of riches – his desire, in the simplest terms to be useful to mankind. In his lifetime he donated over $8 million to libraries, science, housing, education, exploration, historical societies, hospitals, churches and other charities.

Peabody's most enduring influence, however, lies in the precedents and policies formulated by the Peabody Education Fund Trustees. This fund not only paved the way for subsequent foundation aid to the South after the Civil War, but also influenced the operational patterns of subsequent major foundations including John D. Rockefeller Education Board, the Russell Sage Foundation and the Andrew Carnegie Foundation. Andrew Carnegie put philanthropy at the heart of his gospel of wealth. For him the question had long been not, "How to gain wealth?" but "What to do with it?" It was suggested that millionaires, instead of bequeathing vast fortunes to heirs or making benevolent grants by will, should administer their wealth, as public trusts during life.

The thesis that George Peabody was the founder of modern educational foundations was best expressed in the *Christian Science Monitor*:

> George Peabody was in fact the originator of that system of endowed foundations for public purposes which has reached its highest development in the United States. . . . It is interesting to consider the many ways in which the example set by [George Peabody] has been followed by visioned men of means in the United States. . . . In a sense the Peabody Fund was not the only monument to George Peabody, for the example he set has been followed by a host of other Americans.

In 1867, Peabody met with Johns Hopkins, Baltimore merchant and financier. Peabody explained the basis of his philanthropy to Hopkins, "to place the millions I had accumulated, so as to accomplish the greatest good for humanity." Hopkins donated his entire fortune of $8 million, an extraordinary amount of money at that time, to the founding of the Johns Hopkins University, Medical School and Hospital. Each institution, which would have separate, but closely interlinked boards of trustees, was given $3.5 million to establish itself. It was at the time the largest philanthropic bequest in U.S. history. Thus, Peabody, apart from his own charities, may honorably stand in the shadow of what has been achieved by Hopkins.

Perhaps the greatest criticism of market economies is their unequal distribution of income and wealth that flows from the very nature of the system. Today, as one hundred years ago, the onrush of innovation has created an enormous concentration of new wealth and a fraying of the social fabric. Over the past three years four trillion dollars of new wealth has been created in the stock market. The number of billionaires has increased from 13 in 1982 to 170 today; the number of decamillionaires stands at 250,000 and millionaires at 4.8 million. However, when it comes to philanthropy the parallel ends. As we have seen, the gilded age's malefactors of great wealth were also benefactors of extraordinary generosity. Today's new rich have the opportunity to shape America and the world just as profoundly as Carnegie and Peabody shaped the last century. Just as the founders of modern philanthropy tried to provide answers to problems that were national in scope, at a time when national government were weak, so today's philanthropists have a chance to address problems that are global in scope at a time when global institutions are even weaker.

At first, few have taken up the opportunity. The notable exception is George Soros, the financier, who has given a fortune in creative and unusual ways, taking great care over how the money is spent. He recently donated $500 million to Russia to fund health and civic programs. Perhaps the most stunning gift was the donation of $1 billion to the United Nations by Ted Turner, the income created by the rising price of his shares in the Time Warner media empire. With that gift, Turner challenged the super rich to give away more of their money. Bill Gates announced that he is giving $1 billion to create scholarships for minorities, in part because of the retreat of the federal government from affirmative action.

Philanthropy is not a static concept in the American model. Just as entrepreneurs have revitalized industry after industry, entrepreneurs are also revitalizing the philanthropic sector of society. A new generation of innovators and entrepreneurs committed to using market-based approaches to solve social problems – is unleashing new ways of using resources for the public good (Letts et al., 1999). Venture philanthropy is being practices by thousands of ex entrepreneurs, who are applying what they learned in business to solving social issues. The following values and beliefs motivate new innovators Reis, 1999):

- Outcomes/impact thinking
- Market concepts as a driver for designing social products and services
- Investment is more effective than charity
- Wealth creation should be balanced with public responsibility
- Sustainability of social change needs to be supported through philanthropic and earned income.

In this new Gilded Age – as in the last one – entrepreneurs are again involved in solving major social problems. As social problems are solved through philanthropy, the very fabric of society is strengthened creating a positive feedback on entrepreneurial values and creating a cumulative causation that runs from Entrepreneurship to wealth creation to Philanthropic giving that directly and indirectly supports more entrepreneurship. This latter link closes the loop that leads to a cumulative buildup of entrepreneurship in the economy and regulates the role of government in society.

A Chinese model of philanthropy

The origins of philanthropy, among the Chinese, may be traced to rural China, where it was dishonorable for a peasant to collect money from a friend. Yet, taking money from strangers (outside the village) was fine. When peasants left behind agrarian life, they took with them such Chinese values.

There are numerous studies of Chinese entrepreneurs outside China. Light examined Chinese entrepreneurship in the U.S. Loewen (1971) focused on Chinese entrepreneurs in the state of Mississippi. Wong (1987) examined those in New York. In Canada, Brenner and Toulouse (1990), and Ray et al. (1988) investigated Chinese entrepreneurs. Dana (1999) looked at Chinese entrepreneurs in the Far East. What do Chinese entrepreneurs have in common, around the world? They are usually linked to ethnic networks, and associations, which provide assistance to those in need. Examples include the Chinese Benevolent Association of Vancouver, the United Chinese Community Enrichment Services Society of Canada, and the Selangor Federation of Chinese Guilds and Associations, in Malaysia. The British, in Malaya, encouraged the development of non-political Chinese assemblies, responsible for philanthropy among the Chinese. Today, each Malaysian state has a Chinese Assembly Hall. In addition, there is – at the federal level – an umbrella organization, the Federation of Chinese Assembly Halls.

Chinese immigrants in North America, Europe, and Africa, as well as Asia, have created such Chinese networks. In Chinese culture, clan associations have been the prime vehicles of philanthropy. Chinese clan associations (*hui kuan* in Mandarin, *wui kun* in Cantonese, and *huay kwan* in Fujian) were established for the purpose of assisting immigrants sharing the same dialect, and to promote commercial and industrial development, while upholding cultural traditions. Confucianism was integral to these, and thus these associations helped to perpetuate an ancient system of maintaining order and administering justice. Work ethic and respect for parents were emphasized along with the concept of assisting other immigrants – provided they were of the same ethnic origin.

When early immigrants arrived from China to Singapore, clan associations provided them with social contacts, training, business ideas, market information, business concepts, start-up capital and technical assistance. This web of ethnic networks played an important role in facilitating the redistribution of wealth in Singapore.

From conversations with members, one could understand the latest trends in product development and price fluctuations. As well, the clan provided (and still provides) a center where entrepreneurs could discuss partnerships, or obtain financing. A clan usually established several associations.

Different associations focused on different philanthropic activities. For instance, the Kwan-In Welfare Society established a free clinic.

Unpublished records indicate that the Hakkas formed at least 29 clan associations in Singapore. Eleven of these were organized to bring together individuals from specific counties in China. In seven other cases, membership was based on family names. Four were co-operative societies. Seven others were professional, social and recreational associations. As a whole, they were crucial to the development of entrepreneurs among new immigrants from various villages in China.

The first Hakka clan associations in Singapore were the Wui Chiu Hui Kuan (established in 1822), and the Ying Foh Fui Kuan (founded in 1823). The Char Yong Association was formed in 1857, followed by the Singapore Char Yong Association, in 1858. The Fui Chew Association was set up in 1870. Situated on Beach Road, the Foong Shoon Fui Kuan was established in 1873.

The inauguration of the Suez Canal made Singapore a major node along the England to Australia route. This created countless opportunities for Singapore. Immigrants from China left their rural homes in Singapore and moved to the city. There, they became cargo-carriers, cart-pullers, dock laborers, and traders. Many worked with the dream of becoming entrepreneurs, and they did. They built and operated go-downs, and developed the support industries of the port.

By 1901, there were 164,041 Chinese persons in Singapore (Leung, 1988). This was almost three-quarters of the population. For linguistic reasons, the Chinese in Singapore tended to live among and work with others who spoke the same dialect. The dominant dialect groups in Singapore are listed in Table I. When new immigrants arrived, they joined established people who spoke the same dialect. (The segregation of dialect groups was a policy set by Raffles.) Newcomers worked for entrepreneurs, and learned specific trades. It was a tradition that an employee learned from an employer how to become an entrepreneur. This led to considerable occupational clustering. Many Hokkiens lived on China Street, where they sold sundry items along with fresh greens. Telok Ayer Street was home to larger-scale Hokkien entrepreneurs, importing rice and other goods from neighboring countries. On Chin Chew Street, Teochew entrepreneurs traded spices. On Chulia Street, Teochew merchants sold bird’s nest and shark’s fin. Regarded as a lower class on the social echelon, the Cantonese were clustered in the district around Kreta Ayer. Many of them sold cloth. Some sold furniture, musical instruments, tobacco and silk, which they imported from China.

In 1929, eight existing Hakka associations pooled their resources to create the Nanyang Khek Community Guild, an umbrella organization. These were the Char Yong Association, the Fong Yun Thai Association, Foong Shoon Fui Kuan, Sam Foh Whai Kuan, the Singapore Eng Teng Association, the Singapore Nanyang Shang Hang Thung Hsiang Hui, Wui Chiu Fui Kung and Ying Foh Fui Kun.

The founding president of the Nanyang Khek Community Guild was Mr. Aw Boon Haw, the well-known philanthropist made famous by his tiger balm enterprise. The early stages of his business had depended on the participation and assistance of established Hakka entrepreneurs in Singapore. Collective planning and efforts helped

TABLE I
Founding members of the Singapore Federation of Chinese Clan Associations

Clan Association	Dialect group
Sam Kiang Huay Kuan	Sanjiangren
Singapore Foochew Association	Fuzhouren
Singapore Hokkien Huay Kuan	Minnanren
Singapore Kiung Chow Hwee Kuan	Hainanren
Singapore Kwangtung Hui Kuan	Guangzhouren
Singapore Nanyang Khek Community Guild	Kejiaren
Singapore Teo Chew Poit Ip Huay Kuan	Chaozhouren

his firm develop, and through association networking, it was possible for Mr. Aw to invited clansmen to share his vision and work as a team at his Wing On Tong Pharmaceutical Factory. As well, tiger balm needed distribution channels, and this prompted Hakka clansmen to start medicine halls – a sector in which they became dominant thanks to Mr. Aw.

Mr. Aw succeeded in creating wealth, and he was willing to share it, among others of the same clan. He donated to education (opening schools), to health (contributing to health care), and even to the war effort against Japan.

Over time, the success of Mr. Aw served as a motivating factor for Hakka people who adopted him as a role model. Finally, time came for him to lead the Nanyang Khek Community Guild.

The overall objectives of the Nanyang Khek Community Guild are "to foster better relationships among members of the Khek community to promote industrial and commercial development, and to organize charitable, educational welfare projects."[1] However, unlike American philanthropy – which helps people regardless of race or linguistic background, clan associations are concerned with the well-being of their fellow clan members.

The guild has four categories of members: (i) the fundamental members, which are the eight founding clan associations; (ii) the ordinary association members, which are other associations belonging to the Khek community, in Singapore or abroad; (iii) corporate members, which are commercial or industrial establishments that are owned by a member of the Khek community; and (iv) individual members, who belong to the Khek community or family members thereof.

Membership in the guild involves obligations and privileges. There are prohibitions on gambling, lotteries, and interference with prices or trade. An internal policing system allows the Management Committee to investigate allegations of wrong-doings. Members found guilty are henceforth deprived of guild privileges.

The structure of the guild is such that different sections have assigned responsibilities. The Organisation Section initiates research about the economic standing of community members, and deals with commercial and industrial matters of members. The Culture & Education Section is responsible for educational matters such as publications. The Welfare Section attends to financial matters. The Social Section is responsible for networking activities.

The purpose of creating such a network was to improve relationships among members of different Hakka associations. The long-term goal was to promote commercial and industrial development, and to organize charity events, educational institutions and welfare projects – all for the benefit of Hakka people. Committee members included representatives from Indonesia, Malaya, North Borneo, Sarawak and Thailand, as well as Singapore.

Eventually, Hakka entrepreneurs became dominant in certain small business sectors. Hakka entrepreneurs owned two major newspapers, dozens of pawnshops, 56 import shops, 70 grocery stores and 167 medical halls.

Since different dialect groups had their own associations, this resulted in industry clustering. The Hakka entrepreneurs, for instance, dominated the city's medical halls. More recently, clan associations in Singapore have been linking up with similar associations overseas, resulting in impressive networks of international entrepreneurs.

Like the Hakkas, other dialect groups also created clan associations. During the nineteenth century, the Hokkiens (from Fujian) established the Hokkien Huay Kuan. The Teochews (from Guangdong) set up the Ngee Ann Kongsi. The Hainanese formed the Singapore Kiung Chou Hwee Kuan in 1857. Henghua immigrants from Kang Tau (in the Fuquing district of Fujian's old Fuzhou prefecture) and who shared the surname "Ong" created the Singapore Kang-Tau Ong Clansmen Association; amongst themselves they spoke Xinghuahua dialect. People from the south of Fujian province and who shared the name "Ong" joined the Singapore Hokkien Ong Clansmen General Association; there, Minnanhua was the dialect spoken. Of 298 surnames which are common in Singapore, Chen is among the most popular with over a dozen clan associations (Cheng, 1990).

The Gan Clan Association was established on Bukit Pasoh Road. The Wong Clan of Toishan established itself on Jink Chuan Road. Although each clan used a different dialect and represented different geographic origins, clan associations all had something in common. They all encouraged networking. Clan associations could provide market knowledge, technical training, entrepreneurship education, a workforce, market contacts, suppliers, credit, consumers, and successful role models. This facilitated their task of propagating Confucian values, which reinforced a propensity for entrepreneurship.

According to Confucianism, ignorance is an obstacle and education is valued. The traditional cultural beliefs of the Hakka people emphasize several related values. Among these are persistence and perseverance, qualities that may improve an individual's chances as an entrepreneur. Also crucial are notions such as respect for order, status and authority. Again, this may help in management of a business. The Hakka people also believe in the virtue of thrift. Weber (1904–1905) argued that thrift was a cultural value linked to entrepreneurship. Finally, the Hakka people place emphasis on having a sense of shame. It was argued that a sense of shame would help individuals maintain honesty and long-term interpersonal relationships.

To propagate these values, the Hakka associations built several private schools. While other schools emphasized learning to read and write, the schools of the Hakka associations had ulterior motives. Their objective was not limited to teaching reading and writing. As well, Hakka children were taught social etiquette and Hakka cultural values. The youth were encouraged to lead their lives such as to make future contributions to their people. These schools were to create entrepreneurs.

The first of these Hakka schools was the Yin Sin School, consisting of six classrooms. Located on Telok Ayer Street, it opened in 1905. A year later, the 20-classroom Kee Fatt School was established at 30 Cainhill Road. Several other schools were built and supported by Hakka associations. For the past 50 years, however, the Hakka people have opened no new schools.

A clan association of the Teochews, the Singapore Teo Chew Poit Ip Huay Kuan, established the Ngee Ann College, in 1959. This was a Chinese-medium college, which provided tertiary education to students who graduated from Chinese high schools. It eventually evolved into Ngee Ann Polytechnic.

The Hokkien Hui Kuan (Hokkien Clan Association) donated land to build Nanyang University, which opened in 1958. This was the first Chinese-language university outside China. Eventually, Nanyang University became home to the Nanyang Technological Institute, and in 1991 to Nanyang Technological University.

Independence changed demographics and this had a great impact on clan associations. Under British colonial rule, the associations were central to the success of entrepreneurship in Singapore. At the time, members of the Chinese community tended to interact mostly with others from the same dialect group. These were people who shared a strong identity with their geographic roots, and with whom there were no communication barriers. As well, this arrangement allowed them to rely on *guanxi* relationships. The Singapore Chinese Chamber of Commerce & Industry (established in 1906) was the supreme economic institution of the Chinese community.

The creation of the Republic of Singapore gave rise to a new nationalism that transcended dialect groups. The redistribution of population, to new housing estates, resulted in heterogeneous neighborhoods; clan associations were not allowed to follow. Their importance was diminished.

In the new housing estates, the Singapore Government set up a variety of new institutions including Citizen Consultative Committees, Community Centres, and Residents' Committees. In 1978, the state launched an annual campaign aimed at encouraging Singaporeans to speak Mandarin in lieu of dialects. Social interaction across clan lines resulted in inter-marriage, and the decline in the use of dialects in homes. Clan associations – in the traditional sense – were losing their economic and social importance.

The year 1981 witnessed a new type of clan association, when the Hakkas, originating from Jiexi established the Hepo Corporation. This was not a *hui kuan*; rather, the term "corporation" was used to emphasize its commercial purpose as an instrument for investment.

Thus, the role of clan associations evolved from instruments of philanthropy to vehicles of investment. During the 1980s, the Singapore Government took initiatives to stimulate entrepreneurship in the republic. The traditional role of clan associations waned. Whereas the associations were formally the principal vehicles fostering local entrepreneurship in Singapore, governmental bodies took over this role. These are the Economic Development Board, the National Productivity Board, and the Trade Development Board.

Yet, this did not make the clan associations obsolete. Instead, they embarked on a plan of far greater proportions. As discussed by Cheng (1990), in 1984, Mr. Chua Gim Siong sought government endorsement and support for clan associations. His success led to a national seminar on clan associations in December 1984. Nine associations, representing seven dialect groups, organized this event, the purpose of which was to examine how clan associations could contribute to the future. The event was attended by several hundred delegates, representing 185 clan associations, and led to the creation of an umbrella organization. Thus, in 1986, the Singapore Federation of Chinese Clan Associations was established, to promote a Singapore-wide network of clan associations. The founding members are listed in Table I. The federation promotes inter-clan activities, but its assistance is targeted to Chinese Singaporeans, not the population at large.

Together with the Singapore Chinese Chamber of Commerce, the Federation contributes to the success of ethnic Chinese entrepreneurship in Singapore. While the Singapore Chamber of Commerce concentrates on economic and business matters at large, the Federation focuses on promoting, fostering and encouraging relationships and co-operation. It co-ordinates activities among different clan associations, and contributes to the propagation of cultural traditions which are relevant to Confucian dynamism and entrepreneurship.

Most recently, clans in Singapore have been networking not only amongst themselves, but also with their counterparts overseas. Eight clan groups have linked up with international associations of like clans. This has resulted in several worldwide networks of Chinese entrepreneurs, who are forging global economic links. But philanthropy has been left behind.

Some clan associations have formed holding companies to invest overseas. Foong Shoon Holdings Limited, for example, was established by members of the Foong Shoon Fui Kuan, with an authorized capital of S$10 million. Already, some international networks of clans are operating in China. Their activities include manufacturing, trading, property development, infrastructure development, hotel management and medical care.

The role of clan associations, and the nature of their importance, has changed over time. During colonial rule, they assisted immigrants who spoke the same dialect. During the early years of independence, the Singapore Government provided services similar to those that the clan associations had pioneered. Simultaneously, the spread of English, as Singapore's language of business, facilitated interaction among persons of dialect groups. For a period, clan associations were actually discouraged, because they were deemed contradictory to efforts that focused on creating a feeling of Singaporean identity across clan lines.

To gain recognition and prestige, philanthropists aspired to become the head of Singapore's Chinese Chamber of Commerce. Although this transcended clan lines, it focused on racial identity.

More recently, clans are regaining importance and redistributing wealth, but this is not philanthropy in the American sense. Mr. Wee Cho Yaw, Chairman of the United Overseas Bank, is concurrently the chairman of the Chinese Federation of Clan Associations. Among Chinese Singaporeans, he is a widely-known and respected philanthropist – in the Chinese sense – as he helps redistribute wealth to the Chinese community; however, among non-Chinese Singaporeans, his name is seldom recognized. This reflects the pluralistic nature of society in this island republic, and it exemplifies Chinese-style philanthropy.

While philanthropy in America helps people across the board – regardless of race or linguistic background – the clans in Singapore are institutions to help people of the same race and linguistic background, as summarized in Table I.

5. Policy implications & conclusions

During the latter part of the 1990s, a wave of financial jitters swept across Asia seriously wounding the idea of an Asian Miracle. First, the Thai baht, then the Philippine peso, then the Malaysian ringgit, then the Indonesian rupiah tumbled. Almost every economy in Asia felt the ripples that summer. Many asked if the Asian

Miracle was over. However, Krugman (1997) questioned whether there ever was an Asian Miracle in the first place. He suggested that almost all of the growth in Asia could be explained by the *perspiration theory*: high savings rates, good education and the movement of underemployed peasants into the modern sector. There were two implications of this theory. First, that the growth rate would end, and it did. Secondly, that government policy promoting certain industries and technologies do not make a difference. The financial crisis has exposed the fact that the fast growth of many companies had depended critically on easy money. The readily availability of bank loans at attractive interest rates allowed nascent conglomerates and South Korea's *chaebol* to pursue market share and expand into new fields without worrying about rates of return.

However, careful examination reveals that not all of Asia's so-called Tigers fared the same. In particular, Taiwan – perhaps the most homogeneous society in South-east Asia – escaped with little currency devaluation and a relatively modest decline in share prices. One answer suggested for the relatively better performance is lower barriers to entry and exit of firms that have a positive effect on productivity. Start-up companies establish their place in the market by forcing old timers out of business. This creative destruction spurs incumbents to stay trim and helps spread new skills quickly. As the entrants tend to be more efficient than the firms that die, they boost productivity across the economy. Lower trade barriers have forced manufacturers to face vigorous competition domestically and to seek markets overseas. Firms that export also have higher productivity (Aw et al., 1997).

Taiwan's policies differ in another way. The legal system puts relatively few obstacles in the way of bankruptcy. This way investors, workers, managers and lenders must act prudently. It has also produced entrepreneurs that are accustomed to starting over after failing. In Taiwan, the banking system favored higher interest rates, increased savings, and an equitable supply of capital for entrepreneurial growth (Dana, 1999). Countries that wish to integrate into the world economy must reduce entry and exit barriers, and promote entrepreneurial activity.

However, it also appears important that the long run strengthening of the philanthropic values that have a positive feedback on social values is also important. Social values that continue to re-built the institutional infrastructure, as we have shown in this article, have a positive feedback on economic development. This is evident in the U.S., where melting pot pluralism has allowed the development of constructive philanthropy. Donors voluntarily and unconditionally redistribute wealth, thereby causing a one-way transfer of wealth.

In contrast, pluralism in Asia has encouraged people to help their own kind, but not the population at large. It appears that the Chinese model, with its exclusive focus, of only helping those that are part of the club, leads to the need for more government that ultimately leads to weaker entrepreneurial values – not stronger ones. Its weakness lies in its limited focus. However, as globalization spreads around the world, it is likely that the American model of philanthropy will spread internationally, playing a role in redeveloping the institutions of global capitalism.

Note

[1] Source: *Rules and Regulations of Nanyang Khek Community Guild*, Singapore: The Nanyang Khek Community Guild, p. 13.

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