

# Scope, Roles and Visions of Swedish Foundations

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Sweden has a long and rich foundation history, but foundations are today also found in the midst of a number of challenging societal transformations. Excluding the absolutely smallest, some 15 000 larger foundations operate in a wide variety of fields. I will here focus on the approximately 11 500 larger public benefit foundations. Excluded are “labour-market” foundations and very small foundations. In Sweden, foundations are grant-making as well as operating and can be administered either autonomously by their own board or through another organisation’s board. They represent an important share of nonprofit sector expenditures and their economic importance will be further highlighted. However, foundations are not only of economic interest. The dominant role for Swedish foundations seems to be one of *complementarity* to the public sector. Foundations *substituting* public welfare arrangements are less frequent. Other roles discussed are *organisational tools* and *governance instruments* for economic control and ideological governance. Foundations are created by wealthy people and often rooted in a more conservative or liberal tradition. Still, segments of the foundation population today can be understood as *embedded in a social-democratic vision*. Also identified are a number of *alternative visions*, among which the strongest is a *liberal vision*.

## History

It is crucial to recognize the level of economic surplus created as maybe the most important factor to explain the existence of foundations. Sweden was earlier a poor country, but thanks to natural resources in abundance and the capacity to process them locally, the economic situation changed during the industrialization. The country has further been able to stay out of all major recent wars and has remained constitutionally independent. As a consequence, economic wealth has been accumulated and retained nationally. Initially private but, as a result of the Social-Democrats’ dominance in government and subsequent high-tax regimes during the 20th century, economic wealth also found its way into the public sector, with consequences for the establishment of foundations. The position of foundations has undergone periods of change and three principal historical developments of importance will be outlined in brief.

The Reformation lead to a somewhat different situation compared to many other countries. Elsewhere, the Catholic Church and its various educational and care

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institutions have been involved in the development of society. The Catholic Church and a number of associated fraternities and monastic orders were active also in Sweden at least from the 12<sup>th</sup> century (Härdelin 1998). Through the Reformation, property of the Church was confiscated and brought in under the control of the Crown. When a religious monopoly is granted the new national church in 1593, the only major independent force outside of the nation state is forced to leave the country. Not until the 1990s, following an increased Catholic immigration, has the Church returned in some force. Through the Reformation, all social and charitable institutions of the Catholic Church were transferred to the Swedish Crown. These organisations were the institutional seeds - in education, social services and health care -to become part and parcel of the young nation state, and later integrated into the welfare state.

During the rise of the institutional 'social democratic' welfare state regime in the second half of the 20<sup>th</sup> century, social rights were extended also to the new middle classes in Sweden (Esping-Andersen 1990, p. 27). General welfare programs were developed to satisfy all groups and delivered by the public sector. Only in a few limited welfare fields, such as rehabilitation of drug-abusers or adult education, are other major providers than public bodies found (Lundström and Wijkström 1997; Stenius 1999). Sometimes, nonprofit actors are described as an avant-garde, as for example argued by the historian Per Wisselgren (2000) in his excellent analysis of the role of the Loren Foundation in the early years of the budding social sciences in the late 19<sup>th</sup> century. The most obvious picture, however, of private nonprofit institutions in welfare provision during the 20<sup>th</sup> century is one of small marginal providers of either limited services or economic support. This marginal or complementary position seems to be the result of two processes. The first concerns older institutions that, from an earlier strong position, subsequently are turned into marginal providers. The other process refers to education or social welfare foundations created later, when a comprehensive public welfare system already is established. These new actors were created in relation to an already dominant system as part and parcel of their very birth. Charters, structures, and boards were adapted accordingly. We thus have a situation where either earlier foundation arrangements are transformed, or later foundations have developed, into marginal actors.

Finally, the foundation is a nonprofit organisational form. The other major form found in Swedish civil society is the modern association, often referred to as the popular movement association (*folkrörelseföreningen*). During the 20<sup>th</sup> century, a popular movement tradition has emerged as the most dominant civil society paradigm. It has in many situations replaced other forms as *the* form in which to organize nonprofit or voluntary activity and the foundations are not easily integrated. Sometimes they have even been understood as in opposition to the popular movements. Often, this understanding has had to do with the people or values associated with foundations sometimes seen as power instruments, or insignias, of the wealthier segments of the population. Also the non-democratic and member-less character of the foundation are viewed negatively in legalisation as well as in public debate (Wijkström and Lundström 2002; Hvenmark and Wijkström 2004; Wijkström, Einarsson et al. 2004).

Katarina Olsson, as one of the prominent foundation scholars, argues that the general attitude in Sweden towards foundations is one of positive colours. She claims that the general attitude in Sweden is that "foundations are something good and beneficial for society at large" (Olsson 1996, p. 437) which might ring true when talking to the woman or man on the street. But this is only part of the story. When studying historical material from the debates on foundations in *Riksdagen* (the Parliament) or in the legislative processes, critique of foundations seems to be framed in one of three major approaches. The first is (1) one of *suspicion* of selfishness and misuse of foundations; the other is (2) an *irritation* with the existence of inefficiency and inflexibility associated with foundations; while the third could be expressed (3) in terms of a *disagreement* over the use of foundations as instruments of power (Wijkström, forthcoming).

## Foundations of the state

During the 1990s, a couple of developments added to this discontent or suspicion. Firstly, we can notice a growing irritation with the unrestricted number of appropriation foundations set up by public sector bodies. Secondly, the political battles around the wage-earner-fund foundations have resulted in an increased and critical debate.

A special form of foundation was discussed prior to the foundation law, but never instated. The appropriation foundation (*anslagsstiftelse*) – as it was proposed – was not required to receive an endowment to sustain its purpose but instead to rely on annual grants or appropriations. A number of already existing operating foundations in Sweden have this character, many of them established by public sector bodies. This form was earlier popular within government, but subsequently seen as decreasing the "governmentability" of government. Established by earlier governments but binding also future ones, they were understood to limit the possibilities of new governments to implement their politics. Foundations were not considered flexible enough for a political system. A number of agencies issued strong recommendations against government use of foundations in general, and the appropriation form in particular. (Riksrevisionsverket 1990; SOU 1994; Statskontoret 1997; Riksdagensrevisorer 2000).

The wage-earner funds were established in 1984 to transfer profits from large and successful corporations. Three main purposes were expressed. The funds should: (1) contribute to a more fair distribution of income among different groups in society; (2) reduce the trend that large corporate profits tend to lead to an increased wage drift and a following inflation; and (3) counter-act an increased demand for venture capital. Needless to say, the creation of these funds by a Social-Democratic government met with severe criticism from liberals and conservatives. The right-wing government in power 1991-1994 dissolved the funds and transferred the resources to a number of independent foundations with almost 2 billion as their endowment. Two were earlier public sector universities transferred into private operating foundations. The official reasons given by the conservative government

were that foundations allowed for a more flexible way to organise and operate, and that the foundation form already was well tested in managing and distributing resources for research. Later, it was also argued that the independent position of the foundations and the fact that they were so tightly bound by their original missions were to secure stability and a long-term perspective. During late 1993 and early 1994 it became clear that the assets from the former funds had increased in value and another seven foundations were created (Riksdagensrevisorerna 2000, p. 41).

The wage-earner fund foundations (*löntagarfundsstiftelserna*) have been hotly contested ever since they were established. In a number of steps, new Social-Democratic governments have also tried to revoke or at least change the original decisions. A first attempt was launched to dissolve them and in another attempt, government tried to change the purposes of the foundations. Both of these attempts failed. In 1994, the new Social-Democratic government also met with representatives from the new foundations to persuade them to promise to contribute resources to compensate for cut-downs to come in the state research budget. None of the boards were at that time willing to comply. It would be to violate the conditions for the boards, as expressed in the provisions of the foundations. In another initiative, however, the selection process for board members was changed. Earlier self-generating boards are now appointed by government (Riksdagensrevisorerna 2000, pp. 28-32).

The influence and resources of these foundations have also spurred increased activity in re-drawing the map of responsibilities in the academic world. A special committee in a proposal suggested an increase of the percentage of general university overhead costs to be shifted to external financiers like the new foundations. The new foundations have agreed and more is expected to follow (REF?). The political and ideological battle around these foundations, as well as this latter following debate on who should finance the public universities and their administration, stand at the very centre of a transformation and shift of responsibilities where both the role and governance of foundations are central.

## Legal

Never before regulated in law, the most important recent legal event for foundations is the introduction of a Foundation Law (1996:1220) understood as a codification of existing case law and previous legal doctrine. A foundation exists only if: (1) an asset or property (2) has been set aside from the donor(s) (3) to be administered separately and permanently (4) with the aim to serve a specific purpose. A Swedish foundation can have no owners or members, but is described as "self-owning" (*självägande*). A foundation must have a board and the word *stiftelse* in the official name. The law also requires larger foundations or foundations operating some kind of business to report to and register with their County Administrative Board (*länsstyrelsen*). Foundations can further be administered through one of two arrangements: an autonomous board (*egen förvaltning*) or through the board of another institution (*anknuten förvaltning*), for example a municipality, a bank or an organisation like the Red Cross.

To receive tax-exempt status in Sweden, a foundation must belong to one of two categories: (1) charitable foundations or (2) the "Catalogue". To be considered charitable, a foundation must comply with three prerequisites. (a) First of all, its purpose should be considered "qualified" public good; (b) about 80 % of its income over a five-year-period should be spent; and (c) its main activity should be in line with the purpose stated. *Qualified* purposes include health care, the strengthening of the national defence, relief work among the needy, to further child care and upbringing or education, promotion of scientific research, and the furthering of cooperation between the Scandinavian countries (Law 1947:576). The "Catalogue" contains a number of institutions, for example the Nobel Foundation, with special tax privileges.

The law introduces several foundation types. The main form (*allmän stiftelse*) covers some 9000 of the larger foundations. A special form recognised is the new fund-raising foundation (*insamlingsstiftelse*). Unlike all other foundations, no initial donation is needed. A public call for donations suffices for it to carry legal capacity. Two other special types are the pension and personnel foundations (*tryggandestiftelserna*) found in a separate law from 1967. A pension foundation (*pensionsstiftelse*) is set up by an employer with the exclusive purpose of safeguarding a pension commitment to the employees, while a personnel foundation (*personalstiftelse*) is created for staff recreational purposes. Also the collective-agreement foundation (*kollektivavtalsstiftelse*) is recognised, based on an agreement between the employers and the trade unions, with the purpose to contribute to the economic security of the employees. Neither of these labour-market-related foundations are primarily set up for "public good" purposes and thus not dealt further with.

Approximately 2 000 Swedish foundations were also considered to be enterprise foundations (*näringsdrivande stiftelser*) in 2002, by the County Administration Boards. Foundations operating some kind of enterprise are particularly mentioned in the law and required to register, and they have also been the topic of some legal debate (see Olsson 1996 for an excellent overview). Leaning on Olsson's PhD thesis from 1996, enterprise foundations can be divided into three categories: (1) foundations with the explicit purpose to run some kind of enterprise; (2) foundations operating a facility to fulfil its mission; and (3) the *holding* foundation, where the foundation controls a substantial amount of a company's stock. Of the latter category, Olsson identifies two types where (a) the ownership of a corporation is important in itself, and the charitable purpose rather secondary, or (b) the official public good purpose is at the fore and the corporation is only an investment (Olsson 1996).

The enterprise foundation concept comes close to the international understanding of an operating foundation, although there is a difference. An enterprise foundation can, as defined by Olsson (1996), operate or be the owner of any kind of commercial activity or enterprise not necessarily connected to the purpose of the foundation. An enterprise foundation will only be defined as an operating foundation if the enterprise also is related to or part of the purpose of the foundation. Our estimate is that there were some 1 500 operating foundations in 2002, increasing in numbers during the final two decades of the 20<sup>th</sup> century.

## SIZE & STRUCTURE

An unknown number of foundations exist in Sweden in the early 21<sup>st</sup> century, but we can identify almost 15 000 larger foundations. Between 12 000 to 13 000 foundations existed already in the early 20<sup>th</sup> century, and by 1976 the estimate was 51 000 foundations with a combined wealth of € 2.4 billion. About 48 000 were classified as charitable (*ideella*) while the rest were “family” or labour-market foundations. A later survey found 16 169 foundations registered with the tax authorities in 1990, and some 1 500 new foundations were created in the period 1982-1988 (SOU 1995, pp. 56-57).

In December 2002, data on nearly 15 000 foundations were imported from the registers of the Swedish County Administration Boards into a research database at the Stockholm School of Economics. Their reported 2001 book-value assets were close to € 27 billion. Rough estimates of actual wealth (valued at market-prices instead of book value) arrive at least the double (Birath, Hallgren et al. 2001, p. 11), indicating total foundation wealth surpassing  $\approx$  50 billion. The wealth of the smaller foundations is still unknown but are unlikely to have aggregated book value assets of more than € 1,2 billion (Wijkström 2001).<sup>i</sup>

The Swedish foundation population can be divided into three major sub-populations along two main dividing lines (table 1). The *first* line (horizontal) is drawn between “public good” foundations on the one hand, and more narrowly defined “labour-market” foundations on the other. Approximately 3000 labour-market foundations control a substantial part of the foundation wealth, close to € 12 billion (SEK 120 billion), representing some 44 % of total 2001 foundation wealth. The *second* dividing line (vertical) is separating autonomous foundations from those 6000 foundations administered through attached administration (*anknuten förvaltning*). Fields where we will find attached foundations are education, research and social services. However numerous, their combined assets represent only some 20 % of the foundation wealth, labour-market foundations excluded (Wijkström and Einarsson 2004).

Nearly 75 % of all existing foundations and more than 80 % of the 2001 assets originate in the 20<sup>th</sup> century. Emphasis shifts over time, in terms of fields where foundations are used. Education was at the heart of the foundation world before 1800, if we study the foundations from that period still in existence in the early 21<sup>st</sup> century. Second comes a group of social service foundations. In the following 50-year period (1800-1849) education is still a major field. But social services foundations have stepped forward as the charity champion of the foundations from that period. In the next period, 1850-1899, the map shifts, and research is at the top of the list for the first time. One reason is the creation of the internationally reknown Nobel Foundation in 1895, with more than € 320 million in book-value assets as of 2001. With this foundation excluded, social services dominate the picture, and more than 200 education foundations come in second. In conclusion, apart from a couple of major donations, what’s left of Swedish foundation world before 1900 in the 21<sup>st</sup>

century is dominated by a large number of relatively small foundations, primarily in education and social services.

During the 20<sup>th</sup> century, research is clearly the most popular field. Some 20 percent of new foundations established are research foundations, with combined assets representing 45 % of total public good foundation wealth as of 2001. This development is pronounced even further in 1980-2002. Approximately 3 800 new foundations were created in this period with a combined 2001 book value of some € 5.2 billion. The assets found in research foundations set up in these years well surpass 50 % of the total capital in this period. Still active in the 21<sup>st</sup> century are also some 2 500 social service foundations from the previous century, but they only hold some 15 % of total assets, which is similar to the field of education with some 1 600 foundations. However, an interesting development can be traced in education where there appears to be a downward trend in terms of relative number of foundations as well as in total foundation wealth. But these crude aggregated numbers seem to hide a more qualitative shift. During the 1980s and 1990s, an increasing number of operating foundations in primary, secondary as well as higher education are created (Wijkström and Einarsson 2004).

## ROLES

In general, foundations are not seen as a separate sector in Sweden. One and the same foundation and where it "belongs" is instead described in several different ways. We have to acknowledge the existence of *multiple roles*, existing simultaneously affecting the roles ascribed to them. Foundations are often understood in accordance with either (a) their type of institution (a museum or a school), or associated with (b) the particular activity they engage in, fund-raising or grant-making. Sometimes people also understand them as (c) part of the same field as the recipients of grants or services. This latter situation is relevant for understanding the SRF Foundation, clearly positioned within the movement for visually impaired people, according to Per-Arne Krantz at the board of the foundations. This is also true for the corporate foundation "*Idéer för Livet*", as this particular foundation was compared to an organisation like the Red Cross. The Gustav V Foundation, a royal foundation distributing cash-grants to youth organisations, is also clearly defined by its recipients, as described by its CEO Lennart Elbe:

We are definitely one actor among others in our field, the youth sector. The most important objective for us is to support nonprofit youth organisations. We are on the same half of the playing field as the nonprofit organisations engaged in those matters. I would be very sad if we are not seen as a part of the nonprofit youth sector.

Foundations are sometimes also associated with a particular "family" or "group" of other organisations. A family metaphor is for example used in the case of the Association for the Visually Impaired (SRF), when they describe the foundation as part of the "SRF Family", where the other two family members are the IRIS

Corporation owned by the foundation and the “Mother” Association itself (SRF 2000). This picture is also used by Carl-Göran Wallman, the CEO of the foundation *Sparbankstiftelsen Nya*:

The Savings Bank Foundations are like a family, especially the first eleven foundations; it is those that we call the Family. We have a very intimate cooperation with each other.

During a series of interviews, a number of foundation roles were discussed. A surprisingly strong common picture emerged, with foundations described as a complement to (welfare) state or municipality arrangements. None of the other roles received the same general support.

A couple of times we also rewardingly circled the distinction between complementary and substitution roles, in particular when tracing older foundations over time. Foundations in Sweden are not, as a rule, allowed to change their original mission. On the contrary, unless the mission is considered fulfilled or impossible to fulfill, the original one must be adhered to. When these older foundations were set up, their roles might very well have been one of for example innovation. Over time, the foundation and its originally innovative operations can be seen both as a complement or a substitute in relation to later welfare state arrangements.

The change of role label for the foundation, however, is then not depending on the operations of the foundations but rather on what has happened in the wider society. Whether we understand the role of the foundation as for example innovative could thus better be understood more as a reflection of the changes in the contemporary society *around* the foundation, rather than a particular character or role of the foundation. Thus, a foundation’s role in society can shift over time although it does not change at all itself.

### **Complementarity or substitution**

The role of complementarity was the most common role identified. This role, together with that of innovation, also appeared to be the most generally preferred choice. Not one single critical voice was raised. Two metaphors were used: foundations as some kind of “lubricant or oil in the machinery”, where machinery indicated larger society (“*olja i systemet*”), or as something “extra to top up with” (“*grädde på moset*”). Foundations were also described as “filling gaps” in society’s fabric, or “identifying shortcomings” in the existing system. In these two latter cases, the complementary role seems to come close to what could also be understood as an innovative role.

In an internal report, the IRIS Corporation (owned by the Foundation for the Visually Impaired) is clearly described as a complement to government (or “society”, as it is called) (SRF 2000, p. 19):

“With assistance from the IRIS Corporation the Association for the Visually Impaired has been able to act in areas where society has not been able to live up to its responsibility.”<sup>ii</sup>

The substitution theme was on the minds of many people interviewed. Several had recently been discussing where to draw the line between the obligations of their foundation on the one hand, and that of government on the other. Sometimes, the discussions included elements of critique of public sector reforms and government policies. There was in some cases a feeling of unjust treatment, of the politicians changing the rules of the game, and some were indicating a policy shift. It was experienced that the welfare state was retreating from earlier responsibilities, leaving the foundations – set up to complement but not to replace the welfare state – to assume a larger and more burdensome task than originally designed or intended for.

Respondents meant that the local tax authorities (LTAs) have tried to expand further the available basis for taxation, as it was put in several cases. The LTAs are experienced to enforce the fiscal legislation from the 1940s in a tougher and more narrow way than earlier. This increased attention seems to be an indirect and probably unintended effect of the new law and the registers set up. Through these registers, the tax authorities are able to extend their reach further into the foundation world, as one person expressed it. This is particularly clear in fields like social services for people in need or research and higher education, where it was felt by some of our respondents that the other hand of the government – the tax authorities – is trying to more narrowly define their degrees of freedom and de facto reduce their available resources.

One of the few positive remarks concerning foundations as substitutes for public sector arrangements was offered by Niklas Rengen at the Fryshuset Foundation (*Stiftelsen Fryshuset*). Their foundations and some of its programs were better suited to work among young people than the traditional social field workers in Stockholm city. There existed almost a competitive relationship between the foundation and the city in some cases, for example where the city earlier financed programs run by the foundation but then took over these programs themselves when considered successful. Since the foundation is working with and through young people, often themselves with experiences from a difficult background, he also argued they were able to do things the municipality could not.

The situation meeting some Swedish foundations today is thus experienced as somewhat paradoxical. Many representatives, staff as well as board members, see themselves as a complement to more general welfare arrangements. At the same time, a recent trend is identified, where they are expected to take over or replace what is understood as government or municipal responsibilities. For some, this development represent a clear conflict of interest in itself. However, also foundations indifferent or at least not necessarily negative to these new substitution expectations seem to be frustrated. At the same time as they are expected to do more, they also experience a tougher tax climate where they are expected to pay higher taxes. It was expressed by some that these policy changes were not really coordinated or even intended, but it is still an equation they report difficulties solving.

## Organisational tools and instruments of power

Some clearly viewed foundations as organisational tools. Lars Jonsson at the Association for the Visually Impaired (SRF), viewed both the Foundation for the Visually Impaired and the business group it owns as means to an end, rather than having an identity or vision of their own. The foundation, in his words, is more usefully thought of as a "tool or an instrument". This view is also supported by Dan Berggren on the board of this foundation. In a similar vein, Katarina Olsson at the Faculty of Law at the Lund University also pointed to the use of foundations within a certain movement or larger organisation to separate out certain more business-like operations, for example conference centres, not to risk the tax-exempt status of other parts or operations of the organisation.

This role as organisational tools was not really part of the survey design, but emerged in the interviews and our reading. This is one of the most interesting results of the study. To construct foundations as organisational building blocks seems to at least partly contradict the sometimes found practice of furnishing foundations with some kind of personality or identity, to treat and discuss foundations as if they have an independent "life".

Close to this instrument role is the idea of governance foundations (*maktstiftelser*). Several respondents immediately recognized this role and even put names on such foundations associated with famous and wealthy Swedish industrial or trading families, for example the Wallenberg, Ax:son Johnson or Kamprad families. These foundations are sometimes understood to be part of a governance or control system through their ownership of stock. Also *Sparbankstiftelsen Nya* offers an interesting example of this governance role. Carl-Göran Wallman, says:

The foundation shall provide for the purpose of further thrift in Sweden by holding shares in banks within the savings bank sector and further the ideals and values that are inherent in the savings bank movement and making the savings bank sector into a competitive factor. [...] The foundation's primary mission is as an owner of *Föreningssparbanken* to make sure that the old values and ideals of the old savings bank sector survive and develop. This means that we first and foremost are an owner foundation. This is something that the public is not always aware of. They often think that our purpose is to hand out grants. But that is only our secondary role.

Governance foundations are often understood to exercise their control in an economic sense, which is also the most common understanding in Sweden. But sometimes, this role of control and power is exercised in more of an ideological sense. One clear example is the three foundations set up to own and control the liberal UNT newspaper (*Upsala Nya Tidning*). They were created when the founder of the newspaper, Axel Johansson, wanted to secure its continued existence and liberal profile, even after he no longer could function in this capacity himself. He therefore invested this power and mission in three separate foundations, with the explicit intention to make sure that his shares:

[...] were not to be sold at losing price, and that they would be secured in such a way that the paper will be edited in a liberal, not in a prohibitionistic, religiously nonconformistic or social-democratic, spirit. (Hirschfeldt, 1994, p 13)<sup>iii</sup>

In our sample, the SRF foundation has this kind of role most clearly outspoken. One important function was initially to receive gifts and endowments. When the foundation was set up in 1954, it was seen as a strategic issue to take care of the assets and to secure these resources for the organisation (SRF 2000, p. 27). However, as explained by Per-Arne Krantz at the board of the foundation:

Today, through the foundation as 100 % owner [of the IRIS corporation], we have an impact on where the company is going, a capacity to carry through corrections and exercise control through the decision on what people we shall have on the board of the corporation.

In a similar understanding, Marianne af Malmborg XXX in her interview stresses the use of foundations to secure assets for a certain cause. This is done to protect it from misuse, but also to make sure the resources are used for that particular purpose and not appropriated or taxed away by government.

### **Redistribution of wealth**

The argument could easily be made that the people establishing foundations in general have more resources than those benefiting from these foundations. Few cases present themselves where the recipients have more money or resources than the founder. Whether or not these people who benefit from the foundations in their turn are better or worse of than other people in the world is another issue, as is the question if this was the intention behind the foundation.

A strong negative attitude towards charity is clearly important when discussing the role of re-distribution of wealth in Sweden. Lars Jonsson at the Association for the Visually Impaired (SRF), immediately reacted against the positive way to frame this practice and the phrase: "re-distribution of wealth":

I would never have expressed it in that way, but there is some truth to it. This is very much of a top-down approach where a wealthy benefactor donates his money to a foundation that can be used for the poor people. This is not the way I would like to see changes in society, or a more equal distribution of wealth, come about.

Also interesting is whether re-distribution of wealth is an intended role or not:

This [re-distribution of wealth] might not be the primary purpose when establishing a foundation; that the intention of the donator is to re-distribute his or her wealth. I do not believe so. But if you look strictly only at the economic reality of the foundation, this might very well be the case. But this is not the guiding principle behind a donation, nor is it an argument for more favourable tax treatment of foundations. (Richard Arvidsson, Stockholm School of Economics)

If a very rich person makes the donation, a re-distribution of wealth is in the nature of the transaction in itself. And it is this re-distribution that constitutes the basis for tax-exemption for foundations. This is the reason why they are tax-exempt; it is a way of paying your taxes. The law requires some kind of re-distribution to grant the foundation tax-exemption. (Jan Lindman, the SEB bank)

### **Innovation, change or preservation of values**

On the one hand a foundation could be innovative only by being set up in a new field or by using new methods. On the other hand, some respondents referred to the foundations themselves working in an innovative way, dealing with their mission and field of operation in new, inventive ways. Foundations were further said to be better suited for innovation than other actors since they were quicker and more flexible than public sector institutions in addressing new issues or problems. Marianne af Malmberg also meant that the innovative dimension of a foundation might be enhanced, since foundations can concentrate in a very narrow field or on a specific issue, without any wider responsibilities. In comparison to business actors, foundations were said to have more stamina, more endurance, especially today when economic life as a whole has become more short-term oriented. Rolf Kjellman, the CEO of Henry and Gerda Dunkers Foundation No 2, made a comparison between a foundation and a traditional company:

If the investment [of a company] is not successful within 2-3 years, it will be discontinued, while for example the Wallenberg Foundation [i.e., The Knut and Alice Wallenberg Foundation] in their investments in science and research is an excellent example of endurance in the longer run.

The innovation role was almost as positively understood as when discussing foundations as complements. Sometimes these roles also seemed to overlap, for example when the innovative role was described as "filling gaps" or "identifying shortcomings" that should be "taken care of". This language also signals a complementary role. Research foundations were mentioned and expected to have the innovative role built into their very *raison d'être*, but otherwise, our respondents gave us very few examples of innovative foundations. In an interesting version of the innovative role, Gunnar Hambræus, the chairman of the Scandinavia-Japan Sasakawa Foundation, mentioned the transfer of knowledge and cultural patterns between these two regions as one important task for this particular foundation.

Related to the role of innovation is social or political change. A handful of our respondents agreed with the suggestion that this could be a role for foundations. As an example, Lennart Elbe said their role in the foundation sometimes was to try to create opinion, and to put pressure on local politicians in the field of voluntary youth work. But even more people said they could not see this as a main role for foundations. In general, social or political change was instead associated with associations, in particular with the popular movements (*folkrörelserna*).

If social change and innovation are found at one end of the continuum, the role of preservation of values and traditions would be found at the other. About half of our

respondents could associate foundations with this role. The foundations taking this role can, for example, have some similarities with another role – the establishment of free zones (below). There is a major difference, however, when listening to our respondents' examples. The establishment of free zones can refer to any kind of community or value system, also new or foreign ones. But the preservation role relates to values and traditions that has for long existed in Swedish society but are for one reason or another threatened or fading away. Carl-Olof Nilsson, Director of the Pentacoastal Foundation for Education, used the image of the foundation as "the last bastion to fall":

I would say preserve values, but I would like to sharpen that formulation a little. In a society where values age fast it can be important to have institutions or organisations that are able to safeguard their survival. Using foundations can be one way to do this. There are several lifestyle associations that have a hard time getting funds today, the temperance movement for example, but it would be much easier if they had access to a foundation. I mean, the foundation is one of the last bastions to fall.

### **Pluralism or establishment of free zones**

Very few, if any, foundations have pluralism as a purpose written into their mission statements. Taken together as a population, foundations might however have this function in society. For example, a foundation can be established within a firm liberal political ideological framework to preserve and develop the liberal press. This could be done in an attempt to counteract an expansion or dominance by social-democratic newspapers. This foundation is not set up primarily to promote pluralism, but to enhance and strengthen the liberal voice. As long as there exist social-democratic newspapers, a liberal foundation contributes to pluralism. But if the social-democratic press would disappear to be replaced only by other liberal newspapers, this foundation would no longer be supporting pluralism but rather part of a liberal hegemony. The same logic is also true for most religious schools and foundations promoting alternative pedagogical methods for example in kindergartens.

Foundations do not, in general, have built-in correctives to change their values or operations to adapt and change their ideology in a response to a changing world, where their religion or political agenda would be the only existing or dominant one. It is therefore difficult, except in a very small number of truly pluralistic or ecumenic foundations, to find a role like pluralism adhered to by individual foundations. Instead, the role of pluralism seems to be relevant to discuss, at least in Sweden, only for foundations *as a group*. When it comes to most other roles it is possible to discuss the role of an individual foundation, be it as substitution, innovation or instrument of control, without taking into account the wider population. This seems not to be the case when we talk about pluralism. Instead of pluralism, a role perhaps better used is to describe this phenomenon is that of using foundations to establish free zones. Foundations are used to open up for alternative ideologies, methods, or ways to reflect or operate. This role does not demand the creation of the foundation to be based in a quest for pluralism, but rather in the intention to set up an institution to support or guard a particular community or to maintain certain values.

About half of the respondents in our study could see or identify this free-zone role as one performed by foundations. Mikael Wiman at the County Administrative Board in Stockholm mentioned the existence and expansion in Sweden of both Catholic and Muslim schools in the form of foundations as possible expressions of this free-zone role. In a special version, the use of foundations can be seen as establishing a zone in society, free from both market and state, as expressed by the Antroposophical Society (*Antroposofiska Sällskapet*):

The Society wants to defend the time-honoured free zone that always has been open for the popular movements through the possibility to establish foundations and associations [...] For the part of the Society, the foundation form has been the most appropriate. [...] Due to the conservatism that often is present within state and municipal administration, and correspondingly the rigorous tax regulations for joint-stock companies, it has not been possible to create the necessary and quite large amounts of capital needed for creating the antroposophical oriented public good activities. [...] We want to distance us from both private capitalism and state ownership by the use of the foundation form. (Ds 1992, pp. 70-71)<sup>iv</sup>

## **Remembrance**

Foundations are sometimes set up in memory of a family member lost or to commemorate a private anniversary. This role was not originally included in our list of roles, but it seems to be an ancient role, when listening to our respondents. This role was spontaneously mentioned when we asked for other roles for foundations. The foundation could be established in memory of oneself when it is time to pass on, in memory of ones parents, or to commemorate a certain event like a birthday. This is not a way to preserve traditions or values, but rather a tradition in itself, like the use of tombstones in a burial site.

One of our respondents provided us with the salient example of an elderly person with a small fortune who wanted to set up a foundation, the returns to be distributed to a number of organisations, but he also wanted the foundation to tend to his grave. This part of the mission was not in line with what the tax authorities would consider a tax-exempt mission, and since this man had the opinion that if it was possible, tax should be avoided, no foundation was established. Jan Lindman explained:

I believe there was also a psychological twist to this. Since he was prepared to do all this good for society, why could they not allow this foundation to take care of his grave? To create a foundation out of a private fortune is in many cases very much an emotional issue.

Whether a foundation should be understood as a vehicle primarily to preserve a personal memory or to replace the government is indeed difficult. The interpretation depends on the way we frame our understanding of foundation roles. I chose to present this role of remembrance as one among others, along the line of evidence given by our respondents.

## VISIONS

The idea of foundations as elements in larger visions was crucial in the research, but also the most complicated part of the interviews. First of all, the borders between roles and visions are blurred. The challenge could be formulated as whether to understand visions as something inherent in the character of the foundation, thus *leading up* to a situation where they assume particular roles. Or if these visions more are the *analytical resultants* derived from the roles of the foundations. Secondly, it is important to distinguish between two approaches. In the most common, the visions are of interest as they might appear *in one particular foundation*. The other approach is when foundations are held together *as a population* assumed to have, or being part of, a certain vision. In the latter case, the challenge is how to aggregate something like a vision of society for a group of individual foundations.

Developed in this section is the idea to understand foundations as key ingredients in a liberal civil society tradition. However, before bringing this argument to end, I will address the use of foundations in the establishment and defence of *small pockets of minor or alternative visions*.

When asking about visions, the respondents often suggested smaller and recent foundations where the ideological stamp was clear. Foundations with larger visions are, according to Mikael Wiman, usually small and isolated. Their mission statements often express some kind of alternative vision of what society could or should be, as if in opposition to the current situation. Henning Isoz at Ernst & Young, also addresses this dimension while discussing some foundations as a counter-fire to combat a development considered negative. Such an example is the Foundation A Non-smoking Generation (*Stiftelsen En Rökfri Generation*) established in 1978. The purpose is to combat the use of tobacco, with a special aim to prevent children and youth from ever starting to smoke.<sup>v</sup> Another example is the Foundation Women Can (*Stiftelsen Kvinnor Kan*) established in 1982. The explicit aim is to show how women's values and knowledge can improve and reinvigorate society, with the overall ambition to work for women to achieve a fair share of power and decision-making.<sup>vi</sup> A third foundation mentioned was the Fair Trade Foundation (*Stiftelsen Fair Trade*). Set up in 1996, the mission is to promote an ecologically sustainable and socially just world.<sup>vii</sup>

According to Henning Isoz, a group of foundations where the ideological or political vision often stands out clearly are newspaper or publishing foundations. As presented earlier in the section on roles, the daily newspaper UNT in Uppsala is such an example. Mikael Wiman also specifically mentioned the use of foundations within the antroposophical movement as an example of foundations as part of a larger ideology or vision. Other respondents referred to religious foundations. Carl-Olof Nilsson, for example, explained that their educational foundation where firmly based in a Christian value system and an ambition to carry those values into society. Foundations associated with the co-operative movement were also mentioned, as well as foundations attached to the more conservative and free market oriented interests. Jan Lindman spoke about the KAW foundation (the major foundation

within the Wallenberg family sphere) as an interesting example of a foundation where the vision can be understood as being the well-being of the nation (see also Hoppe, Nylander et al. 1993).

A couple of people at the Foundation for the Visually Impaired (*Synskadades Stiftelse*) said that the overall vision was a society where blind people should have the same rights and possibilities as everyone else. One of the respondents, Lars Jonsson, however did not want to associate this vision to the foundation but expressed it in terms of the foundation being a vehicle for the movement and the members. When talking to the people working with or around the Dunker foundations, no larger vision of society was mentioned. They instead described the idea behind these foundations as to preserve intact the ownership of the corporation. When they were set up, the founder wanted to make sure to keep together the ownership of, in his own words, “the best corporation in the world”.

One by one these different foundations express such a diversity of visions and ideas that it would be to stretch the material and the interviews too far, in our opinion, to talk about any joint or common vision among them.

Several of our respondents expressed doubts as to whether the average founder really had such a grandiose agenda for the foundation as a vision for society. “They just wanted to do something good for society” or “He just wanted to be remembered after he died”, were comments received. However, larger visions might be associated with foundations both on an implicit as well as on a more explicit level. For example, in the very way a certain group of foundations are set up or operate, they could be understood as parts of a wider vision. This could be the case, although in no case explicit reference to any over-arching vision or ideology is made. It might be a result of the embeddedness of foundations in a particular society. Many of the discussions on the roles of foundations were framed in a language where some of the basic elements of a traditional Social-Democratic vision of society are central. This vision has been the most dominant political or ideological vision in Sweden during the 20<sup>th</sup> century. Some of the essence is aptly caught in a quote from a recent book on philanthropy (Braunerhjelm and Skogh 2004, p. 25):

“In Sweden, people in general resist large differences in income as well as private wealth. The general public have more trust in government to re-distribute income and support public-good activities, rather than through private donations. The implicit social contract in Sweden has more emphasis on the collective protection of the individual and the public good, rather than on the duty of individuals to help. Neither are people with high incomes or large wealth expected to donate.”

The peak period for this vision in Swedish political life could very loosely, and for the limited sake of this chapter on foundations, be described as an approximately fifty-year period starting in the 1930s and running into the early 1980s. Almost no matter what the ideological or political origin of a particular foundation originally was, the situation could in short be described as one where foundations for long have been embedded in an overarching Social-Democratic vision. Unless they have been very specifically designed and funded not to, as for example certain political or

newspaper foundations are, normal foundations in fields like education, social services or research have had to adjust to this framework and environment to operate or even survive.

However, in several of the interviews, elements or fragments of a liberal vision were present. This was the only, and certainly the most elaborate and coherent, larger alternative ideological framework or vision presented to us. One of our respondents in particular, Richard Arvidsson at the Stockholm School of Economics, helped us to pull the bits and pieces together to form a more coherent picture. He viewed foundations and the legislation surrounding them as part of a larger system. The vision is not complicated, and very much one of liberal coinage.

The basic story: The existing and overall dominating vision in Sweden, when it comes to the role of foundations, can be described as a classical social-democratic vision. Government and municipalities bear the overall power and responsibility in a number of welfare areas. This power and responsibility runs all through the regulatory and legislative systems, via the funding of the services (through taxes) down to the actual provision of services. On all of these levels, government and public sector bodies are the only relevant actors. In this model, the role of foundations is inferior or marginal. The language (as visible in practice and regulations) in which foundations are framed is one of complement.

Arvidsson further argued that this situation now is changing, partly because of Sweden's EU membership. The Swedish welfare state may have to withdraw or retreat from a number of earlier assumed responsibilities. The reduction of services will, partly, have to be met by an increased foundation activity, not only in a complementary function but also in direct substitution of earlier government arrangements. The development was during the interview compared to the US, where foundations are much more active both in financing welfare services and operating some of these services.

A development like this would in a next step require corresponding tax changes. This is necessary if we are to be able to finance the increased responsibilities assigned to foundations, as argued by Arvidsson. Foundations must be granted larger tax benefits and the available space for foundations to operate welfare programs must be expanded. The general level of income tax must in this model also be reduced and the will to donate private money for welfare purposes – small gifts as well as larger donations – encouraged. Instead of distributing available resources through taxes, this re-distribution should be shifted over to gifts and private donations directly to nonprofit institutions operating the programs. See again arguments in Braunerhjelm and Skogh (2004, p. 25):

A preliminary question was if we in the future will have to rely on the good will of foundations and private donors to for example finance research. The answer is that we already are. And this dependency will with all probability only increase in a future where the resources of the state hardly can be expected to increase.

Frequent is a focus on grants by individuals and foundations. But also large corporations are discussed, for example in the recent debate on Corporate Social Responsibility (CSR). The debate is mostly confined to the business news sections and magazines, and there are yet hardly any research conducted. One exception is the earlier mentioned book by Braunerhjelm and Skogh (2004). Many respondents touched on similar ideas during our interviews. These discussions were often paired with a negative perception of the development, which was seen as a combined retreat of the welfare state and a parallel increase in private philanthropy.

I would like to challenge the reader with the idea that the above discussed elements could be understood as a wave of private “new philanthropy” (*nyfilantropi*). Presented earlier in the chapter is also the dissolution of the wage-earner funds and the establishment by government of a number of large foundations as non-public entities in research and higher education. This could be described as a form of “state philanthropy”. These two developments could maybe best be viewed as part of a change in society, where earlier set of roles of foundations are re-negotiated in an interplay with a larger conservative/liberal political shift during the 1990s and early years of the new millennium.

Foundations offer an interesting but challenging alternative vehicle (alternative to government tax or market solutions) for the (re-)distribution of wealth in society. But foundations can also be used for provision of welfare services outside the public sector. Increased use of foundations in the core domains of the welfare state, calls for more private donations and increased interest in CSR may be considered part and parcel of a more liberal vision. A strong popular movement tradition, with open democratic member-based associations, is today the dominant civil society framework in Sweden. In combination with a high-tax regime and the lion’s share of welfare services provided by the public sector, these arrangements are maybe better understood as key elements in a social-democratic vision of society.

I have consciously gone further in the analysis and been slightly more speculative than our data today can sustain. I stress the connection between a certain political or ideological vision and a particular organisational form. This is an over-simplified story with a number of clear exceptions and the evidence is still of piecemeal character. I am however convinced that the foundation form represents a challenge to established civil society policy and thinking in Sweden, but it also offers a transformational vehicle in the roles of different sectors in society currently re-negotiated. In its very form, but also in the content found in many foundations, this legal institution differs not only from available for-profit solutions or public bodies, but also from the traditional popular movement association.

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<sup>i</sup> This is a maximum estimate based on 50,000 Swedish foundations in total, with each of the 35,000 small foundations (50,000-15,000 larger foundations) with assets of a maximum book value of SEK 350 000 each.

<sup>ii</sup> “Med hjälp av Irisgruppen har synskaderörelsen kunnat göra något själv inom områden där samhällets ansvar brustit” (p. 19)

<sup>iii</sup> “[...] icke bortslumpas till underpris och att de så placeras, att tidningen redigeras i liberal, icke i förbudistisk, frireligiös eller socialdemokratisk anda”

<sup>iv</sup> Med den konservatism som ofta finns inom statlig/kommunal förvaltning respektive det rigorösa skatteregelsystem som finns för aktiebola har det inte varit möjligt att skapa den nödvändiga och relativt stora kapitalbildning som i många fall behövs för att bygga upp de antroposofiskt orienterade allmännyttiga verksamheterna [...] Genom stiftelseformen vill vi vad beträffar produktionsmedlen komma bort från både privatkapitalismen och den statliga ägandeformen. (Remissvar, Ds 1992:36, p 70-71)

<sup>v</sup> [...] att bekämpa bruket av tobak, särskilt att påverka barn och ungdomar att aldrig börja röka

<sup>vi</sup> [...] att visa hur kvinnors värderingar och kunskaper kan förbättra och förnya samhället [...] att verka för att kvinnor får rättvis del av makten och beslutsfattandet i samhället

<sup>vii</sup> [...] främja ekologiskt hållbar och socialt rättvis värld