

Social Ties and Gift Exchanges in a Relational Society

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Abstract

Developing countries usually feature relational societies where personal connections and social networks act as a substitute for formal institutions and markets. We document the importance of such social ties and a particular form of investment in the social network — gift exchanges. We characterize the features of communities, households, and individuals more likely to engage in gift exchanges, discuss the cause and implications of this social behavior, and present evidence of its evolution over time.

Keywords: Social Network, Gift Exchanges, Culture, Institution.

JEL codes: Z13, O15, O17, D13, D91.

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1 Introduction

Human societies operate through interactions. In modern societies with many involved agents, complicated input-output structures, fast-changing demand-supply relationships, and broad geographic scope, rules for such interactions are usually set by formal institutions such as laws and regulations. In addition, economic activities take place in large and separate markets for each type of goods and services, and people encounter each other in specific business transactions and social scenarios: banks, groceries, workplaces, family gatherings, and business trips. However, in less developed areas where communities are relatively closed and the formal institutions and markets are either weak or absent, cultures, social norms, and personal ties still play an important role in the organization of societies and economic activities (Alesina and Giuliano 2015). The local interdependence of households and individuals within the same community leads to more frequent interactions and tighter links, and the relationship between two persons usually performs multiple social functions: doing business with one’s relatives, borrowing money from acquaintances, and sharing information and providing temporary accommodation for migrants from one’s home region.

Researchers have long been aware of the importance of social ties in providing information, credit, insurance, emotional support, and favors.¹ In developing countries where such social ties are especially important, festivals, religious gatherings, and personal social events provide opportunities to form and strengthen these relationships (Rao 2001; Montero and Yang 2022). Therefore, a large amount of resources is devoted to such events. For example, weddings and funerals are usually expensive and sometimes extravagant events not only for the hosts but also for the guests (Yan 1993; Case et al. 2013; Yang 2016; Bulte et al. 2018), and high expenditure on these social events is observed across the world: Ghana, South Africa, Pakistan, Indonesia, and Côte d’Ivoire (De Witte 2003; Banerjee and Duflo 2007).

In this paper, we focus on a specific custom in a specific country and provide a detailed characterization of its features, functions, and implications. Cash gifts at social events such as weddings and funerals are part of the Chinese traditional society as signals of participation in local social networks, and the action is publicly observed and costly (Yan 1993; Yang 2016; Bulte et al. 2018). Despite its importance, there is relatively little economic research studying this phenomenon, partly due to a lack of detailed household-level data. We use two recent data sources to provide a comprehensive picture of the importance of gift exchanges in China: the Chinese General Social Survey (2003-) and the Chinese Family Panel Studies (2010-).

We start by providing a snapshot of gift-exchanging behaviors. We document the frequency of social events, the average expenditure for the hosts, the probability of being a guest, and the

¹See the effect of social connections on providing information (Beaman et al. 2021; Tian et al. 2022; Barwick et al. 2023), credit and insurance (Greif 1993; Greif et al. 1994; Townsend 1994; Udry 1994; Karlan et al. 2009; Kinnan and Townsend 2012), and favors (Fisman et al. 2018; Fisman et al. 2020; Chu et al. 2021), among many others.

cost of gift contributions at the events. Importantly, we find that rural areas and locals spend a disproportionately large share of expenditure on gifts, compared to urban areas and migrants.

We then analyze the characteristics of communities, households, and individuals that engaged more in these gift exchanges. In addition to the rural and local premium, we find that a higher share of expenditure is usually observed in more closed communities such as ethnic clusters and regions where phone and TV networks arrived later. Households that had more day-to-day social interactions spent more on gifts, and also the ones with family genealogy books and annual ancestor veneration events. At the individual level, strong predictors of high expenditure shares of gifts include having siblings live close by, thinking speaking the local dialect is important in communication, (ever) married, and having no urban pension.

We proceed to provide evidence of the function of gifts and social ties. We first show that social ties substitute formal contracts, support from the legal system, and bank credits, especially for rural residents. Information and other help during job search and migration help are also important functions of networks. We then show that beyond these direct economic functions, maintaining social networks and gift exchanges can provide direct utility. More interactions with friends and relatives are associated with high happiness levels. Higher expenditure on gifts is correlated with higher trust in people who are outside the immediate family and friend circle. Finally, we show that people view the importance of social ties both as part of the culture and as a reality resulting from corruption.

We conclude with a discussion on gift expenditure as a financial burden and present evidence on the dynamics of the share of expenditure on gifts over time. We provide the causal investigation of the dynamics of gift exchanges in the sister paper Tian and Xia (2024).

Our paper contributes to several strands of literature. To the best of our knowledge, we are the first economic research to combine multiple household surveys and to provide a set of comprehensive and novel evidence on the importance of social ties and gift-exchanging behavior in China. Existing work on this topic usually relies on detailed but local anthropological accounts (Yan 1993) or small-scale surveys (Bulte et al. 2018). In addition, they focus on an earlier period (until 2011). We use all possible waves of surveys from 2003 to 2016, covering a nationally representative population over a time period when China experienced fast social changes. We are also able to corroborate evidence from different surveys to show the robustness of our findings.

We contribute to a larger literature on the role of social ties and cultural norms. We are one of the few studies that directly observe the *action* of social network participation, as in Munshi and Rosenzweig (2016) (transfers in caste networks in India) and Montero and Yang (2022) (celebration of religious festivals in Mexico). We provide a new piece of evidence on an important social custom in a large developing country.

The rest of the paper is organized as follows. Section 2 discusses the data sources. Section 3

presents a set of facts on the prevalence of gift exchange behaviors and the major divide between rural-urban and between local-migrant. Section 4 shows the predictors of gift expenses at the community, household, and individual level. Section 5 investigates different hypotheses on the function of the gifts. Section 6 discusses potential costs. Section 7 shows the changes in gift patterns over time. The last section concludes.

2 Data

We use two main datasets to characterize the importance of social ties and gift exchange behaviors in China. The first main dataset is the Chinese General Social Survey (CGSS), the Chinese counterpart of the General Social Survey in the United States. It started in 2003, and the objective is to create a nationally representative sample of urban and rural populations with information on various aspects of Chinese social life, with an emphasis on social structure, life quality, and values and opinions. It uses a multi-stage stratified random sampling, with the *urban* population over-sampled. The primary sampling unit is county-level units, and the secondary is township-level units. One eligible person aged 18-above (18-69 for 2003) is randomly selected from each sampled household to serve as a respondent. All interviews are done in person. There are 12 waves in total: 2003, 2005, 2006, 2008, 2010, 2011, 2012, 2013, 2015, 2017, 2018, and 2021. Questions, samples, and response rates vary by year. For example, the 2006 survey focused on labor-related issues, including economic reforms and firm restructuring, the 2010 survey included questions on environmental and health issues, and the 2013 one emphasized social morality and opinions on public services.² In this paper, we select questions related to social networks in particular and use the information to give a snapshot of the importance and implications of social ties in China in these two decades.

The second main dataset is the Chinese Family Panel Studies (CFPS). It started in 2010 and is a nationally representative, biennial longitudinal survey of Chinese communities, families, and individuals. It is viewed as the Chinese equivalence of the Panel Study of Income Dynamics in the United States, with rich information on community structure and socioeconomic outcomes at the household and individual levels. Multi-stage stratified sampling is used for the baseline year 2010, and there are five follow-ups in 2012, 2014, 2016, 2018, and 2020. The baseline survey was conducted in person. For follow-up years, the survey method was mainly in person and supplemented with phone interviews. While the core module remains constant over time, survey contents evolve to reflect changing social and policy priorities.³ In this paper, we use selective information to document the cross-sectional and evolutionary pattern of gift-exchanging behaviors.

Throughout the paper, we highlight the data source used in each table and figure in their titles.

²For details of surveys, see <http://cgss.ruc.edu.cn/index.htm>.

³For details of surveys, see <https://www.iss.pku.edu.cn/cfps/en/>.

For example, “CFPS 2014” means that the data used in the table or figure is from the 2014 wave of the CFPS survey.

3 Snapshot of gift exchanging behavior

3.1 The custom of cash gifts

Festivals and social events can provide entertainment (Duflo and Banerjee 2011) and opportunities for strengthening social ties. In China, social events such as weddings and funerals are elaborate, expensive, and involving. Events may last for a few days, combining a variety of activities. Relatives, friends, and acquaintances are invited to a banquet; cash gifts (or non-monetary gifts of similar values) are expected when attending. In particular, the amount of cash gift is recorded by an event receptionist on a gift book at the entrance of the event venue. The amount of cash gift is agreed upon informally in the local community to reflect the closeness of the relationship between the host and the guest, and contributing too much more or too much less than the norm would be deemed inappropriate. The guest evaluates their relationship with the host and acts accordingly. In addition, due to the public nature of the gift-exchanging behavior at these events, it is even more important that the guest behaves according to the “perceived” relationship by all other guests. Contributing too little signals to the host that the guest does not think their relationship is as close as perceived by others. Contributing too much gives all other guests with similar social distance pressure to contribute more; thus, breaking the norm and raising standards (Yan 1993; Bulte et al. 2018).

3.2 As an event host

We first take a look at these events from the host’s perspective. Table 1 shows the probability of a significant event happening in the respondent’s household in the past year. A baby shower is the most common event: about 6.5% of households experienced it in the past year, and rural households have a higher chance than urban households (7.4% vs 5.5%). This could be due to the higher fertility rate in the rural areas compared to the urban areas. Weddings are the second most common event (5%), and again more in rural areas. The probability of a funeral is fairly similar across rural and urban areas. Milestone birthdays and college admissions are more common in urban areas. On average, the probability of having at least one of such events is about 20%, and the average expenditure on such events is about 3,500 Yuan (including households with zeros). In other words, a household experiences about one event per five years.

Table 1: Probability of a significant event: did your family experience any of the following events last year (CFPS 2014)

Event type	Mean(S.d.)			p-value
	Full sample	Urban	Rural	
Baby shower	0.065 (0.246)	0.055 (0.229)	0.074 (0.262)	0.000
Wedding	0.051 (0.219)	0.043 (0.202)	0.058 (0.234)	0.000
Funeral	0.046 (0.210)	0.048 (0.214)	0.045 (0.207)	0.358
Milestone birthdays	0.031 (0.172)	0.041 (0.198)	0.021 (0.142)	0.000
College admission	0.030 (0.170)	0.033 (0.180)	0.026 (0.159)	0.010
Any of the above events	0.197 (0.398)	0.197 (0.398)	0.197 (0.398)	0.986
Total expenditure on the events	3460 (17833)	3652 (19427)	3276 (16147)	0.215
<i>N</i>	13,831	6,789	7,042	13,831

We then look at the cost of hosting a particular event (Table 2). Weddings are the most expensive, costing about 85% of the annual income of a household. Then it is followed by funerals (37%) and baby showers (14%). The costs are usually higher in urban areas than in rural areas. However, when compared with the average household income, having at least one of the events costs about 34% of income in urban areas and 44% in rural areas. Thus, rural households spend disproportional large amount of money on such events.

Hosting such an event also generates income through gifts. Table ?? presents the median gift-to-cost ratio for the three most common events. We find that holding baby showers roughly breaks even, wedding gifts pay 67% of their cost, and funeral gifts cover about half. There are no significant differences across rural and urban areas, suggesting that even net of incoming gifts, these events still cost more for rural households.

Table 2: Average cost of holding an event by event type (CFPS 2014)

Event	Mean/S.d.			p-value
	Full sample	Urban	Rural	Urban-rural gap
Baby shower (total n=697)	6,508 (12,488)	8,204 (14,710)	5,189 (10,265)	0.002
Wedding (total n=493)	39,905 (59,252)	47,274 (71,147)	34,789 (48,822)	0.021
Funeral (total n=541)	17,286 (20,814)	19,095 (25,712)	15,429 (13,933)	0.040
College admission (total n=345)	1,977 (5,118)	1,965 (4,640)	1,992 (5,708)	0.962
Milestone birthday (total n=335)	2,503 (5,576)	2,316 (4,939)	2,860 (6,635)	0.398
Any of the above events (total n=2,723)	17,576 (36,980)	18,543 (40,510)	16,643 (33,209)	0.349
Household income (total n=12,561)	46,267 (60,006)	54,996 (75,179)	37,948 (38,793)	0.000
Ratio of mean event expenditure to income	0.38	0.34	0.44	

r0.59		
	Urban	Rural
begintable[H]	1	1
	0.67	0.68
	0.50	0.50

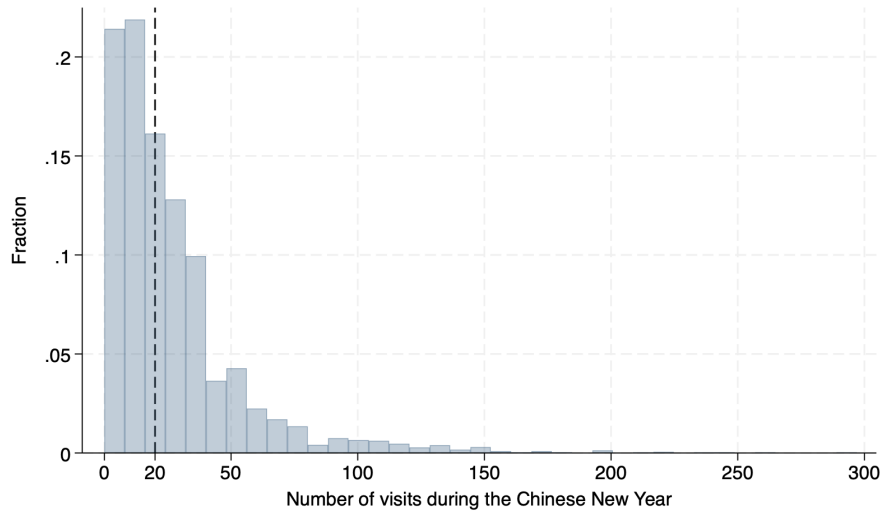
3.3 As an event guest

Given the high frequency and large scale of these events, it is likely that one would be a guest and need to contribute cash gifts. Table 3 shows the probability of attending each type of event. There is on average a 69% chance of being invited to a wedding, even higher than being invited to a baby shower, indicating that the scale of a wedding celebration is larger than a baby shower. Chinese New Year is an important occasion when cash gifts are expected. Overall, the probability of being a guest at an event is higher in rural areas for costly events such as weddings and funerals. The average cost of gifts is 6% of mean income for urban households and 7% for rural households.

Table 3: Occasions for gifts: Did your family send gifts at the following event last year (CFPS 2014)

Gift expenditure on the event	Mean/S.d.			p-value
	Full sample	Urban	Rural	
Baby shower	0.53 (0.50)	0.52 (0.50)	0.55 (0.50)	0.000
Wedding	0.69 (0.46)	0.68 (0.47)	0.70 (0.46)	0.030
Funeral	0.47 (0.50)	0.43 (0.50)	0.50 (0.50)	0.000
College admission celebration	0.28 (0.45)	0.30 (0.46)	0.26 (0.44)	0.000
Chinese New Year	0.51 (0.50)	0.53 (0.50)	0.50 (0.50)	0.000
Other events	0.05 (0.21)	0.05 (0.22)	0.04 (0.20)	0.000
Any of the events above	0.81 (0.39)	0.82 (0.39)	0.81 (0.40)	0.192
Total expenditure on gifts	3,143 (5,347)	3,546 (6,080)	2,721 (4,490)	0.000
Ratio of mean gift expenditure to income	0.068	0.064	0.072	

Figure 1: Distribution of the number of visits paid to and by during the Chinese New Year (CGSS 2003)



Note: Question: "During this Spring Festival, between you and your relatives, close friends, and other acquaintances, approximately how many times did you visit each other and interact with each other in various ways?" the mean is 27, the median is 20, maximum is 297.

Figure 1 shows the distribution of the number of visits during the Chinese New Year. These are physical visits instead of mere greetings. The median household would visit or be visited by 20 other households during this festival, and some households may have more than 200 visits.

3.4 Distribution of the share of expenditure on gifts and rural/local premium

Figure 2 shows the distribution of the share of expenditure on gifts for the full sample (Panel a) and by rural and urban areas (Panel b). We first see that there is substantial variation in the share of expenditure on gifts. Some households spend zero in a given year, while others spend more than 50%. Second, consistent with observations in previous sections, rural areas spend a larger share of their overall expenditure on gifts.

Figure 2: Distribution of the share of expenditure on gifts (CGSS 2010)

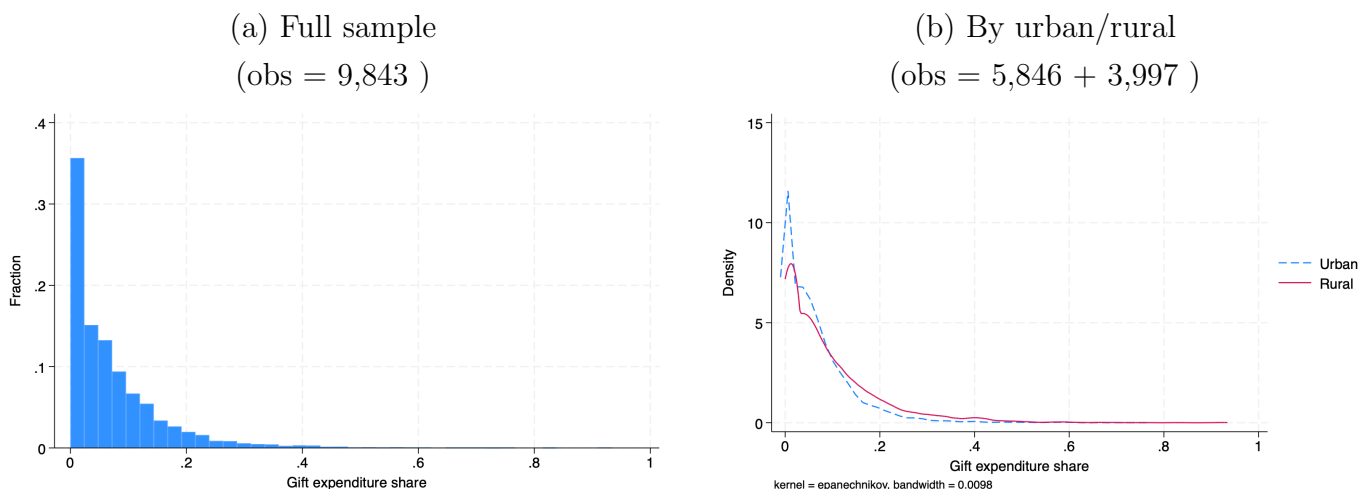


Table 4 further decomposes the population by their residence type and their Hukou type. We find that it is more about living in the rural area rather than having an agricultural Hukou that demands a higher gift share. This suggests that gift-giving is more about which community one is living in, rather than who you are. Table 5 documents the rural premium exists even when we control for other personal characteristics beyond Hukou status, including years of education, age, and family income.

Table 4: Gift expenditure share by urban/rural and agricultural Hukou/non-ag Hukou (CGSS 2010)

	Urban	Rural
Non-ag Hukou	6.0%	8.4%
Agricultural Hukou	6.4%	8.6%

Table 5: Rural premium (CGSS2010)

Outcome variable	(1)	(2)	(3)	(4)
	Share of expenditure on gifts			
Urban (=1)	-0.026*** (0.002)	-0.023*** (0.002)	-0.025*** (0.003)	-0.024*** (0.003)
Agricultural Hukou (=1)		0.002 (0.002)	0.001 (0.002)	0.002 (0.003)
Average years of education			-0.000 (0.000)	-0.000 (0.000)
Age			-0.000*** (0.000)	-0.000*** (0.000)
Log family income				0.001 (0.001)
Constant	0.087*** (0.002)	0.085*** (0.003)	0.099*** (0.006)	0.087*** (0.012)
Observations	9,843	9,418	9,408	8,603
R-squared	0.021	0.019	0.021	0.019

Note: Robust standard errors.

However, personal identity does matter in gift-giving. Table 6 regresses the share of expenditure on gifts on a dummy on whether the person is local or a migrant. We find that locals spend more on gifts compared to migrants. Thus, the closer a person's social distance from the local community, the higher the gift expenditure.

Table 6: Local premium (CGSS2010)

Outcome variable	(1)	(2)	(3)	(4)
	Share of expenditure on gifts			
Local (=1)	0.014*** (0.002)	0.011*** (0.002)	0.012*** (0.002)	0.011*** (0.002)
Agricultural Hukou (=1)		0.016*** (0.002)	0.015*** (0.002)	0.015*** (0.002)
Average years of education			-0.000 (0.000)	-0.000 (0.000)
Age			-0.000*** (0.000)	-0.000*** (0.000)
Log family income				0.000 (0.001)
Constant	0.061*** (0.002)	0.056*** (0.002)	0.069*** (0.006)	0.067*** (0.012)
Observations	9,809	9,387	9,377	8,575
R-squared	0.005	0.012	0.014	0.012

Note: Robust standard errors. Local means that the Hukou registration is at the current township or street.

In sum, we provide an overview of the gift-exchanging custom in China in this section. Cash gifts at social events are prevalent and costly, especially for rural households and those who remain in the same community. However, there is substantial variation between households in the share of expenditure on gifts. In the next section, we will investigate the community-, household-, and individual-level predictors of the gift shares.

4 Who participates in gift exchange

We start with village-level determinants. In the baseline year of the CFPS survey, communities, i.e., villages in rural areas and districts in urban areas are at the lowest level of the sampling frame, and one member of the village/district committee is selected to answer the community questionnaire. Table 7 shows the community-level predictors of the average share of expenditure on gifts. The share of expenditure on gifts is calculated using household-level information and aggregated to the community level.

Table 7: Community level predictors of the share of expenditure on gifts (CFPS 2010)

Panel A	(1)	(2)	(3)	(4)	(5)
Outcome variable:	Average share of expenditure on gifts				
Census Bureau designated urban area (=1)	-0.008** (0.003)				
Main household fuel type - Firewood/biogas/coal (=1)		0.008** (0.004)			
Log population density			-0.004*** (0.001)		
Share of population, regular residents				0.025*** (0.009)	
Share of population, migrants					-0.024*** (0.009)
Constant	0.080*** (0.003)	0.072*** (0.002)	0.102*** (0.007)	0.054*** (0.008)	0.079*** (0.002)
Observations	635	580	561	635	625
R-squared	0.008	0.009	0.034	0.009	0.009
Panel B	(1)	(2)	(3)	(4)	(5)
Outcome variable:	Average share of expenditure on gifts				
Ethnic minority cluster (=1)	0.019*** (0.007)				
Year when the village got TV connection		0.001*** (0.000)			
Year when the village got phone connection			0.001** (0.000)		
Village has a dominant surname (=1)				-0.018*** (0.006)	
Share of population with the dominant surname					-0.035*** (0.009)
Constant	0.074*** (0.002)	-1.453** (0.564)	-1.524** (0.704)	0.094*** (0.006)	0.092*** (0.005)
Observations	634	413	459	418	313
R-squared	0.015	0.017	0.010	0.024	0.039

Note: Robust standard errors. The baseline group for the main household fuel type in Panel A Column (2) is natural gas or electricity. The denominator for population share in Panel A Columns (4) and (5) is the total population. The definition of regular residents is the ones who (a) have Hukou elsewhere but have lived in the current place for more than six months, (b) have Hukou here and currently live here, or (c) have Hukou here and have been living elsewhere for less than six months. The definition of migrants is the ones who have Hukou elsewhere and have lived in the current place for less than six months.

We further confirm the rural premium in gift shares. In addition to the urban dummy (Panel A Column 1), we also use the information on the type of household fuel (Column 2). Firewood, biogas, and coal are more likely to be used by rural households, and the omitted group is electricity and natural gas, which is more common among urban households. Rural areas are also associated with lower population densities and a higher share of local residents (Columns 3-5). In all variants, we find consistent evidence that rural areas spend more on gifts.

Another important predictor is how closed the community is. Ethnic clusters have a 2% large gift share (Panel B Column 1). Areas that got a TV or phone connection later had a higher share (Columns 3 and 4). Interestingly, social networks maintained by gift exchanges seem to be a substitute for kinship. In villages with a dominant surname and a large share of residents with the dominant surname, the gift share is lower. This suggests that this type of network is looser than kinship networks. Intuitively, ostracism by a kinship network is a much harsher punishment for violating common rules and values than by a network that is not entirely bound by blood. Thus, to maintain this type of social network, people need to take other costly actions, such as showing up at weddings and funerals and contributing cash gifts.

Table 8 presents household-level predictors. We find that households that follow more traditional values tend to send more gifts, i.e., the households that have a family genealogy book or have annual ancestor veneration events. They also tend to have more social interactions in general: more visits to friends and relatives during the Chinese New Year, more likely to hang out with, share food with, and help out neighbors.

Finally, Table 9 presents individual-level predictors. We further confirm the local and rural premiums in Columns (1) and (2). We also find that people with more siblings send more gifts, especially so if their siblings are living close by (Columns 2 and 3). Language matters too: people who think that local dialects are important in communication spend more on gifts (Column 4). These can be symptoms of closed communities, but also individual choices.

Two other individual-level features stand out. We find that people who were ever married spend more on gifts. This is intuitive since a household of two will likely generate more social connections and the need to attend more social events, than singles. Finally, people who have an urban pension spend less. This suggests that there is a substitution between the support provided by social networks and the support provided by the state. We will provide more evidence on the insurance effect of social ties in the next section.

Table 8: Household-level predictors of the share of expenditure on gifts (CFPS 2010)

Outcome variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Share of expenditure on gifts						
Has a family genealogy book	0.011*** (0.004)						
Had an annual ancestor veneration event		0.009*** (0.003)					
Number of relatives visited in the new year			0.002*** (0.000)				
Number of friends visited in the new year				0.001*** (0.000)			
Hangout with neighbors (=1)					0.022*** (0.004)		
Share gifts and food with neighbor (=1)						0.009** (0.004)	
Help out neighbors or receive help (=1)							0.006* (0.003)
Constant	0.080*** (0.002)	0.077*** (0.003)	0.072*** (0.002)	0.079*** (0.002)	0.079*** (0.002)	0.082*** (0.002)	0.081*** (0.002)
Observations	12,777	12,834	12,796	12,771	12,836	12,836	12,836
R-squared	0.003	0.002	0.021	0.009	0.008	0.001	0.001

Note: Standard errors are clustered at the community level.

Table 9: Individual-level predictors of the share of expenditure on gifts (CFPS 2010)

Outcome variable:	(1)	(2)	(3)	(4)	(5)	(6)
	Share of expenditure on gifts					
Has a local Hukou (=1)	0.022*** (0.004)					
Hukou type is urban (=1)	-0.015*** (0.003)					
Number of siblings, total		0.003*** (0.001)				
Number of siblings, living next door			0.012*** (0.004)			
Number of siblings, living in the same county (and not living next door)			0.004*** (0.001)			
Number of siblings, living in different counties			-0.001 (0.001)			
Opinion: Mandarin is important in communication (=1)				-0.002* (0.001)		
Opinion: Dialect is important in communication (=1)				0.003*** (0.001)		
Married, with a spouse					0.007*** (0.002)	
Cohabiting					-0.002 (0.010)	
Divorced					-0.009 (0.006)	
Widowed					0.009** (0.004)	
Have urban pension (=1)						-0.016*** (0.003)
Constant	0.067*** (0.004)	0.074*** (0.003)	0.076*** (0.003)	0.079*** (0.007)	0.076*** (0.003)	0.083*** (0.003)
Observations	29,253	29,129	29,460	29,151	29,455	21,966
R-squared	0.011	0.004	0.008	0.003	0.001	0.004

Note: Standard errors are clustered at the community level. The baseline group in Column (5) is single.

Overall, we identified the following determinants of gift expenditure. Closed, more traditional communities and communities that have more social interactions spend more on gifts, and the network maintained by gift-exchanging relationships provides support somewhere in between support provided by kinship and support provided by the state. Thus, we would expect that the demand for such a network may evolve over time, depending on the benefits and the costs of maintaining this network. We will discuss these issues in the following sections.

5 Testing for purpose of gifts

We have shown that gifts are common and costly and that gift expenses vary. In this section, we investigate different hypothesis on the functionality of the social ties that involves gift exchanges.

5.1 Insurance and access to markets

All kinds of issues arise in daily life. To solve them, one can rely on formal institutions and markets, or social ties. In this section, we provide evidence of how social network provides insurance and access to different types of resources.

Legal issues Police, courts, and all other parts of legal institutions and government forces can appear intimidating if one does not have much knowledge of them or has no access to professionals who do. Figures 3 and 4 show that there are substantial shares of the population who are unfamiliar with the legal system, and people in rural areas know even less than the ones in urban areas. For example, about 20% of rural residents have zero basic knowledge of law, and about 50% of them do not know how to seek legal assistance. They also know very little or nothing at all about the function of the police, prosecutors, and courts, or how to find a lawyer, file a lawsuit, or appeal.

Figure 3: Rural residents are less familiar with the legal system (CGSS 2010)

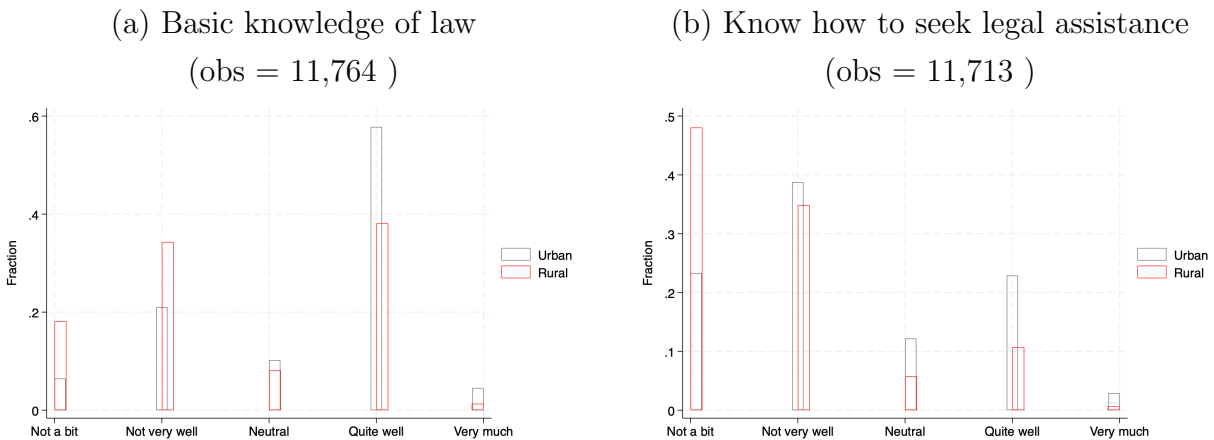
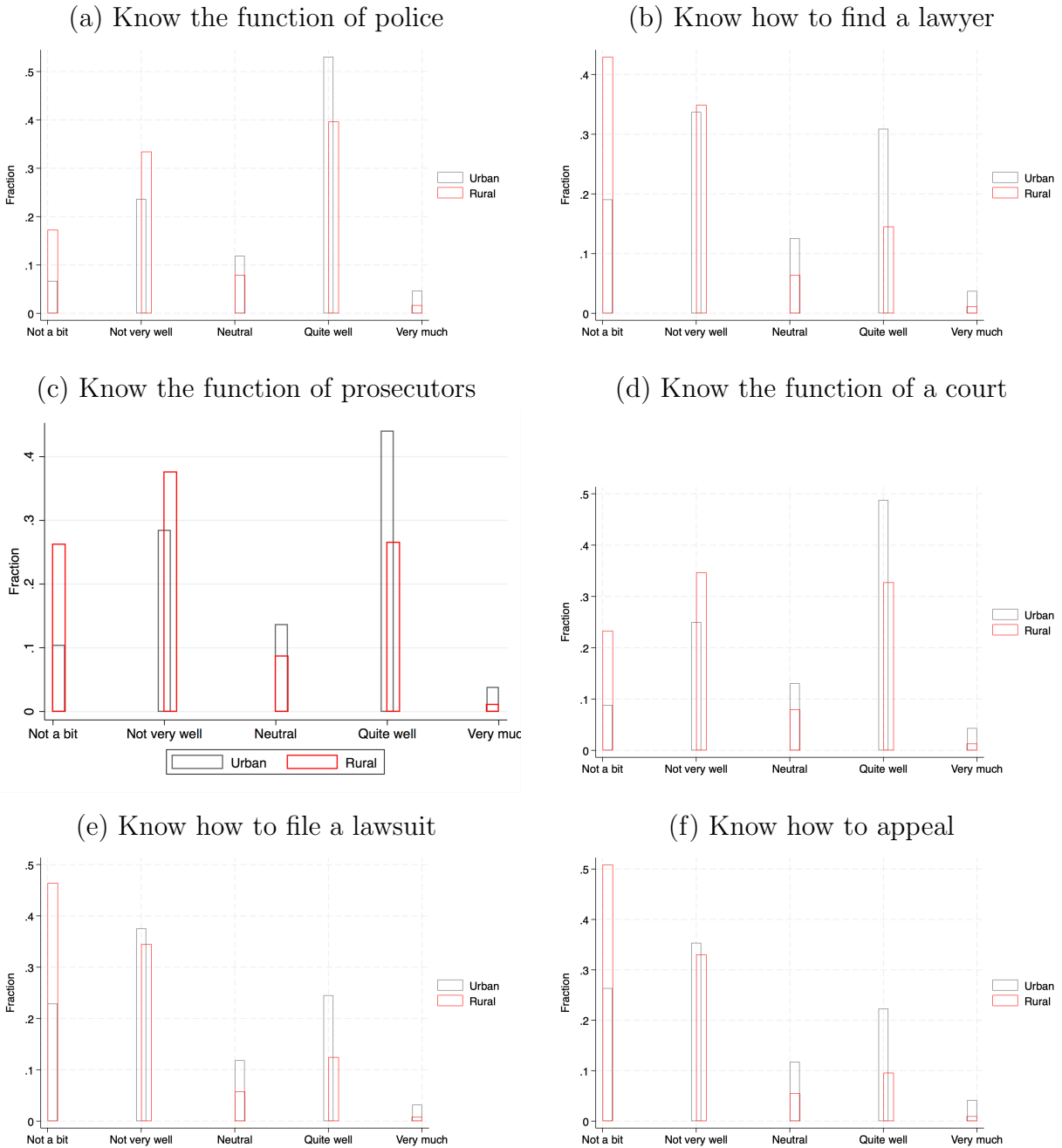
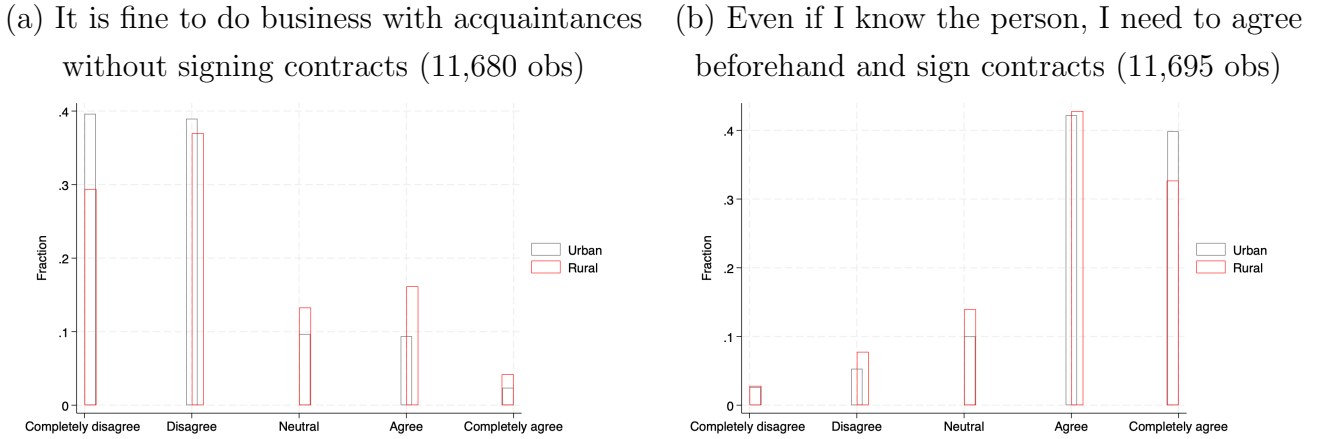


Figure 4: Rural residents are less familiar with the legal system, continued (CGSS 2010)



As a result, contracts that are enforceable by law are not always used when doing business (Figure 5). A substantial share of the population thinks that it is ok to do business with acquaintances without signing a contract, and this opinion is more popular among rural residents.

Figure 5: Rural residents are less likely to sign contracts when doing business with friends (CGSS 2010)



Borrowing money A second type of adverse shock in life requires funds. When in urgent need of money, households that face liquidity constraints need to obtain loans from any source possible. Table 10 tabulates the first-choice source for loans, separately for rural and urban areas.

Overall, relatives and friends come to the rescue before formal financial institutions. In addition, rural residents are more likely to approach relatives as their first choice than urban ones. They are also more likely to use individual or private loan institutions, which may charge higher interest rates.

The reliance on local social ties for loans is directly linked to gift expenses. Table 11 shows that for households who choose relatives as their top choice for loans, they on average spend 0.5 percentage points more of their overall expenditure on gifts, and are 3% more likely to engage in gift exchanging.

Table 10: First-choice source to approach if needed to borrow money (CFPS 2014)

Potential source of loans	All	Urban	Rural
Relatives	59%	56%	61%
Friends	6%	6%	5%
Bank	21%	22%	21%
Formal financial institutions other than bank	0.2%	0.2%	0.1%
Individual or private loan institution	0.7%	0.5%	1%
Will not borrow money in any condition	13%	15%	12%
N	13,236	6,484	6,752

Table 11: Households relying more on relatives for loans spend more on gifts (CFPS 2014)

Outcome variable	Log(gift expenditure)		I(sent gift=1)	
I(relative as the top=1)	0.005**	0.004**	0.032***	0.037***
	(0.002)	(0.002)	(0.010)	(0.009)
Log family income	-0.000	0.001	0.049***	0.046***
	(0.001)	(0.001)	(0.004)	(0.004)
Constant	0.070***	0.060***	0.282***	0.319***
	(0.011)	(0.010)	(0.046)	(0.041)
Fixed effects	Province	County	Province	County
Observations	12,653	12,505	12,658	12,510
R-squared	0.064	0.148	0.063	0.163

Note: Standard errors are clustered at the community level.

Job search Connections can help job searches too (Table 12). Among the 1,344 respondents who recently searched for jobs, more than two-thirds received help in getting information about positions, and about one-third received help from others who used their connections to contact employers directly. About 10% received help in other formats: solving detailed problems, submitting applications, getting financial support, and helping organize application materials.

Table 12: What kind of help do you receive in job search (CGSS 2008)

Type of help provided	# obs	Probability
Provide information of positions	1,344	69%
Use connections to get direct referrals	1,342	29%
Solve specific problems in job search	1,341	13%
Help submit applications	1,344	12%
Provide financial support	1,340	10%
Help organize application materials	1,340	7%
Other	1,341	2%

Among the key help providers, about 35% are family, and 28% are friends. Importantly, relatives comprise of 17%. In addition, the social network extends beyond the direct help provider and the job candidate. 64% of key help providers used their connections to help, and 28% of connections are relatives.

Table 13: Family and relatives as key help providers (CGSS 2008)

Key help provider (1,347 obs)	Pct.	Key help provider	Pct.
Family	35%	People from the same hometown	4%
Friends	28%	Former schoolmates	3%
Relatives	17%	Colleagues	1%
Acquaintances	9%	Other	1%

The type of connections that the key help provider used (Connection of connections, 1,342 obs)	Pct.
Relatives	18%
Non-relatives	47%
Oneself	36%

Migration help Another direct benefit of social networks is to provide help in migration. In addition to help with job searches, migrants also need temporary accommodation before they settle down. Table 14 shows that for people who received local reception on their first migration trip, the household spends one percentage point higher in gift shares.

Table 14: Higher gift share is associated with help when first migrated (CFPS 2010)

Outcome variable:	(1)	(2)
	Share of expenditure on gifts	
Had local reception when migrating the first time	0.010** (0.005)	0.010** (0.005)
Constant	0.084*** (0.004)	0.085*** (0.002)
Village FE		Y
Observations	3,462	3,383
R-squared	0.003	0.315

Note: Standard errors are clustered at the community level.

Medical services, schooling, and other favors People might need help from the social network with other issues. Table 15 shows that in addition to a 32% probability of needing a loan, and a 7% probability of needing help during a job search, an average household also faces a 6% probability of needing help when making a schooling choice for their children, 11% for medical service, and 3% for their children’s job hunt.

Table 15: Ever asked for favors for the following issues (CFPS 2010)

	N	mean
Borrowing money	33,598	0.32
Schooling choice for children	33,598	0.06
Medical care	33,598	0.11
Job search	33,598	0.07
Job search for children	33,598	0.03

Table 16 details the relationship with the person rendering favors, for rural and urban residents. While both rural and urban residents rely a lot on relatives, urban residents also rely heavily on friends.

Table 16: Relationship with the person rendering favor (CFPS 2010)

	(1)	(2)	(3)	(4)	(5)
	N	Relatives	Friends	Family	Other
Panel A: Rural					
Borrowing money	6,554	0.60	0.25	0.10	0.04
Schooling choice for children	881	0.50	0.31	0.12	0.07
Medical care	2,068	0.52	0.29	0.10	0.09
Job search	1,037	0.28	0.63	0.06	0.03
Job search for children	345	0.57	0.30	0.07	0.06
Panel B: Urban					
Borrowing money	4,015	0.54	0.31	0.11	0.03
Schooling choice for children	840	0.34	0.53	0.08	0.05
Medical care	1,507	0.40	0.46	0.08	0.06
Job search	1,072	0.30	0.62	0.04	0.05
Job search for children	354	0.38	0.50	0.03	0.08

Overall, we find social connections useful in all aspects of life. Social networks provide support to households that do not have sufficient access to formal institutions and facilitate risk sharing. Thus, they serve direct economic functions.

5.2 Utility and social capital

Social interactions can generate direct utilities too. Table 17 shows the correlation between the strength of a person’s social ties and their happiness level. We find that people who interact with friends and relatives more closely also report a higher happiness level, even when controlling for income levels (Columns 2 and 3), family size (Column 4), and access to formal social insurance (Column 5).

Table 17: Interaction with friends and relatives are mentally healthy (CGSS 2005)

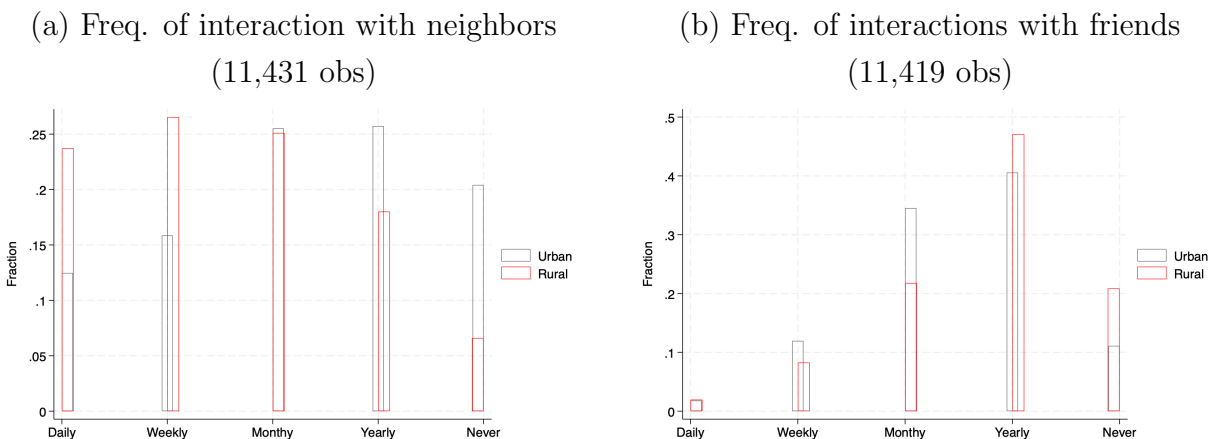
Outcome variable	(1)	(2)	(3)	(4)	(5)
	Happiness level				
Not close	-0.10 (0.31)	-0.19 (0.34)	-0.16 (0.32)	-0.10 (0.31)	0.37 (0.45)
Moderate	0.55* (0.29)	0.37 (0.32)	0.34 (0.30)	0.56* (0.29)	1.06** (0.43)
Close	1.17*** (0.29)	1.02*** (0.32)	0.96*** (0.30)	1.18*** (0.29)	1.77*** (0.42)
Very close	1.39*** (0.30)	1.24*** (0.33)	1.17*** (0.31)	1.39*** (0.30)	2.04*** (0.43)
Log personal income		0.32*** (0.02)			
Log family income			0.47*** (0.02)		
Family size				0.02 (0.01)	
Have access to social insurance					0.18*** (0.05)
Constant	5.17*** (0.29)	2.55*** (0.36)	0.92*** (0.35)	5.10*** (0.29)	4.62*** (0.42)
Observations	10,372	9,470	9,685	10,372	6,012
R-squared	0.04	0.07	0.09	0.04	0.05

Note: Standard errors are clustered at the community level.

Rural residents’ social networks are more likely to be restricted by geographic distance. Rural residents interact more frequently with neighbors, while urban residents interact more frequently with friends (Table 6). While friends can be located across a larger space, neighbors are physically

close.

Figure 6: Rural residents interact more with neighbors, rather than friends (CGSS 2013)



We also present direct evidence of the correlation between household gift expenditures, trust, and subjective well-being Table 18 Panel A shows that a higher share of expenditure on gifts is associated with more trust in colleagues, civil servants, businessman, and people from their hometown. At the same time, the gift share is uncorrelated with trust in family, relatives, and friends (Panel B). This suggests that people in general have high trust in their close friends and family circle, and higher gift shares are correlated with higher trust outside this circle, i.e., general trust levels.

More gifts are also associated with a higher subjective evaluation of well-being, especially within a community. Table 19 includes a set of self-reported well-being measures: Columns (1) and (2) on "What is your evaluation of your income level in your local area," Columns (3) and (4) on "What is your evaluation of your social status in your local area," Columns (5) and (6) on "How satisfied are you with your life," and Columns (7) and (8) on "How optimistic and confidence do you feel about your future."

In Columns (1), (3), (5), and (7), we regress the subjective well-being measures on the average share of expenditure on gifts in the community, and in Columns (2), (4), (6), and (8), we regress them on the household share of expenditure of gifts, controlling for community fixed effects. We find that regional gift shares are largely uncorrelated with subjective well-being, suggesting that people in regions that spend more on gifts are not necessarily happier. However, within a community, higher gift shares are associated with people feeling better about themselves.

We interpret this finding as a piece of evidence of the gift exchanges as a local status good. Being invited to a social event is indeed costly since one needs to contribute cash gifts. However, it is also a signal that one is popular in the local community and has close enough relationships with a lot of people to get invited to multiple events. In this sense, gift expenditure is a sweet burden.

Table 18: More gifts are associated with high trusts outside the family and friend circle (CGSS 2010)

Panel A	(1)	(2)	(3)	(4)
Outcome variable	Share of expenditure on gifts			
Trust on colleagues	0.005*** (0.002)			
Trust on civil servants		0.005*** (0.002)		
Trust on businessman			0.008*** (0.003)	
Trust on people from the same hometown				0.008*** (0.002)
Constant	0.069*** (0.001)	0.070*** (0.001)	0.070*** (0.001)	0.068*** (0.001)
Observations	9,440	9,783	9,796	9,770
R-squared	0.001	0.001	0.001	0.002
Panel B	(1)	(2)	(3)	(4)
Outcome variable	Share of expenditure on gifts			
Trust on family	-0.005 (0.008)			
Trust on relatives		0.002 (0.003)		
Trust on friends			0.002 (0.002)	
Trust on former schoolmates				0.003* (0.002)
Constant	0.077*** (0.008)	0.070*** (0.003)	0.070*** (0.002)	0.069*** (0.001)
Observations	9,832	9,829	9,812	9,473
R-squared	0.000	0.000	0.000	0.000

Note: Robust standard errors.

Table 19: More gifts are associated with high subjective well-being within the community (CFPS 2010)

Outcome variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Income level		Social status		Life satisfaction		Optimistic about future	
Average share of exp. on gifts	0.682*		0.256		-0.124		-0.050	
	(0.364)		(0.365)		(0.381)		(0.377)	
Household share of exp. on gifts		0.310***		0.503***		0.361***		0.281**
		(0.118)		(0.101)		(0.111)		(0.113)
Log family income	0.186***	0.218***	0.096***	0.121***	0.137***	0.162***	0.083***	0.109***
	(0.019)	(0.013)	(0.014)	(0.011)	(0.013)	(0.013)	(0.013)	(0.013)
Age	0.002**	0.003***	0.006***	0.007***	0.004***	0.004***	-0.013***	-0.013***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Years of schooling	0.029***	0.039***	0.016***	0.027***	0.002	0.001	0.016***	0.014***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Urban status	-0.255***		-0.268***		-0.115***		-0.085**	
	(0.033)		(0.038)		(0.035)		(0.036)	
Constant	0.141	-0.415***	1.526***	0.978***	1.996***	1.639***	3.366***	3.028***
	(0.205)	(0.134)	(0.153)	(0.126)	(0.139)	(0.140)	(0.145)	(0.141)
Observations	26,797	26,797	29,295	29,295	29,406	29,406	29,348	29,348
R-squared	0.061	0.168	0.030	0.160	0.021	0.117	0.064	0.174

Note: Standard errors are clustered at the community level.

5.3 Cultural norm or corruption?

In previous sections, we presented evidence on how social networks serve functions of formal institutions and markets. How do people think about these issues? Do people view it as part of the culture or as the necessary means in the face of malfunctioning formal systems and corruption?

Table 20 presents some of the views on social connections. People vastly believe the prevalence of using social connections for favors: 66% of the respondents agree that using social connections is very common, and 70% report that stronger connections make things much easier. In terms of culture, about 45% of the respondents think that it is a Chinese tradition, and only 34% of them think that using social connections to get favors does not violate the principle of fairness. In contrast, 61% of the respondents think that the need to use connections is because one cannot rely on one's ability alone to navigate the system. Thus, the results suggest that more people view the need to use connections as a response to lack of other formal means, than viewing it as part of cultural norms.

While about half of people report that using networks violates the principle of fairness, more than half of respondents are ready to perform some form of nepotism themselves. When asked about recruiting, 58% of survey respondents report that they would prefer their friends and relatives over

better-qualified candidates whom they have no personal connections with. Group identity is strong arising from geographic areas: 79% of respondents report that they will share a sense of achievement with successful people from their regions (Table 21).

Table 20: View on social connections (CGSS 2008)

Questions	Agree	Neutral	Disagree	Obs
Everyone uses social connections to obtain favors	66%	14%	20%	5,875
Using social connections is a Chinese tradition	45%	19%	36%	5,810
It is only because individuals have limited ability	61%	20%	19%	5,867
It does not violate the principle of fairness	34%	17%	49%	5,829
You need to get ahead of others when using connections	50%	22%	28%	5,790
The stronger the connection, the easier the things are done	70%	16%	14%	5,826

Table 21: View on nepotism and group identity (CGSS 2008)

Questions	Agree	Neutral	Disagree	Obs
When recruiting, even if candidates I don't know personally have better qualifications, I would still hire the ones who are my relatives or friends	58%	14%	28%	3,009
If people from my hometown are doing well, I feel proud	79%	15%	6%	3,009

Previously we discussed the demand for favors. Here we want to further investigate the identity of the suppliers of favors and connect it to the gift-exchanging behavior.

The first thing to note is that the number of suppliers is much smaller than the number of people who demand favors. Table 22 shows the probability of an individual being asked to provide a favor in each scenario. While in Table 15, 32% of people asked favors to obtain loans, and 11% asked for help when obtaining medical care, only 24% were ever asked by others to provide loans, and 5% were asked to provide help for medical services. Other scenarios have similar patterns: schooling choice and job search for children, and one's job hunt.

Table 22: Was ever asked for favors for the following issues (CFPS 2010)

	N	mean
Borrowing money	33,598	0.24
Schooling choice for children	33,598	0.02
Medical care	33,598	0.05
Job search	33,598	0.05
Job search for children	33,598	0.01

The second observation is that general socio-economic factors matter for the ability to provide favors. Table 23 shows that being in a more prestigious occupation is associated with higher probabilities of being asked to provide favors for children’s schooling choices, access to medical services, and job search for children. At the same time, a higher family income is associated with a higher probability of being asked to give loans. Having a higher education level is especially useful in schooling issues. In addition, males are way more likely to be asked to perform one of these favors.

Table 23: Richer households, better occupations, more favors (CFPS 2010)

	(1)	(2)	(3)	(4)	(5)
	Borrowing	Schooling	Medical	Job	Job kids
Occupation reputation score	0.005 (0.007)	0.011*** (0.003)	0.013*** (0.004)	0.004 (0.005)	0.012*** (0.003)
Log family income	0.054*** (0.007)	0.008*** (0.002)	0.005 (0.003)	0.013*** (0.004)	0.008*** (0.002)
Years of schooling	0.004* (0.002)	0.003*** (0.001)	0.002* (0.001)	0.001 (0.001)	0.001** (0.001)
Age	-0.003*** (0.001)	0.001*** (0.000)	0.001** (0.000)	-0.002*** (0.000)	0.000*** (0.000)
Gender	0.086*** (0.010)	0.011*** (0.004)	0.011** (0.005)	0.024*** (0.006)	0.008** (0.003)
Constant	-0.249*** (0.081)	-0.166*** (0.031)	-0.090** (0.036)	-0.022 (0.053)	-0.149*** (0.030)
Observations	13,655	13,655	13,655	13,655	13,655
R-squared	0.040	0.073	0.042	0.052	0.031

Note: standard errors are clustered at the community level. The occupation reputation score is based on Treiman’s international prestige scale (SIOPS).

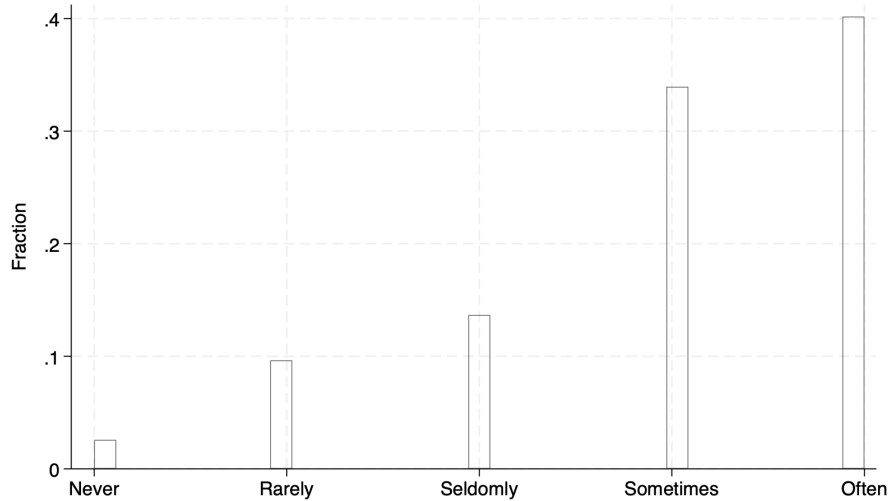
The third observation is more specific to the Chinese context. Table 24 shows that if one is employed by the public sector, one is way more likely to be asked for favors. This pattern holds even when controlling for age, personal income, and managerial positions. This is consistent with the fact that the state still controls a significant amount of resources in China, compared to the private sector.

Table 24: State-owned enterprises premium in rendering favor (CGSS 2010)

Outcome variable	(1)	(2)	(3)	(4)
	Was asked for favor related at the current position			
State-owned or collectively owned enterprise	0.064*** (0.016)	0.074*** (0.016)	0.050*** (0.017)	0.049*** (0.017)
Age		-0.003*** (0.001)	-0.002*** (0.001)	-0.002*** (0.001)
Log personal income			0.104*** (0.009)	0.065*** (0.010)
At a management role				0.213*** (0.021)
Constant	0.287*** (0.009)	0.413*** (0.028)	-0.658*** (0.096)	-0.318*** (0.100)
Observations	3,696	3,695	3,216	3,211
R-squared	0.004	0.010	0.054	0.090

Note: robust standard errors.

Figure 7: Distribution of view of people on how often people send gifts to public servants as bribery (CGSS 2015)



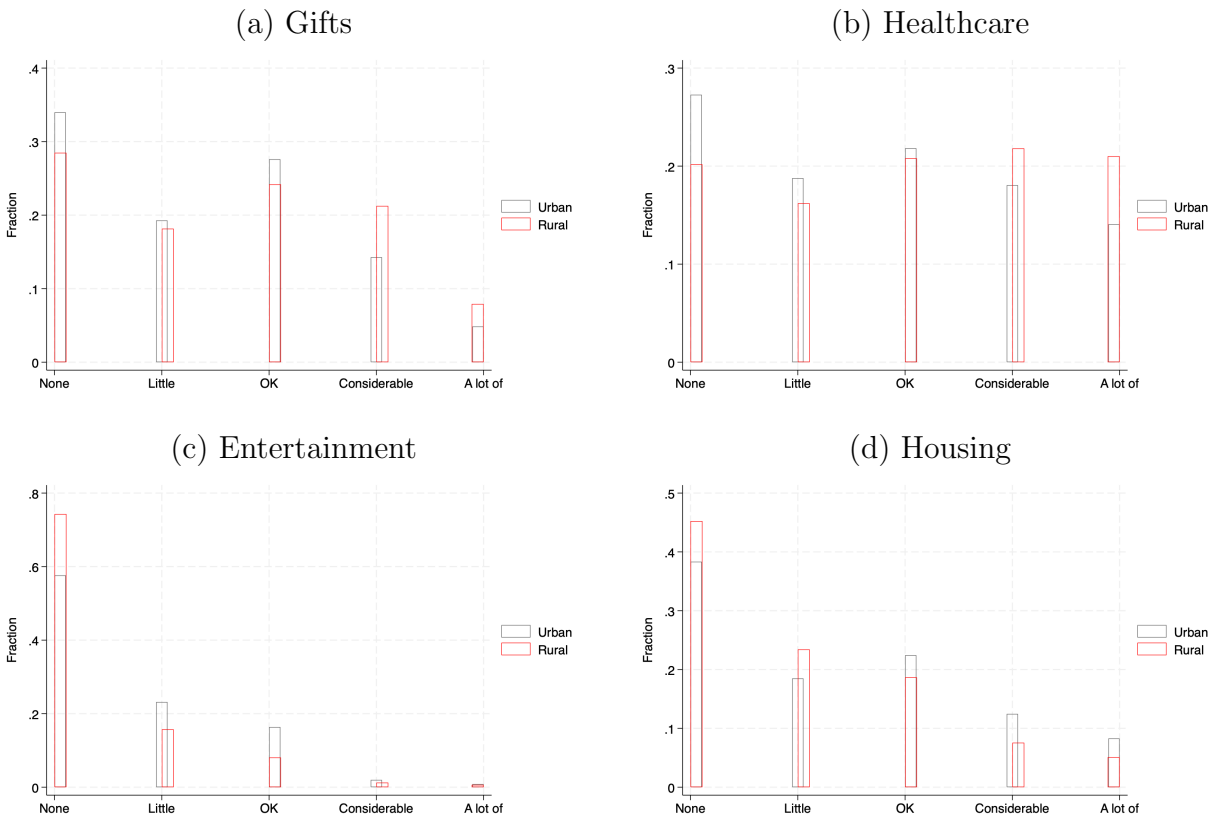
As a result, bribery is common. Figure 7 shows that more than 70% of the survey respondents agree that people send gifts to public servants as bribery at least sometimes, and about 40% of

them think this happens very often. One thing to note is that bribery can come in different shapes and forms. During the anti-corruption campaign in the 2010s, the Chinese government explicitly mentioned curbing the size of banquets and restricting the number of guests invited, among government officials. Going to the mayor’s daughter’s wedding and contributing cash gifts is not only something that the mayor’s friends want to do but also the ones who will potentially demand favors from the mayor in the future. However, while this motive for gift exchanges is highly possible, we do not provide any direct evidence in this paper. In future research, we will explore the potential spillover effect of the anti-corruption campaign on the general gift culture in China to shed more direct light on this hypothesis.

In sum, we provide evidence of the benefits of the gift-exchanging customs. We show that in addition to direct economic values, the customs also give direct utility and may create social capital. At the same time, with the change in economic and institutional environment, the size of the benefits may not justify its costs. We discuss the costs of gifts in the next section.

6 Cost of gifts

Figure 8: Rural residents are more likely to feel gifting as financial pressure (CGSS 2010)



As 6-8% of annual household expenditure, gift exchanges can easily become burdensome. Table 8 shows that more than 20% of households felt that gifting imposes considerable or a lot of financial pressures, and even more so among rural households who spend a higher share on gifts (Panel a). A potential concern is that given that rural households have low incomes, they might feel all expenditures are burdensome. However, this is not always true for other types of expenditures. For example, rural households also find healthcare burdensome, but urban households feel high pressures from entertainment and housing (Panels b, c, and d).

In addition to the indirect evidence from the rural-urban divide, Table 25 shows that a higher share of expenditure on gifts is correlated with higher financial pressure, even when controlling for family income, household size, and urban status.

Table 25: Higher expenditure share on gifts, higher financial pressure (CGSS 2010)

Outcome variable:	(1)	(2)	(3)	(4)
	Share of expenditure on gifts			
Little pressure	0.017*** (0.002)	0.018*** (0.002)	0.018*** (0.002)	0.018*** (0.002)
Moderate pressure	0.038*** (0.002)	0.038*** (0.002)	0.038*** (0.002)	0.038*** (0.002)
Considerable pressure	0.090*** (0.003)	0.090*** (0.003)	0.089*** (0.003)	0.088*** (0.003)
Severe pressure	0.131*** (0.006)	0.132*** (0.006)	0.131*** (0.006)	0.130*** (0.006)
Log family income		-0.002** (0.001)	-0.002** (0.001)	0.002* (0.001)
Household size			0.001 (0.001)	-0.001 (0.001)
Urban (=1)				-0.019*** (0.002)
Constant	0.035*** (0.001)	0.055*** (0.008)	0.053*** (0.009)	0.034*** (0.009)
Observations	9,779	8,922	8,922	8,922
R-squared	0.197	0.198	0.198	0.207

Note: Robust standard errors. The baseline group is "No pressure".

7 Dynamics of Gift Sharing in China

In previous sections, we presented cross-sectional evidence on the size of gifts, their benefits, and costs. These benefits and costs can change over time and change differentially across different regions. Table 26 shows that on average, there is a 0.5-percentage-point decline in the share of expenditure on gifts from 2010 to 2016 (Column 1). The pattern is robust to controlling for community fixed effects (Column 2) and household fixed effects (Column 3).

Table 26: Declines in gift share (CFPS 2010 and 2016)

	(1)	(2)	(3)
Outcome variable:	Share of expenditure on gifts		
Year 2016 (=1)	-0.005*** (0.002)	-0.005*** (0.002)	-0.005** (0.002)
Urban (=1)	-0.013*** (0.004)	-0.019*** (0.004)	-0.019*** (0.005)
Constant	0.089*** (0.003)	0.092*** (0.002)	0.092*** (0.002)
Fixed effects		Community	Household
Observations	25,489	25,489	22,511
R-squared	0.007	0.193	0.582

Note: standard errors clustered at the community level.

Another interesting pattern is that the direct utility of gift-giving has been declining too. In Table 27, we run the same regressions as in Table 19 by using the 2016 sample. We find that in contrast to 2010, in 2016, although there are still social status values locally for high gift expenses (Column 4), higher gift shares no longer have a significant effect on self-perceived income status, life satisfaction, and optimism about the future (Columns 2, 6, and 8). This is suggestive of a declining relational society when communities become more connected to the outside world, or the improvement in the quality of formal institutions. In our sister paper, Tian and Xia (2024), we show that declining cash gift expenditures were partially driven by an increase in internal migration followed by the relaxation of the Hukou system in China. We will also investigate the role of the improvement of the quality of formal institutions (e.g., from anti-corruption campaigns) in future work.

Table 27: Declining utility from high gift expenditure shares (CFPS 2016)

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Income level		Social status		Life satisfaction		Optimistic about future	
Average share of exp. on gifts	-0.270 (0.346)		-0.080 (0.324)		-0.137 (0.319)		-0.100 (0.295)	
Household share of exp. on gifts		0.076 (0.153)		0.415*** (0.144)		0.205 (0.127)		0.049 (0.129)
Log family income	0.153*** (0.015)	0.179*** (0.013)	0.056*** (0.015)	0.082*** (0.013)	0.105*** (0.013)	0.117*** (0.012)	0.082*** (0.012)	0.097*** (0.013)
Age	0.005*** (0.001)	0.007*** (0.001)	0.011*** (0.001)	0.013*** (0.001)	0.007*** (0.001)	0.006*** (0.001)	-0.003*** (0.001)	-0.003*** (0.001)
Years of schooling	0.014*** (0.004)	0.020*** (0.004)	-0.005 (0.003)	0.003 (0.003)	-0.021*** (0.003)	-0.024*** (0.003)	0.005** (0.003)	0.002 (0.003)
Urban status	-0.166*** (0.030)	-0.043 (0.047)	-0.139*** (0.031)	-0.043 (0.049)	0.046 (0.029)	0.038 (0.039)	-0.035 (0.028)	0.061 (0.044)
Constant	0.508*** (0.185)	0.007 (0.162)	1.813*** (0.175)	1.326*** (0.147)	2.371*** (0.153)	2.292*** (0.145)	3.165*** (0.143)	2.960*** (0.143)
Observations	23,331	23,330	25,259	25,259	25,323	25,323	25,286	25,286
R-squared	0.030	0.113	0.037	0.131	0.028	0.109	0.012	0.086

8 Conclusion

In this paper, we provide a comprehensive depiction of the customs of gift-giving in China. We present evidence on its scale, analyze its cost and benefits, and show the changes over time. We view the discussion of these pieces of evidence as an essential first step in exploring this important and understudied topic, and we explore various policy and general societal changes to provide a causal analysis of its changes in our other works.

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