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## **The Taxation of Industrial Foundations in Sweden (1862–2018)**

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# The Taxation of Industrial Foundations in Sweden (1862–2018)\*

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*Abstract:* It has been argued that the Swedish tax system has favored firm control through industrial foundations, which should have inhibited entrepreneurship and economic growth. However, research has been hampered due to a lack of systematic historical tax data. The purpose of this study is to describe the evolution of tax rules for industrial foundations in Sweden between 1862 and 2018 and to calculate the marginal effective tax rate on capital income (METR). The calculations show that the METR for an equity financed investment is below 20 percent most of the time and occasionally peak at about 40 percent. Treating the requirement that industrial foundations have to donate the bulk of capital income (less capital gains) to charitable purposes as a tax, the METR seldom is below 50 percent when financing investments with new share issues, and often exceeds 100 percent.

*Keywords:* family firms; foundations; taxation

*JEL codes:* K34; N23; N24

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## 1 Introduction

Industrial foundations have been an important means for a few influential family groups to exercise far-reaching control over Swedish industry, possibly because they have been tax-exempt. This has provided an advantage over firms controlled by personal ownership. It has been argued that this has hampered entrepreneurship and consequently economic growth (Henrekson and Johansson 1999, Henrekson and Jakobsson 2001, Henrekson 2005, 2017). However, there are no time series on the taxation of industrial foundations, and it has therefore been impossible to estimate to what extent they have been favored. Hence, there is a need to produce long homogeneous time series on their taxation to further our understanding of the governance and development of Swedish industry.

An industrial foundation is a legal entity that is typically founded by an entrepreneur who wishes to avoid dividing his or her assets among several heirs, losing capital to inheritance tax, or in other ways weakening the ownership or voting structure. Normally, the charter of the foundation dictates a philanthropic purpose—alongside with the goal of developing the business—as a philanthropic goal is a necessary condition for achieving a favored tax status. The board who governs the foundation is obligated to fulfil the goals expressed in the charter. The donation of the firm's shares to the foundation is irrevocable (Kronke 1988, p. 7; Thomsen 1999, pp. 119–121).

As will be described later in more detail, Swedish foundations with charitable purposes (*allmännyttiga stiftelser*) are exempted from tax on capital income. As long as Sweden taxed wealth inheritance and gifts, those taxes were included in the exemption. Nevertheless, the foundations' real after-tax return on investments in firms depends on corporate income taxation, inflation (because Sweden applies a nominal-based tax system) and source of finance (because different sources of finance are treated

differently by tax law). They may also pay other taxes, e.g., real estate tax (*fastighetskatt*).

The purpose of this study is, first, to describe the evolution of tax rules for industrial foundations. Second, we calculate the marginal effective tax rate (METR) on capital income for industrial foundations. The analysis covers the years 1862 to 2018.

The METR is an established tax measure used to compare tax rates across countries and investment projects (e.g., Södersten 1984, 1993, Öberg 2003, Johansson, Stenkula, and Du Rietz 2015, and Wykman 2019). It analyzes the effect of capital taxation on a marginal investment accounting for the total effect of the taxation of owners; i.e., it includes the effects from corporate income taxation, capital income taxation and wealth taxation, and the interactions of these taxes with inflation.

The analysis complements earlier studies on the taxation of industrial foundations, which only cover occasional years from the 1960s and onwards (e.g., Södersten 1984, 1993, and Henrekson and Jakobsson 2001).<sup>1</sup> Furthermore, they do not take into account that industrial foundations have to donate the bulk of their capital income (less capital gains) to charitable purposes, which has a considerable negative effect on using industrial foundations as a control vehicle. In fact, this donation requirement parallels the cash flow effect caused by the personal capital income tax on dividends. Our study is part of a comprehensive project to characterize the Swedish tax system from 1862, when Sweden introduced a new tax system, up until the present.<sup>2</sup>

We find that the METR for an equity (new share issues and retained earnings) financed investment is below 20 percent most of the time and occasionally peaks at

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<sup>1</sup> These studies denoted foundations with charitable purposes as ‘tax-exempt foundations.’

<sup>2</sup> Seven key aspects have been treated in previous studies: the taxation of capital income of households, consumption, gifts and inheritance, labour income, real estate, wealth, and taxation of the owners of closely held firms (see Stenkula 2014, Henrekson and Stenkula 2015, Johansson, Stenkula, and Wykman 2019, and Wykman 2019).

about 40 percent. Treating the donation requirement as a tax, the METR is seldom below 50 percent when financing investments with new share issues, and often exceeds 100 percent.

The rest of the paper is organized as follows. Section 2 discusses the use of industrial foundations as a means for the family control of firms. Section 3 describes the taxation of industrial foundations between 1862 and 2018. Section 4 introduces the King-Fullerton framework and calculates the METR for industrial foundations. Section 5 concludes the paper. Appendix A presents the marginal tax rates used and the calculated METR for the whole period. Appendix B gives a detailed description of the industrial foundations in Sweden.

## **2 Industrial foundations and family control**

Foundations in Sweden date back to the Christianization of Sweden, when people made donations to the church, for instance, for poor relief. Since the 18<sup>th</sup> century, foundations have been used to support education and care for the poor. Higher education and scientific research became more important for foundations in the late 19<sup>th</sup> century (SOU 1995:63). However, foundations were not separately regulated by law until 1929 through the so-called Supervision Act (*Tillsynslagen*). In 1996, foundations received an unambiguous legal definition in the Foundation Act (*Stiftelselagen*) (Gunne and Löfgren 2014). One does, however, need to distinguish between the civil and tax legislations. The Foundation Act (SFS No. 1994:1220) defines the foundations in civil law, while the tax legislation is separate and described in section 3.

Foundations are heterogeneous, but they share some common traits. First, a foundation is founded when property is permanently separated and dedicated to the

promotion of a particular purpose (Stenshamn 1967). Second, foundations are self-owned (i.e., lack owners) and governed by their statutes (Gunne and Löfgren 2014).

Foundations can be sorted into different categories depending on what features that are of interest. One distinction is between *dependent* and *independent*, i.e., whether a foundation is controlled within a structure, such as a nonprofit organization or a company, or whether its board is independent and controls itself (SFS No. 1994:1220).

Another sorting method is to divide foundations into *return foundations* (*avkastningsstiftelser*) and *business foundations* (*näringsdrivande stiftelser*), where the former meets its purpose by funding different activities, primarily by the return on its capital, and the latter by conducting business. Foundations that conduct business are rare since a foundation does not offer the same flexibility as a limited company (Gunne and Löfgren 2014).

A third sorting method is by purpose, and the foundations are then normally divided into the following categories (SFS No. 1994:1229):

1. ordinary foundations (*vanliga stiftelser*);
2. collection foundations (*insamlingsstiftelser*);
3. collective agreement foundations (*kollektivavtalsstiftelser*); and
4. pension and employee foundations (*pensions- och personalstiftelser*).

Ordinary foundations are a broad category and include foundations with a wide variety of purposes, e.g., local charity work and scholarships, family foundations<sup>3</sup> and the Nobel Foundation. A condition for being classified as an ordinary foundation is that the founder(s) of the foundation transfer(s) assets to the foundation for a particular

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<sup>3</sup> Family foundations hold funded assets with the purpose of promoting a particular family's prosperity.

purpose. These assets are generally not allowed to be distributed; only the return on the assets can be distributed. However, if it is stated in the statutes that the foundation is allowed to use the capital, it might distribute the assets, as long as the foundation can fulfil its purpose (*varaktighetskravet*) over time (Isoz 1997).

Collection foundations are similar to ordinary foundations. The difference is that the founder(s) do(es) not transfer any wealth when founding the foundation. Instead, a collection foundation raises money to meet its objectives. The funds are normally meant to be spent for the predetermined purpose, even though some funds might be saved, and there are hybrids between collection foundations and those who only use their return to finance their purpose.<sup>4</sup> From a tax perspective, this distinction lacks relevance (Gunne and Löfgren 2014).

Collective agreement foundations have a more precise purpose: to support the transformation of the labor market. This can be done in a number of ways, such as education, financial support for accepting lower paid jobs and early retirement. These foundations are funded by the employers as part of the collective agreement and jointly controlled by the trade unions and employers' organizations.

Pension and employee foundations are used to guarantee employers' pension obligations and personnel benefits to employees.

For the purpose of this paper, the most relevant property of the foundations is their tax condition. In general, ordinary foundations have to pay tax on all income; i.e., they are fully taxable (SFS No. 1999:1229). The collection foundation has the same tax conditions as ordinary foundations. Collective agreement foundations belong to a small number of foundations that are exempted from tax on all incomes. They only have to

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<sup>4</sup> A collection foundation has to use at least 75 percent of its income during a period of 3 years.

pay real estate tax (*fastighetskatt*) and tax for any income from property (*fastighetsinkomst*).

Pension foundations are taxed for property income and real estate, and their return is taxed at a rate of 15 percent on the net assets multiplied by the government borrowing rate (*statslåneräntan*) (Gunne and Löfgren 2014, p. 76). Employee foundations normally have full tax liability (*oinskränkt skattskyldighet*). Provisions to employee foundations are tax deductible at the firm level, and payments from the foundation to the personnel are taxed as income of employment (*inkomst av tjänst*) (Gunne and Löfgren 2014).

However, foundations that promote charitable purposes are exempted from tax on capital income, wealth, inheritance and gifts.<sup>5</sup> To be exempted from tax on capital income, there are certain rules that have to be met (as explained in more detail in section 3).<sup>6</sup> This possibility provides an opportunity for entrepreneurs to keep firms under family control over generations in spite of taxation.<sup>7</sup> By establishing an industrial foundation, i.e., an ordinary foundation with the purpose of promoting charitable purposes, the foundation has limited tax liability and the assets are not allowed to be distributed.<sup>8</sup>

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<sup>5</sup> There is also a category of foundations that do not have to be charitable to achieve the same tax advantages described below. Such foundations have been listed separately in the law since 1855. The first such foundation is Jernkontoret, supporting the iron industry (SOU 2009:65). Even though the catalog has grown over time, it does not include foundations able to function as a substitute for private ownership; instead, it consists of foundations such as the Nobel Foundation and foundations in memory of persons.

<sup>6</sup> Family foundations are taxed as a natural person (Stenshamn 1967) because their purpose is to favour a particular family, and they cannot be philanthropic by definition.

<sup>7</sup> Because the wealth is meant to be distributed, collection foundations are not used as an instrument to exercise control over firms.

<sup>8</sup> Ordinary foundations with the purpose to promote charitable purposes share commonalities with private foundations in the USA; they are independent legal entities set up solely for charitable purposes; the funding typically comes from a single individual or a family; the founder determines the foundation's mission, whom to include on the board, investment strategy, and how and to what funds are given away; the foundations are governed by their own board of directors, which consists of the founder(s), family and/or other individuals chosen by

In addition to tax incentives and the willingness to promote charitable purposes, another motive for establishing industrial foundations can be to avoid inheritance division. By bequeathing to a foundation, the founder avoids dividing the assets among several heirs, making it easier to maintain a critical level of capital within one voting structure. Heirs are further prohibited from squandering the inheritance, and the family may also gain social status.

### ***2.1 Ownership spheres and industrial foundations***

There are no information or time series of foundations' total assets because this information has never been collected and reported to a central register. Foundations have, however, been important devices for ownership spheres to exercise control over Swedish industry. In particular, they have been used to build and maintain a strong influence on Swedish industry by a small group of successful entrepreneurs and their families. In combination with differentiated voting rights (by means of dual class shares) and so-called 'pyramid-building', several companies could be controlled with a relatively small amount of capital (Hagstedt 1972). These spheres are few and well known and have had a great influence on the Swedish economy. Because of their economic significance, they have received attention from policy makers and analysts who have investigated their assets and influence (e.g., Hermansson 1959, 1971, Sundqvist 1985–2015). There are also a number of bibliographies describing the entrepreneurs and their family groups (e.g., Nilsson 1984, 1989, 1994, Glete 1994, De Geer 1998, Olsson 2001, 2006, Edvinsson 2005, Lindgren 2007, Feldt 2012, and Sjögren 2017).

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the founder(s); they must make charitable distributions and are classified as tax-exempt, but they still may have to pay some taxes. One important difference compared to Sweden is that the donor is allowed to deduct the amount given to the foundation from taxation.

In the early 1960s, 17 ownership spheres controlled one-third of the largest firms' capital, and one-fifth of all private sector employees were employed in firms controlled by these ownership spheres (excluding bank and insurance companies). Fourteen of these spheres were controlled by family groups.<sup>9</sup> Of the other three, two were controlled by managers (who did not hold any controlling shares), and one did not have any controlling ambition (SOU 1968:7).<sup>10</sup> Foundations have been used as the main control vehicle in approximately half of the ownership spheres (eight of 17).<sup>11</sup>

In 2018, there were approximately 17,000 ordinary and collection foundations in Sweden (County Administrative Board, *Länsstyrelsen*).<sup>12</sup> It has been estimated that approximately 90 percent of all registered foundations are tax exempt (SOU 2009:65). The overwhelming majority of all foundations are also small. Nevertheless, a few foundations control a large share of Swedish industry. Interestingly, the largest foundations are the same as those identified in the early 1960s. The foundations controlled by the Wallenberg and the Ax:son Johnson families stand out.

A closer analysis of the founding of the foundations reveals that most of the foundations used to control Swedish industry were established in the post-war era (see Appendix B for a detailed description).<sup>13</sup> The exceptions are *Knut och Alice*

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<sup>9</sup> See Andersson et al. (2018) for the importance of family firms in Sweden.

<sup>10</sup> This refers to the so-called 'Dunker sphere', which was controlled by Helsingborg's city council and independent persons.

<sup>11</sup> The ownership spheres controlled by foundations were the Ax:son Johnson family, the Dunker sphere, the Ericsson family, the Kempe family, the Söderberg family, the Wallenberg family, and the Åhlén family. The spheres that were not controlled by foundations (or where the foundations were of less importance for control) were Bergengren, Bonnier, Broström Custos/Säfveån–Skandinaviska Banken, Edstrand, Klingspor and Stenbeck, Kockum, Mark and Carlander, and Wehtje.

<sup>12</sup> And an additional small number for employee, pension and collective agreements foundations.

<sup>13</sup> Founding year in parentheses: Axel och Margaret Ax:son Johnsons Stiftelse för allmännyttiga ändamål (1947), Axel och Margaret Ax:son Johnsons Stiftelse (1947), Henry och Gerda Dunkers Stiftelse (1953), Åhléns-stiftelsen (1954), Ollie och Elof Ericssons Stiftelse för Vetenskaplig Forskning (1958), Stiftelsen Marcus och Amalia Wallenbergs Minnesfond (1960), Torsten Söderbergs Stiftelse (1960), Ragnar Söderbergs Stiftelse (1960), Ollie och Elof

*Wallenbergs Stiftelse* founded in 1917 and *Stiftelsen J.C. Kempes Minne* (1936) and *Stiftelsen Seth M. Kempes Minne* (1941). Knut and Alice Wallenberg had no children, and Knut was 64 years old in 1917. *Stiftelsen J.C. Kempes Minne* and *Stiftelsen Seth M. Kempes Minne* was founded by Charlotte ‘Lotty’ Bruzelius (1855–1941) in memory of her father J.C. Kempe and her brother, Seth Kempe. She died childless.

Notably, the founding wealth in the foundations used as a control vehicle emanates from individuals acting as entrepreneurs during the period when Sweden was industrialized in the second half of the 19<sup>th</sup> century. Their entrepreneurship was of extraordinary quality contributing to transformation of industries and having an impact on the growth of the aggregate economy.

### **3 Taxation of industrial foundations**

The calculation of the METR requires data on the evolution of the corporate income tax, the foundation’s income tax, the wealth tax, and the inflation rate. Section 3.1 describes how the tax rules for industrial foundations have evolved and how a foundation’s income has been taxed over time. Section 3.2 presents the evolution of the corporate income tax, and section 3.3 depicts the inflation rate. We refer to Henrekson and Stenkula (2015), Johansson, Stenkula, and Du Rietz (2015), and Stenkula, Johansson, and Du Rietz (2014) for a more thorough presentation of the tax system.

#### ***3.1 Tax rules for industrial foundations***

Industrial foundations do not have to pay tax on capital income, such as dividends, interest, and capital gains. They have also been exempted from taxes on wealth,

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Ericssons Stiftelse för Vålgörande Ändamål (1961), Stiftelsen Henry och Gerdas Donationsfond Nr 1 (1962), Stiftelsen Henry och Gerdas Donationsfond Nr 2 (1962), and Marianne och Marcus Wallenbergs Stiftelse (1963).

inheritance and gifts (when that has been applicable for natural persons). However, they have to pay taxes on real estate, property income and business income (*rörelseinkomst*). These rules have evolved through time in a combination of changing statutory laws and case laws (*rättspraxis*).<sup>14</sup>

The roots of tax rules for foundations date back to regulation from 1810, where so-called pious foundations (*fromma stiftelser*) were exempted from tax. Already in 1810, the tax law stated that foundations were exempted from paying tax on chattels, immovables, gifts and inheritance (Stenshamn 1967). In the Appropriation Law (*Bevillningsförordning*) introduced in 1862, the tax exemption was extended to several areas of research, education, childcare and healthcare.

The main idea behind a pious foundation was that all pay outs should be used for charitable purposes. One rationale for the tax exemption was that these foundations spent money on activities that otherwise had to be financed by taxes directly through the political system. A foundation could have more than one purpose (and as a consequence use its revenues in more than one way). If only part of the foundation had charitable purposes, then these rules applied only for that part. If, for example, half of the foundation's activity had charitable purposes (as stated, e.g., in the statutes of the foundation), half of the income must be spent on charitable purposes, and *this half* was exempted from income taxation. A foundation with multiple purposes could in this way both keep some money within the foundation and spend money on non-charitable purposes without being required to pay taxes on all income.<sup>15</sup>

In 1942, the legal framework was formalized, and the current legal framework was instituted (Isoz 1997). The legislation was preceded by a long process based on a

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<sup>14</sup> Case law is the set of decisions of courts that can be cited as precedent.

<sup>15</sup> See SOU 1939:47 and SOU 2009:65 for more detailed discussions.

proposal from a tax committee of 1936. The rules have then remained largely unchanged. Before 1942, the main focus of the tax authorities was whether a foundation should be regarded as a pious foundation. Classification as a pious foundation was based on case law, but the case laws were not consistent since administrative courts could differ in their judgments whether a foundation fulfilled the requirement to be tax exempt.

One main concern with the statutory law before 1942 was that it was possible to retain and accumulate the yearly income that the foundation received on the grounds that, in the future, the funds would be spent on charitable activities. However, the purpose of the foundation could be changed or the foundation could be dissolved and liquidated. Hence, there was a risk that tax-exempted income could be used for non-charitable activities (if the purpose of the foundation was changed) or could be obtained by ordinary people (if the foundation was liquidated).<sup>16</sup>

The new legislation clarified that foundations supporting charitable should be taxable only for income from property and business activity.<sup>17</sup> However, three conditions had to be met for other incomes of a foundation to be tax exempt:

- *The purpose requirement (ändamålskravet)*, stating that the foundation must have (a) charitable purpose(s). A list of charitable purposes was specified in the law (SOU 2009:65). This list replaced the concept of piousness in the law.<sup>18</sup>

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<sup>16</sup> There is a limited possibility to go back in time and change the taxation of income (*eftertaxering*). Current tax law allows the tax authority to change the taxation of income two years back in time after an appeal, and at most five years back in time, if incorrect information was presented in the income tax return.

<sup>17</sup> At this time, the property tax had two parts, local and national, and these foundations had to pay only the local part. It was argued that removing the local part would reduce the municipal financing in a non-legitimate manner.

<sup>18</sup> With the 1942 legislation, the definition of research was broadened but the change in practice was negligible since the interpretation was already generous (Stenshamn 1967).

- *The activity requirement (verksamhetskravet)*, stating that the aim of the foundation must be to *mainly (huvudsakligen)* promote charitable purposes. In practice, this means that 90 to 95 percent of the resources used must promote these charitable purposes.
- *The completion requirement (fullföljdskravet)*, stating that the foundation's return to a *reasonable extent (skälig omfattning)* should be used to promote the purpose. 'Reasonable' has, according to case law, been defined as 80 percent of the *net* return (see below). Normally, this requirement could be fulfilled either in the current fiscal year or as an average over the last four years and the current year (Gunne and Löfgren 2014).

With a formal *completion requirement*, it would not be possible to accumulate (all or the bulk of) tax-exempted income in the foundation over time (on the grounds that it will be spent on charity sometime in a distant future). With the *activity requirement*, the foundation was, on the other hand, not obliged to use everything it spent (but only the main part) on charitable activities.<sup>19</sup>

The rules were now also made binary, meaning that either the tax exemption criteria were fulfilled—and then all income (with the exception of income from property and business income) was tax exempt—or the criteria were not met—and then all income had to be taxed (as if earned by a limited company). Hence, foundations could no longer divide their income into non-taxable (the charitable part) and taxable (the non-charitable part) income. Failing to satisfy one requirement was sufficient to be fully taxable. An alternative tax rule, which would keep the tax incentives for foundations with charitable purposes in place, could be to allow foundations to deduct

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<sup>19</sup> All activity must however be in line with the purpose of the foundation.

all expenditures for charitable purposes and then tax the residual net income in the same way as other businesses. This option was rejected for two reasons: high administrative burden for the foundation and weakened opportunities for consolidation since new investments would have to be carried out with post-tax incomes (SOU 1995:63). It should be noted that the sharp reduction in the corporate income tax rate since the 1980s has made the latter argument less valid.

In practice, the new rules implied that, on average, approximately 80 percent of the net return had to be spent every year, and of these expenditures, 90 to 95 percent must be on activities that the tax authority regards as charitable.

There have been some changes since 1942, but the idea behind the rules has remained basically the same. In 1964, the definition of charitable purposes was widened to include Nordic cooperation, and in 1984, the municipality taxation of legal entities was abolished. No changes in the taxation of foundations were made as part of the major Swedish tax reform in 1990–1991. In 1999, the *activity requirement* was changed from *mainly* (*huvudsakligen*) to *solely or virtually solely* (*uteslutande eller så gott som uteslutande*). The tax laws for foundations were made more liberal in 2014 (including that the concept of philanthropic purposes was widened again), but these changes did not essentially change the possibility to own or control firms via foundations (Gunne and Löfgren 2014).

Importantly, *no exact numbers* are mentioned directly in the law. Both case laws and circumstances are relevant for the exact determination of how much of the return that has to be used for charitable purposes to exempt a foundation from most taxes instead of being liable to full taxation on all its net income.

### 3.1.1 The completion requirement and the requirement base

As described in the section above, approximately 80 percent of the net return has to be spent on charitable purposes to fulfil the completion requirement. However, when calculating this net return, several costs and incomes will be deductible from the total return. The remaining amount, out of which 80 percent has to be donated, we will denote “the requirement base.”

The requirement base includes current income in the form of all revenues from interest and dividends, while capital gains are excluded.<sup>20</sup> Income from business activity and property is likewise not included because such income is not tax exempted for industrial foundations (Gunne and Löfgren 2014).

Income from donations and bequests must be included in the requirement base if it is stated in the will that it must be used to promote the charitable purposes of the foundation. However, without this explicit statement in the will, bequests and other gifts are normally not included, i.e., a foundation is not committed to spend 80 percent of these bequests and gifts on charitable purposes (SFS No. 1994:1229).

Finally, direct and indirect costs associated with earning the income (*kostnader för intäkternas förvärvande*), such as remuneration to board members, are deductible. The general rule is that costs that would be tax deductible in a situation where the income is taxable are deductible from the gross income when calculating the requirement base (Swedish Tax Agency 2018).<sup>21</sup>

The requirement base can be expressed as:

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<sup>20</sup> For certain financial instruments it is difficult to distinguish between current income and capital gains. For some instruments there are well defined rules, but for other instruments one must use a case-by-case methodology.

<sup>21</sup> Generally, a cost can reduce the requirement base, or be included in the completion requirement. However, there are court cases where costs have not been allowed neither to reduce the requirement base nor to be included in the completion requirement. For a detailed description, see Melz (1998).

$$\begin{aligned} \text{Requirement base} = & \text{Total income} - \text{Business income} - \text{Property income} - \\ & \text{Capital gains} - \text{Gifts and bequests} - \\ & \text{Costs associated with earning the tax exempt income} \quad (1) \end{aligned}$$

Although it is not clearly stated in the law, costs associated with fulfilling the completion requirement (*fullföljdskostnader*), such as costs for distributing information about scholarships or costs for evaluating scholarship applications, are normally included in the 80 percent so that 20 percent can always be reinvested (Government Bill 2013/2014:1).

For the purpose of this paper, the most important thing to note in Equation (1) is that revenues in the form of dividends and interest are included in the requirement base, but capital gains are not. Since dividends and capital gains are not treated equally, it is possible to influence how much of the total return the foundation has to use to promote its purpose.<sup>22</sup>

### *3.1.2 Summary and conclusion concerning foundations*

In modern times, it has been possible to use foundations to avoid tax on personal income, wealth, gifts and inheritance.<sup>23</sup> Although there have been discussions about extending the tax liability, this has not been effected. In essence, the regulatory changes for industrial foundations have mainly entailed the transformation of case law into statutory law. However, there have been several court cases that have assessed the

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<sup>22</sup> This is possible if the foundation can influence the dividend strategies of the firms in which it holds shares. This condition provides incentives for the foundation to control sufficiently large voting rights to have such influence.

<sup>23</sup> Fully taxable foundations also have been favored in comparison with personal ownership. The marginal inheritance tax rate for natural persons has been as high as 60 percent, while at the same time, it was 30 percent for taxable foundations (Stenshamn 1967), and as long as the wealth tax rate was progressive, foundations were favored since their tax rate was flat (Gunne and Löfgren 2014).

boundaries for the possibility to be an industrial foundation.

However, the tax exemption comes at a cost. There are three major disadvantages from exercising control through a foundation instead of direct ownership. First, to control a company via a foundation, one must relinquish the ownership of the capital. Second, the bulk of income must be used for purposes determined by the legislature (as described in section 3.1). Finally, there is a lock-in effect; entrepreneurs can emigrate, while foundations cannot.<sup>24</sup> When taxation on entrepreneurs is eased, the opportunity cost of controlling firms through industrial foundations increases.

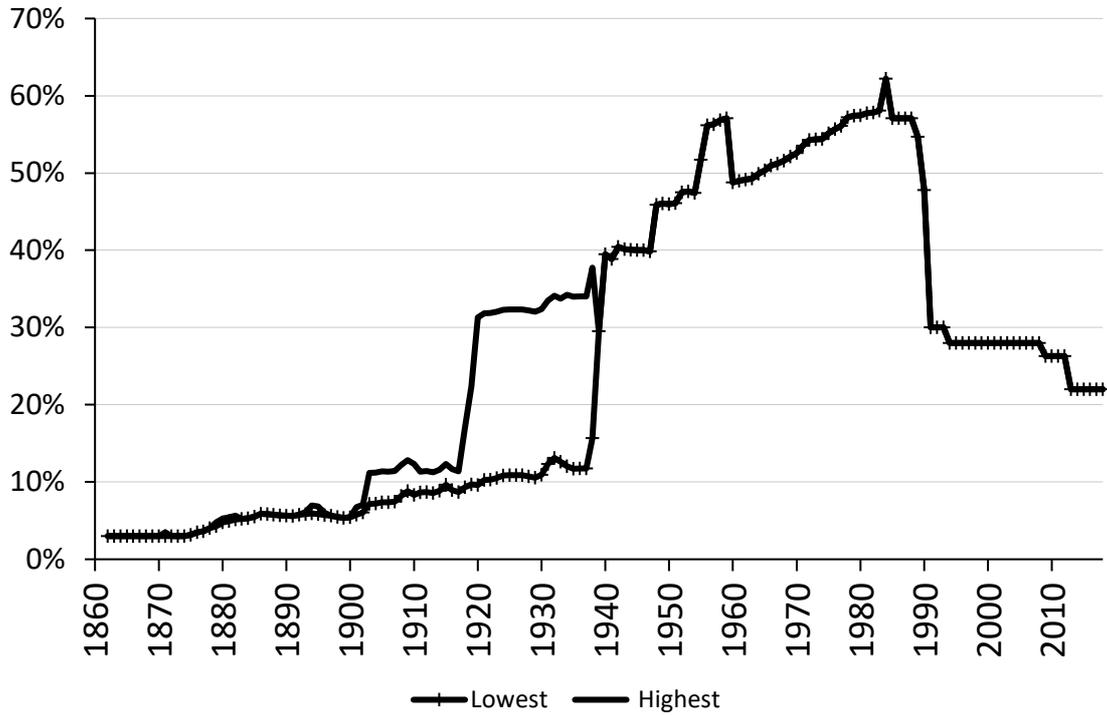
### ***3.2 Corporate income taxation***

Profits made by corporations controlled by industrial foundations are subject to corporate income tax. Figure 1 depicts the evolution of the marginal corporate income tax rate from 1862–2018. Corporate taxes were paid to the state (national government) and, until 1985, also to the municipality (local government). The tax was progressive between 1903 and 1939, and the figure shows the highest and lowest statutory tax rates during this period.

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<sup>24</sup> Of course, the foundation can own a subsidiary who pays no or little dividends, and instead reinvest the profit under the same conditions as any other company. However, this (and other) more advanced ownership or tax structures is beyond the scope of this paper.

Figure 1. The highest and lowest statutory marginal corporate income tax rate, 1862–2018.



*Note:* The statutory marginal corporate income tax rate refers to the total effect of local and state corporate income taxes. The progressive state corporate income tax was replaced by a proportional tax in 1939.

*Source:* Johansson, Stenkula, and Du Rietz (2015) and updated by the authors.

In the first 50 years of our study, the tax rates were low (below 13 percent) compared to later tax rates. The highest marginal tax rate increased sharply after World War I. The lowest marginal tax rate increased sharply in 1939 when the system was made proportional. The statutory tax rates continued to increase during the post-war period and exceeded 50 percent by the mid-1950s. The 1990–1991 tax reform decreased the statutory tax rate to 30 percent. The tax rate was lowered in four subsequent steps, reaching 22 percent in 2013. Between 1984 and 1990, an additional, ‘profit sharing tax’

(PST) on corporations was levied to finance so-called wage-earner funds (*löntagarfonder*).<sup>25</sup>

There have been ample opportunities to reduce the statutory corporate tax by allowances and grants—particularly between 1939 and 1991, when the effective corporate tax rate could be substantially lower than the statutory corporate tax rate (Södersten 1984, 1993). The tax reform in 1990–1991 abolished most of these options, thus making the statutory and effective corporate tax rate much more equal.<sup>26</sup>

### **3.3 Inflation**

The inflation rate varied, with few exceptions, between -5 and +5 percent until World War I, but it was zero on average, and the price level was virtually stable (see Figure 2). Inflation peaked during World War I and was close to 50 percent in 1918. Deflation followed the war with a policy to restore the price level to the pre-war level, and deflation was nearly 20 percent in 1921. Sweden also experienced deflation at the end of the 1920s and at the beginning of the 1930s. On average, the price level was roughly stable for approximately 80 years between 1862 and 1939. Inflation peaked again during World War II and during the Korea boom in the 1950s. In addition, inflation was moderate during the 1950s and 1960s and rarely exceeded five percent. It increased during the 1970s and 1980s and occasionally exceeded 10 percent. The central bank was granted independence, price stability was made prime goal of monetary policy and

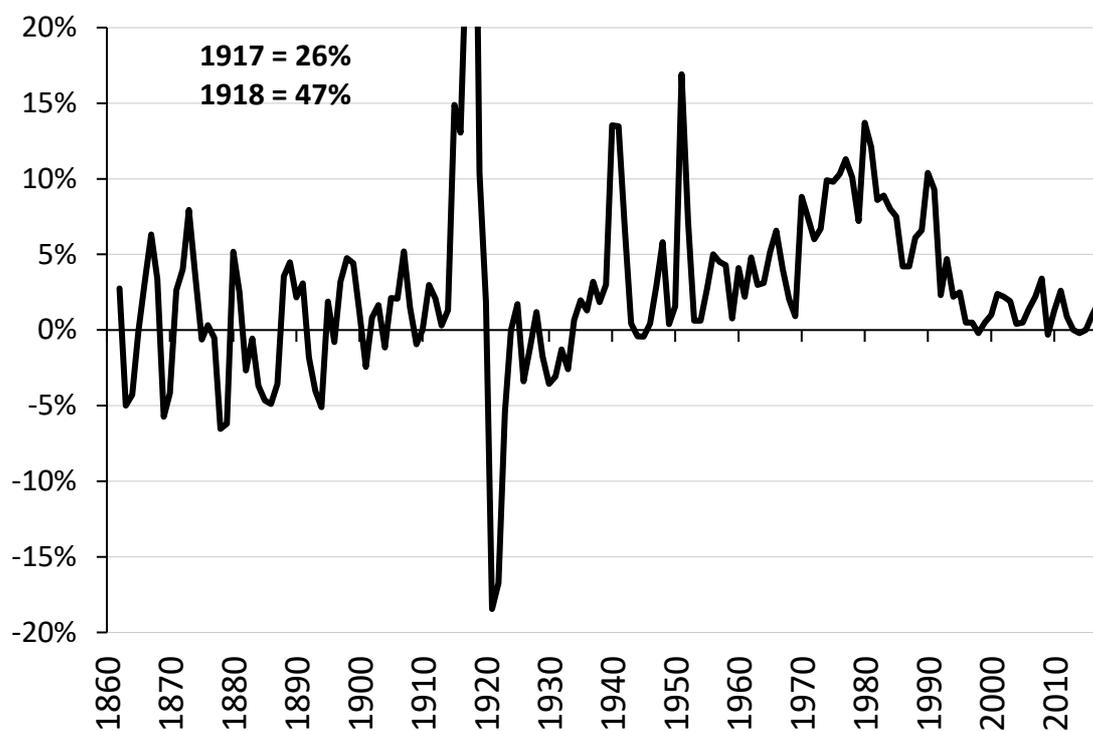
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<sup>25</sup> It has been estimated that this tax increased the statutory corporate tax rate by approximately five percentage points (Agell, Englund, and Södersten 1995), which is not included in the figure but is considered in our calculations. However, there was a fear among businessmen that the rules might be sharpened. Non-implemented proposals with the purpose of transferring private ownership to the funds—which had been suggested before the formal rules came in place—was seen as a threat to business for many owners (Henrekson and Jakobsson 2001, p. 352–354). This effect is not included in the METR because the King-Fullerton framework does not take business or political risks into account.

<sup>26</sup> See Lodin (2011, chapter 7) for further discussion about the design of the new corporate taxation.

an inflation target to keep inflation at approximately two percent was established in the 1990s. Inflation fell and was approximately 1 percent on average between 1994 and 2018.

Figure 2. The inflation rate, 1862–2018.



Source: <http://www.scb.se/hitta-statistik/statistik-efter-amne/priser-och-konsumtion/konsumentprisindex/konsumentprisindex-kpi/pong/tabell-och-diagram/konsumentprisindex-kpi/inflation-i-sverige/>.

## 4 The marginal effective tax rate on capital income (METR)

### 4.1 The model

King and Fullerton (1984) investigate the METR on investment projects in the nonfinancial corporate sector using a framework that accounts for all capital income taxes, corporate taxes, wealth taxes and inflation that concern the investment decisions of the saver. The method also allows for the analysis and comparison of investment

projects and national tax systems.

The King-Fullerton model is a standard method for measuring the marginal effective tax rate on investment projects used in research as well as in practice, for example by the OECD. The METR is formally the difference between the pre-tax and post-tax real rate of return of a marginal investment project, divided by the pre-tax real rate of return. For example, if the pre-tax return of an investment project is 10 percent and the post-tax return 6 percent, the METR will be 40 percent  $((10-6)/10)$ .

It is, however, important to note that the METR is not simply an addition of corporate and owner-level taxation adjusting for inflation. It is an equilibrium model that is supposed to be solved where

(i) the present discounted value of the profits from the investment must equal the cost of the investment, and

(ii) the potential investor must be indifferent between receiving the after-tax revenue from the investment project and receiving the after-tax market interest rate (which in the model corresponds to the best alternative return).

The model assumes that no (further) tax changes will occur and that all tax allowances for investments always can be used. The result will depend on the source of finance—new share issues, retained earnings or debt—as the equilibrium conditions will be altered due to this.

#### ***4.2 Assumptions***

Using the King-Fullerton model and considering the rules and evolution of the tax system as presented in section 3, we can calculate the METR for industrial foundations, for new share issues, retained earnings and debt as sources of finance of the

investment.<sup>27</sup> However, as always when using a model, some assumptions must be made.

The *corporate income tax rate* is straightforward to use when the corporate income tax system is proportional. We will use the top tax rate when the system is progressive (1903–1939).<sup>28</sup>

The *capital income tax rate* is first set to zero, as industrial foundations are exempted from paying tax on their capital income. This is in line with the analysis performed in earlier studies (King and Fullerton 1984, Jorgensen and Landau 1993, and, for Sweden, Södersten 1984, 1993).

However, industrial foundations are obliged to pay out the bulk of their capital income (less capital gains) for charitable purposes, as described in section 3. This inflicts a cash flow effect that weakens the ability to maintain control over the ‘sphere companies’ and hence provides a negative incentive for entrepreneurs to use industrial foundations as a control vehicle. In fact, this effect parallels the cash flow effect caused by the personal capital income tax on dividends and interest. This cash flow effect has not been discussed or considered in previous analyzes. To illustrate the impact on the incentives to control firms through direct individual ownership or through industrial foundations, we will make a complementary calculation of the METR where the requirement to donate large part of the return to charitable purposes is treated as a tax. Though not formally correct, this calculation will capture the cash flow effect and further our understanding of the incentives to use industrial foundations to control companies.<sup>29</sup>

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<sup>27</sup> In the King-Fullerton framework investments in machines, buildings and inventories are analyzed. In this study, we will analyse investments in machinery.

<sup>28</sup> Using, for example, the lowest or the average of the highest and lowest tax rates in 1903–1939 will not change our general conclusions.

<sup>29</sup> A tax is formally defined as compulsory unrequited payments to general government.

This complementary calculation requires an assumption regarding how large a share of its net income the foundation is obliged to donate. As described earlier, no exact numbers are mentioned in the statutory law, and both case law and the specific circumstances of the foundation are relevant for the exact determination of how much of the income that has to be used for charitable purposes during the whole period. Case law after World War II implies that, on average, approximately 80 percent of the net return has to be spent on charitable purposes; we will use this percentage in our calculations for the whole period.

The *wealth tax rate* is set to zero, as industrial foundations are exempted from wealth tax. Actual *inflation rates* are used in the calculations, as presented in section 3.3.

There are special tax rules that must be accounted for during the period, e.g., the Annell deduction, the investment fund system, a special additional allowance given between 1976 and 1978 and in 1980, and the SURV (*Skatteutjämningsreserv*, tax equalization reserve). Those allowances will in different ways lower the effective corporate taxation. The Annell deduction will, however, only reduce the corporate tax when new share issues are the source of finances. Between 1939 and 1951, immediate write-off of investments was possible. Those rules and how they are incorporated are described in Wykman (2019).

#### **4.3 Results**

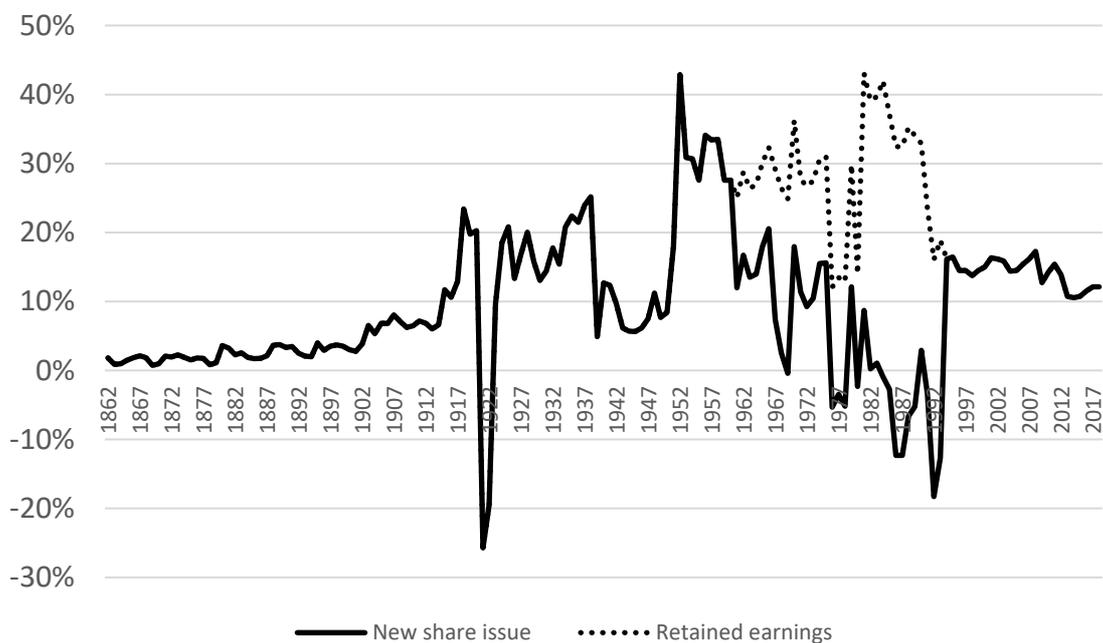
Figure 3 describes the METR with new share issues and retained earnings as a source of finance.<sup>30</sup> The METR for equity-financed investments was below 10 percent before

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<sup>30</sup> As control is exercised through ownership, debt is a less relevant source of finance when it comes to industrial foundations. The METR for debt is presented in the tables in Appendix A.

World War I. It increased during World War I and in the interwar period. The top level was reached, with spikes exceeding 40 percent, during the 1950s. The METR for new share issues and retained earnings deviated between 1960 and 1993 because of the earlier mentioned Annell deduction, a tax credit given only to investments financed with new share issues. After 2012, the METR fluctuates between 10 and 15 percent.

Figure 3. The marginal effective tax rate (METR), new share issues and retained earnings, 1862–2018.



Source: Own calculation.

In the ordinary METR calculations, the income tax for the foundation is set to zero. In a strict sense, this is a true interpretation because donating a part of one’s income cannot be equated with a tax. However, as discussed above, it could be argued that this METR does not correctly capture the incentive effects and that it may be misleading. The requirement to donate the bulk of the net income to charitable purposes has a negative cash flow effect similar to a dividend tax. This effect is not addressed in

the ordinary King-Fullerton framework, but the METR can be recalculated to include this effect as discussed in Section 4.2.

Figure 4 depicts the results including this cash flow effect. In the case of new share issues, the METR fluctuates mostly around 100 and 150 percent.<sup>31</sup> There are also occasional spikes reaching 200 percent or more.<sup>32</sup> The METR for retained earnings coincides with the earlier METR without any cash flow effect. Retained earnings enable investors to accumulate at a rate of return that is taxed by capital gains, and there is no cash flow effect because industrial foundations do not have to redistribute capital gains to charitable purposes.<sup>33</sup> Including the donation requirement, the METR for new share issues increases substantially and is unfavorable as a source of finance compared to retained earnings.

The favorable treatment of retained earnings over new share issues favors incumbent, well-established and mature firms, which historically has generated profits in contrast to new entrants which lacks retained earnings to use. Industrial foundations also generally prefer to finance investments with retained earnings to avoid the risk that ownership will be diluted, which could be the case when using new share issues.

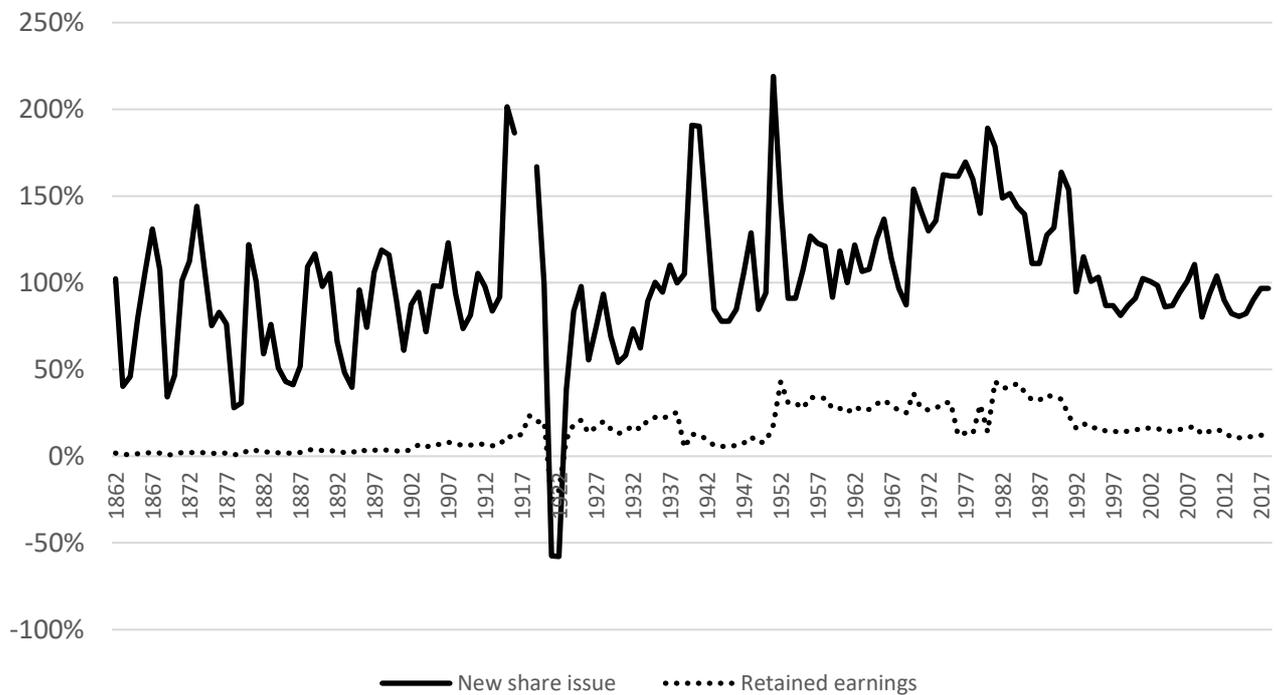
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<sup>31</sup> In the case of new share issues, the potential investor will require a return net of dividends tax to be equal to the alternative investment, corresponding to the nominal interest rate net of interest tax, i.e., the investor will value the investment as if the investor will be remunerated through dividends only (see Wykman 2019 for a more detailed description).

<sup>32</sup> During World War I, the METR could exceed 300 percent, due to the very high inflation rate—which could be well above 50 percent—in combination with the requirement to donate the bulk of the net income to charitable purposes.

<sup>33</sup> See Wykman (2019) for a further discussion.

Figure 4. The marginal effective tax rate (METR), new share issues and retained earnings, 1862–2018, including cash flow effect.



*Note:* The METR is calculated assuming that the foundation has to pay 80 percent of its net income to charitable purposes. The figure is truncated, and extreme spikes during World War I are excluded to increase clarity.

*Source:* Own calculation.

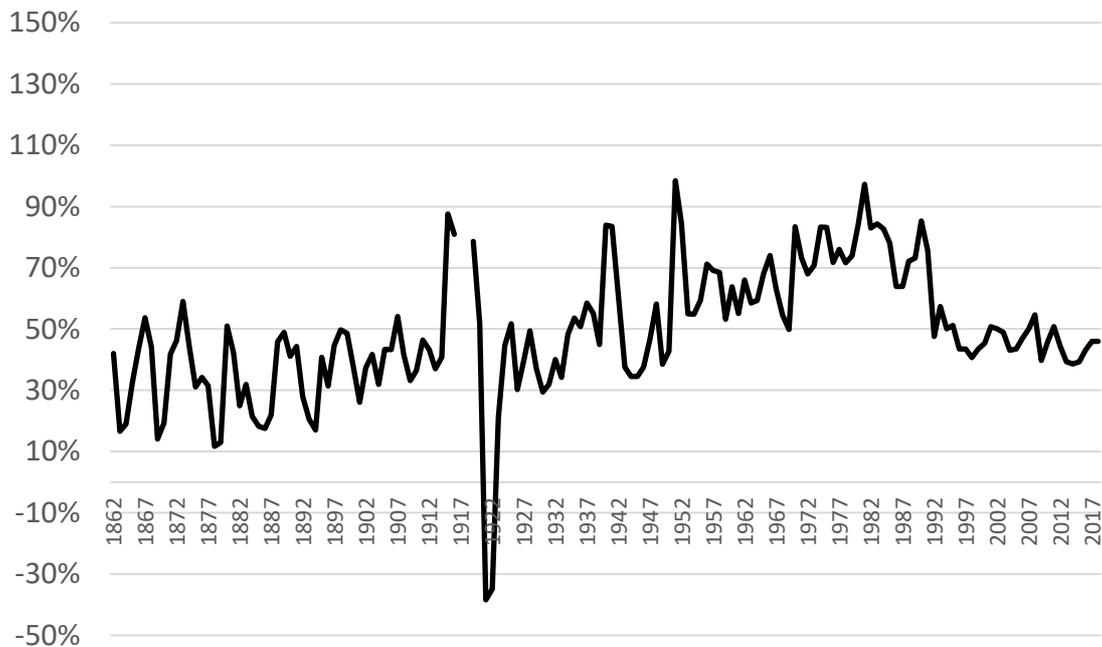
The METR for new share issues in Figure 4 should however be considered a maximum ceiling for two reasons, the donation requirement could be somewhat lower than 80 percent and the company may not distribute the whole profit as dividends, but rather reinvest it. The METR will then be somewhere between the solid and dashed line.

Since the foundation does not pay tax on capital gains, a complementary analysis is to decompose the true return on ownership into dividends and price changes on the underlying stocks, i.e., capital gains, and use that as the basis for the calculation of the incentives. The share of dividend yields of the return on the public stock market

for the period 1870–2012 is, on average, approximately 40 percent (Waldenström 2014), and a recalculation of the METR using this number is shown in Figure 5.

The METR fluctuates around 20–50 percent until World War II (ignoring the spikes). After the War and until the tax reform in 1990–1991, the METR fluctuates around 50–85 percent. After the tax reform, the METR decreases to approximately 40–50 percent. With these assumptions, the METR will be lower and not exceed 100 percent (ignoring the spikes during World War I), even if the negative cash flow from donating the bulk of the dividends to charitable purposes is included.

Figure 5. The marginal effective tax rate (METR), 1862–2018.



*Note:* The METR is calculated assuming that the foundation has to donate the bulk of dividend income (80 percent is used in our calculations) to charitable purposes, which parallels the cash flow effect caused by dividend taxation. The calculations are made under the assumption that the stock return follows the average pattern on the stock market, i.e. that dividend yields accounts for 40 percent of the return and price changes (capital gains) for 60 percent.

*Source:* Own calculations.

## **5 Concluding remarks**

This study has described the evolution of tax rules for industrial foundations and calculated the marginal effective tax rate on capital income (METR) for industrial foundations. The METR includes the effects of corporate income taxation, capital income taxation, and wealth taxation and the interactions of these taxes with inflation. It is calculated for an investment financed with new share issues and retained earnings. The investigation covers the years 1862 to 2018.

Industrial foundations have been used by a few influential ownership spheres to exercise far-reaching control over Swedish industry because they do not have to pay taxes on capital income, wealth or inheritance and gifts. On the other hand, this tax exemption requires that they donate the bulk of their net capital income (less capital gains) to charitable purposes, which brings about a negative cash flow that reduces the ability to retain control over companies. The donation requirement therefore creates a disincentive to control firms through industrial foundations. The requirement could be circumvented by selling shares instead of receiving dividends. However, this comes at the cost of losing control and has therefore generally been avoided.

Earlier analyzes on the taxation of industrial foundations is made for occasional years from the 1960s and onwards. They have also disregarded the donation requirement, which is misleading if one wants to understand the ownership and control of Swedish industry. Furthermore, they exclude the time-period when the most influential foundations were founded. We therefore make a complementary analysis and calculate annual time-series data covering a longer time period than before, where the donation requirement is included in the METR calculations.

Our analysis shows that the METR is below 20 percent most of the time and occasionally peaks at about 40 percent. Taking the donation requirement into account,

the METR is seldom below 50 percent when financing investments with new share issues, and often exceeds 100 percent. Including the donation requirement, new share issues is a much less favorable source of finance than retained earnings. The results can be used to analyze the ownership and control of Swedish industry in more detail.

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## Appendix A: Tax tables

Table 1. Marginal tax rates.

Year	Corporate tax	Interest tax	Dividends tax	Capital gains tax	Wealth tax
1862	3.0	3.0	0.0	0.0	0.0
1863	3.0	3.0	0.0	0.0	0.0
1864	3.0	3.0	0.0	0.0	0.0
1865	3.0	3.0	0.0	0.0	0.0
1866	3.0	3.0	0.0	0.0	0.0
1867	3.0	3.0	0.0	0.0	0.0
1868	3.0	3.0	0.0	0.0	0.0
1869	3.0	3.0	0.0	0.0	0.0
1870	3.0	3.0	0.0	0.0	0.0
1871	3.5	3.5	0.0	0.0	0.0
1872	3.0	3.0	0.0	0.0	0.0
1873	3.0	3.0	0.0	0.0	0.0
1874	3.0	3.0	0.0	0.0	0.0
1875	3.2	3.2	0.0	0.0	0.0
1876	3.5	3.5	0.0	0.0	0.0
1877	3.6	3.6	0.0	0.0	0.0
1878	4.0	4.0	0.0	0.0	0.0
1879	4.8	4.8	0.0	0.0	0.0
1880	5.3	5.3	0.0	0.0	0.0
1881	5.4	5.4	0.0	0.0	0.0
1882	5.6	5.6	0.0	0.0	0.0
1883	5.2	5.2	0.0	0.0	0.0
1884	5.3	5.3	0.0	0.0	0.0
1885	5.5	5.5	0.0	0.0	0.0
1886	5.9	5.9	0.0	0.0	0.0

Year	Corporate tax	Interest tax	Dividends tax	Capital gains tax	Wealth tax
1887	5.9	5.9	0.0	0.0	0.0
1888	5.8	5.8	0.0	0.0	0.0
1889	5.7	5.7	0.0	0.0	0.0
1890	5.6	5.6	0.0	0.0	0.0
1891	5.6	5.6	0.0	0.0	0.0
1892	5.7	5.7	0.0	0.0	0.0
1893	6.1	6.1	0.0	0.0	0.0
1894	6.9	6.9	0.0	0.0	0.0
1895	6.8	6.8	0.0	0.0	0.0
1896	6.0	6.0	0.0	0.0	0.0
1897	5.6	5.6	0.0	0.0	0.0
1898	5.5	5.5	0.0	0.0	0.0
1899	5.3	5.3	0.0	0.0	0.0
1900	5.4	5.4	0.0	0.0	0.0
1901	6.8	6.8	0.0	0.0	0.0
1902	7.0	7.0	0.0	0.0	0.0
1903	11.2	11.2	5.0	0.0	0.0
1904	11.2	11.2	5.0	0.0	0.0
1905	11.4	11.4	5.0	0.0	0.0
1906	11.4	11.4	5.0	0.0	0.0
1907	11.4	11.4	5.0	0.0	0.0
1908	12.2	12.2	5.0	0.0	0.0
1909	12.8	12.8	5.0	0.0	0.0
1910	12.3	12.3	5.0	0.0	0.0
1911	11.3	12.2	6.0	0.0	0.1
1912	11.4	12.3	6.0	0.0	0.1
1913	11.3	25.7	19.5	0.0	1.5

Year	Corporate tax	Interest tax	Dividends tax	Capital gains tax	Wealth tax
1914	11.6	12.5	6.0	0.0	0.1
1915	12.4	13.3	6.0	0.0	0.1
1916	11.7	12.6	6.0	0.0	0.1
1917	11.4	12.3	6.0	0.0	0.1
1918	17.0	29.9	23.0	0.0	0.4
1919	22.4	30.3	23.0	0.0	0.4
1920	31.3	33.3	33.3	0.0	0.5
1921	31.8	36.4	36.4	0.0	0.5
1922	31.9	36.5	36.5	0.0	0.5
1923	32.0	36.6	36.6	0.0	0.5
1924	32.3	36.9	36.9	0.0	0.5
1925	32.3	36.2	36.2	0.0	0.5
1926	32.3	35.0	35.0	0.0	0.5
1927	32.3	35.1	35.1	0.0	0.5
1928	32.2	33.8	33.8	0.0	0.5
1929	32.1	32.9	32.9	0.0	0.5
1930	32.4	33.1	33.1	0.0	0.5
1931	33.5	34.5	34.5	0.0	0.5
1932	34.1	38.5	38.5	0.0	0.5
1933	33.7	40.7	40.7	0.0	0.6
1934	34.3	42.2	42.2	0.0	1.1
1935	34.0	42.0	42.0	0.0	1.1
1936	34.0	45.4	45.4	0.0	1.2
1937	34.0	45.4	45.4	0.0	1.2
1938	37.8	47.3	47.3	0.0	1.2
1939	29.5	59.0	59.0	0.0	1.1
1940	39.5	65.4	65.4	0.0	1.2

Year	Corporate tax	Interest tax	Dividends tax	Capital gains tax	Wealth tax
1941	38.9	65.1	65.1	0.0	1.2
1942	40.4	72.0	72.0	0.0	1.3
1943	40.1	71.9	71.9	0.0	1.3
1944	40.1	71.9	71.9	0.0	1.3
1945	40.0	71.9	71.9	0.0	1.3
1946	40.0	71.9	71.9	0.0	1.3
1947	39.8	71.8	71.8	0.0	1.3
1948	45.9	72.9	72.9	0.0	1.8
1949	46.1	73.0	73.0	0.0	1.8
1950	46.0	73.0	73.0	0.0	1.8
1951	46.1	73.1	73.1	0.0	1.8
1952	47.5	73.8	73.8	0.0	1.8
1953	47.6	69.5	69.5	0.0	1.8
1954	47.4	69.3	69.3	0.0	1.8
1955	51.7	69.3	69.3	0.0	1.8
1956	56.2	69.3	69.3	0.0	1.8
1957	56.3	69.4	69.4	0.0	1.8
1958	56.8	69.8	69.8	0.0	1.8
1959	57.1	70.0	70.0	0.0	1.8
1960	48.8	70.1	70.1	0.0	1.8
1961	49.0	70.3	70.3	0.0	1.8
1962	49.1	70.3	70.3	0.0	1.8
1963	49.3	70.4	70.4	0.0	1.8
1964	49.9	70.8	70.8	0.0	1.8
1965	50.4	71.0	71.0	0.0	1.8
1966	51.0	71.4	71.4	17.9	1.8
1967	51.2	71.5	71.5	17.9	1.8

Year	Corporate tax	Interest tax	Dividends tax	Capital gains tax	Wealth tax
1968	51.6	71.8	71.8	17.9	1.8
1969	52.1	72.1	72.1	18.0	1.8
1970	52.6	72.4	72.4	18.1	1.8
1971	53.5	76.5	76.5	19.1	2.5
1972	54.3	77.8	77.8	19.4	2.5
1973	54.4	77.9	77.9	19.5	2.5
1974	54.4	78.0	78.0	19.5	2.5
1975	55.1	81.2	81.2	20.3	2.5
1976	55.7	83.2	83.2	33.3	2.5
1977	56.1	84.9	84.9	33.9	2.5
1978	57.2	86.7	86.7	34.7	2.5
1979	57.4	87.0	87.0	34.8	2.5
1980	57.5	85.0	85.0	34.0	2.5
1981	57.7	85.0	85.0	34.0	2.5
1982	57.8	85.0	85.0	34.0	2.5
1983	58.1	84.0	84.0	33.6	4.0
1984	62.2	82.0	82.0	32.8	3.0
1985	57.1	80.0	80.0	32.0	3.0
1986	57.1	80.3	80.3	32.1	3.0
1987	57.1	77.4	77.4	31.0	3.0
1988	57.1	75.6	75.6	30.2	3.0
1989	54.7	72.8	72.8	29.1	3.0
1990	47.8	66.2	66.2	26.5	3.0
1991	30.0	30.0	30.0	30.0	2.5
1992	30.0	30.0	25.0	25.0	1.5
1993	30.0	30.0	25.0	25.0	1.5
1994	28.0	30.0	0.0	12.5	1.5

Year	Corporate tax	Interest tax	Dividends tax	Capital gains tax	Wealth tax
1995	28.0	30.0	30.0	30.0	1.5
1996	28.0	30.0	30.0	30.0	1.5
1997	28.0	30.0	30.0	30.0	1.5
1998	28.0	30.0	30.0	30.0	1.5
1999	28.0	30.0	30.0	30.0	1.5
2000	28.0	30.0	30.0	30.0	1.5
2001	28.0	30.0	30.0	30.0	1.5
2002	28.0	30.0	30.0	30.0	1.5
2003	28.0	30.0	30.0	30.0	1.5
2004	28.0	30.0	30.0	30.0	1.5
2005	28.0	30.0	30.0	30.0	1.5
2006	28.0	30.0	30.0	30.0	1.5
2007	28.0	30.0	30.0	30.0	0.0
2008	28.0	30.0	30.0	30.0	0.0
2009	26.3	30.0	30.0	30.0	0.0
2010	26.3	30.0	30.0	30.0	0.0
2011	26.3	30.0	30.0	30.0	0.0
2012	26.3	30.0	30.0	30.0	0.0
2013	22.0	30.0	30.0	30.0	0.0
2014	22.0	30.0	30.0	30.0	0.0
2015	22.0	30.0	30.0	30.0	0.0
2016	22.0	30.0	30.0	30.0	0.0
2017	22.0	30.0	30.0	30.0	0.0
2018	22.0	30.0	30.0	30.0	0.0

*Note:* Interest rate, dividends rate, capital gains rate and wealth rate refer to the top marginal tax rates affecting an owner of a listed firm and are used to calculate the METR for direct individual ownership. Capital gains tax refers to long-term holdings (> 5 years) when applicable.

Table 2. The marginal effective tax rate (METR), industrial foundations.

Year	NSI	NSI*	Retained earnings	Debt	Debt*	Mix
1862	1.8	102.3	1.8	-2.1	101.5	1.8
1863	0.9	40.3	0.9	-0.7	40.0	0.9
1864	1.0	46.0	1.0	-0.8	45.7	1.0
1865	1.5	79.3	1.5	-1.5	78.7	1.5
1866	1.9	105.9	1.9	-2.2	105.1	1.9
1867	2.1	130.9	2.1	-2.8	129.9	2.1
1868	1.9	107.4	1.9	-2.2	106.6	1.9
1869	0.8	34.2	0.8	-0.5	33.9	0.8
1870	1.0	46.7	1.0	-0.8	46.4	1.0
1871	2.1	101.4	2.1	-2.4	100.5	2.1
1872	1.9	112.5	1.9	-2.3	111.6	1.9
1873	2.3	144.0	2.3	-3.2	142.9	2.3
1874	1.9	108.9	1.9	-2.2	108.1	1.9
1875	1.5	75.3	1.5	-1.5	74.7	1.5
1876	1.8	82.9	1.8	-1.9	82.2	1.8
1877	1.8	76.2	1.8	-1.7	75.5	1.8
1878	0.9	27.9	0.9	-0.6	27.6	0.9
1879	1.1	30.6	1.1	-0.8	30.2	1.1
1880	3.6	122.1	3.6	-4.6	120.4	3.6
1881	3.3	100.8	3.3	-3.7	99.4	3.3
1882	2.3	59.0	2.3	-2.0	58.2	2.3
1883	2.5	75.9	2.5	-2.5	74.9	2.5
1884	1.9	50.9	1.9	-1.6	50.2	1.9
1885	1.7	43.0	1.7	-1.3	42.4	1.7
1886	1.7	41.2	1.7	-1.3	40.6	1.7
1887	2.1	51.9	2.1	-1.8	51.2	2.1
1888	3.7	109.2	3.7	-4.4	107.6	3.7

Year	NSI	NSI*	Retained earnings	Debt	Debt*	Mix
1889	3.8	116.7	3.8	-4.7	115.0	3.8
1890	3.3	97.9	3.3	-3.7	96.4	3.3
1891	3.5	105.4	3.5	-4.1	103.9	3.5
1892	2.5	66.1	2.5	-2.3	65.1	2.5
1893	2.1	48.1	2.1	-1.7	47.4	2.1
1894	2.0	39.6	2.0	-1.5	38.9	2.0
1895	4.0	95.8	4.0	-4.4	94.1	4.0
1896	2.9	74.3	2.9	-2.8	73.1	2.9
1897	3.5	106.2	3.5	-4.1	104.7	3.5
1898	3.7	118.8	3.7	-4.6	117.2	3.7
1899	3.5	116.1	3.5	-4.4	114.5	3.5
1900	3.0	90.0	3.0	-3.2	88.8	3.0
1901	2.8	61.0	2.8	-2.5	60.0	2.8
1902	3.8	87.4	3.8	-4.1	85.9	3.8
1903	6.5	94.5	6.5	-7.3	91.8	8.7
1904	5.3	71.8	5.3	-5.2	69.7	7.0
1905	6.8	98.3	6.8	-7.8	95.4	9.1
1906	6.8	98.0	6.8	-7.8	95.0	9.1
1907	8.0	123.1	8.0	-10.5	119.4	10.9
1908	7.1	93.4	7.1	-7.9	90.4	9.3
1909	6.2	73.6	6.2	-6.1	71.2	7.9
1910	6.5	81.3	6.5	-6.7	78.7	8.3
1911	7.2	105.3	7.2	-8.5	102.2	11.1
1912	6.8	97.9	6.8	-7.8	95.0	10.6
1913	6.0	83.6	6.0	-6.3	81.2	28.1
1914	6.6	91.9	6.6	-7.3	89.1	10.2
1915	11.7	201.4	11.7	-21.7	194.7	18.4
1916	10.6	186.5	10.6	-18.4	180.7	16.9

Year	NSI	NSI*	Retained earnings	Debt	Debt*	Mix
1917	12.9	291.8	12.9	-31.9	282.9	22.3
1918	23.4	460.3	23.4	-88.7	437.9	77.5
1919	19.8	166.9	19.8	-33.3	156.3	40.5
1920	20.3	99.1	20.3	-24.7	90.1	38.2
1921	-25.7	-57.5	-25.7	1.8	-67.2	-29.0
1922	-19.5	-57.8	-19.5	2.9	-53.4	-21.2
1923	9.6	38.4	9.6	-7.4	35.0	20.2
1924	18.5	83.7	18.5	-20.4	75.9	35.8
1925	20.8	98.0	20.8	-25.2	88.7	40.0
1926	13.3	55.6	13.3	-11.9	50.5	25.7
1927	16.8	74.0	16.8	-17.3	67.2	31.8
1928	20.0	93.5	20.0	-23.6	84.8	37.1
1929	15.8	69.1	15.8	-15.7	62.8	29.2
1930	13.0	54.0	13.0	-11.5	49.1	24.4
1931	14.4	58.2	14.4	-13.1	52.7	26.6
1932	17.8	73.4	17.8	-18.2	66.2	33.7
1933	15.4	62.4	15.4	-14.5	56.4	30.8
1934	20.8	89.5	20.8	-24.0	80.5	46.4
1935	22.4	100.3	22.4	-27.7	90.2	49.9
1936	21.5	94.6	21.5	-25.6	85.2	49.9
1937	24.0	110.3	24.0	-31.6	99.2	55.4
1938	25.2	99.8	25.2	-31.5	88.5	54.9
1939	4.9	105.0	4.9	-47.5	94.5	45.8
1940	12.7	190.8	12.7	-132.7	161.7	83.0
1941	12.3	190.2	12.3	-129.1	162.0	82.3
1942	9.7	136.7	9.7	-98.0	115.2	68.4
1943	6.2	84.7	6.2	-59.6	71.5	47.3
1944	5.7	77.7	5.7	-54.5	65.7	44.5

Year	NSI	NSI*	Retained earnings	Debt	Debt*	Mix
1945	5.7	77.7	5.7	-54.4	65.7	44.4
1946	6.1	84.7	6.1	-59.3	71.6	47.2
1947	7.5	105.4	7.5	-73.6	89.2	55.5
1948	11.2	128.7	11.2	-113.4	103.8	72.1
1949	7.7	84.7	7.7	-74.6	68.2	53.8
1950	8.4	94.2	8.4	-82.8	75.9	57.7
1951	18.0	219.0	18.0	-197.0	176.0	109.4
1952	42.9	146.5	42.9	-74.3	123.0	99.1
1953	30.9	91.1	30.9	-37.6	77.4	69.8
1954	30.7	91.0	30.7	-37.4	77.4	69.6
1955	27.6	107.3	27.6	-36.3	94.6	73.2
1956	34.1	126.9	34.1	-51.4	109.8	84.3
1957	33.4	122.6	33.4	-49.1	106.1	82.4
1958	33.5	121.1	33.5	-48.9	104.6	82.1
1959	27.6	91.7	27.6	-33.2	79.5	68.0
1960	27.6	118.2	27.6	-38.5	105.0	77.4
1961	12.0	100.1	25.1	-31.9	91.3	68.8
1962	16.7	121.8	28.7	-41.6	110.1	78.9
1963	13.5	106.6	26.4	-34.9	96.9	72.0
1964	14.0	107.7	27.0	-36.0	97.7	73.0
1965	17.9	125.0	30.1	-44.6	112.6	81.3
1966	20.6	136.7	32.3	-51.2	122.3	94.2
1967	7.4	113.8	29.2	-41.0	104.2	82.5
1968	2.5	96.8	26.4	-33.5	89.6	73.8
1969	-0.4	87.2	24.9	-29.7	81.3	68.9
1970	17.9	154.1	36.3	-63.8	137.7	104.4
1971	11.4	141.5	27.7	-44.1	130.4	104.4
1972	9.2	129.8	26.7	-40.1	120.0	99.4

Year	NSI	NSI*	Retained earnings	Debt	Debt*	Mix
1973	10.5	135.7	27.5	-42.6	125.1	102.6
1974	15.5	162.3	30.6	-54.1	148.4	116.7
1975	15.6	161.5	31.0	-54.7	147.5	119.3
1976	-5.3	161.3	12.1	-87.4	144.9	118.4
1977	-3.5	169.7	13.4	-91.7	152.1	125.5
1978	-5.2	159.8	12.8	-89.3	142.9	121.7
1979	12.1	140.0	29.9	-47.7	128.1	118.3
1980	-2.3	189.1	14.0	-107.9	168.0	136.6
1981	8.7	178.5	43.1	-88.1	159.2	144.7
1982	0.2	148.8	39.1	-69.5	134.9	126.7
1983	1.1	151.4	39.7	-71.6	136.9	142.4
1984	-0.9	143.8	41.9	-74.3	129.1	127.7
1985	-2.7	139.5	37.1	-62.6	127.5	121.3
1986	-12.3	111.1	32.4	-46.8	104.2	104.7
1987	-12.3	111.1	32.4	-46.8	104.2	102.5
1988	-6.6	127.5	35.2	-55.8	117.6	110.5
1989	-5.2	131.8	34.1	-54.6	121.9	109.7
1990	2.9	163.8	32.9	-59.8	151.2	117.7
1991	-3.4	153.7	23.5	-49.2	144.6	76.5
1992	-18.3	94.7	16.1	-29.8	92.4	39.8
1993	-12.7	115.1	18.9	-36.0	110.4	47.2
1994	16.2	100.8	16.2	-19.5	93.7	35.1
1995	16.4	103.3	16.4	-20.1	96.0	54.2
1996	14.5	86.9	14.5	-16.0	80.8	48.5
1997	14.5	86.9	14.5	-16.0	80.8	48.5
1998	13.8	81.2	13.8	-14.6	75.5	46.4
1999	14.5	86.9	14.5	-16.0	80.8	48.5
2000	15.0	91.0	15.0	-17.0	84.6	49.9

Year	NSI	NSI*	Retained earnings	Debt	Debt*	Mix
2001	16.3	102.5	16.3	-19.9	95.2	53.9
2002	16.2	100.8	16.2	-19.5	93.7	53.4
2003	15.9	98.4	15.9	-18.9	91.4	52.5
2004	14.4	86.1	14.4	-15.8	80.0	48.2
2005	14.5	86.9	14.5	-16.0	80.8	48.5
2006	15.4	94.3	15.4	-17.8	87.6	51.1
2007	16.2	100.8	16.2	-19.5	93.7	38.4
2008	17.2	110.6	17.2	-22.1	102.8	41.8
2009	12.7	80.1	12.7	-13.4	74.9	30.4
2010	14.3	93.3	14.3	-16.4	87.1	35.0
2011	15.4	103.9	15.4	-18.9	97.0	38.6
2012	13.9	90.0	13.9	-15.6	84.1	33.9
2013	10.7	82.1	10.7	-11.3	77.7	29.5
2014	10.6	80.5	10.6	-11.0	76.2	28.9
2015	10.7	82.1	10.7	-11.3	77.7	29.5
2016	11.5	90.3	11.5	-12.8	85.4	32.2
2017	12.1	96.8	12.1	-14.0	91.6	34.3
2018	12.1	96.8	12.1	-14.0	91.6	34.3

*Note:* NSI\* and Debt\* refer to the METR, including the cash flow effect, i.e., including the requirement to donate 80 percent of the return to charitable purposes.

Mix refers to the case in which 60 percent of the return is taxed as capital gains and 40 percent as dividends.

## **Appendix B: Industrial foundations and family control – a detailed description**

This appendix portrays the industrial foundations in Sweden in more detail. The government inquiry SOU 1968:7, the so-called concentration's inquiry (*Koncentrationsutredningen*), with the purpose of investigating ownership and influence in private industry, is a standard source of information.<sup>34</sup> In total, 17 ownership spheres that controlled one-third of the largest firms' capital in the early 1960s were identified in the inquiry. In combination with differentiated voting rights (by means of dual class shares) and so-called 'pyramid-building', several companies could be controlled with a relatively small amount of capital (Hagstedt, 1972). Their influence was therefore greater than what can be inferred from the percentage ownership of the total capital. In total, these ownership spheres controlled firms representing approximately one-fifth of all private sector employees, excluding banks and insurance companies.<sup>35</sup>

Fourteen of the spheres were family groups (identified group members in parentheses):

1. Wallenberg (Jacob Wallenberg, 1892–1980, Marcus Wallenberg, 1899–1982, and the latter's children)<sup>36</sup>,
2. Wehtje (descendant of Ernst Wehtje, 1863–1936, and their spouses),

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<sup>34</sup> It was a comprehensive inquiry directed by Guy Arvidsson, professor of economics. Among other things, four Ph.D. theses were based on the inquiry (Persson-Tanimura, 1988). Hermansson (1959) was one 'source of inspiration' for the inquiry. Hermansson later became the leader of the Communist Party (*Sveriges kommunistiska parti, SKP*).

<sup>35</sup> Total employment in private Swedish industry was reported to amount to 1 983 606 people (SOU 1968:7, Table 2.2., p. 48), and the Swedish employment in firms controlled by the spheres was reported to be 402 400 people (SOU 1968:7, Table 4.18, p. 154). Foreign employment is excluded in the reported numbers. The Wallenberg sphere was the largest, controlling firms employing approximately 150 000 persons in Sweden, followed by Industrivärden–Handelsbanken and Custos/Säfveån–Skandinaviska Banken, controlling firms employing approximately 60 000 people in Sweden.

<sup>36</sup> Jacob and Marcus were sons of Marcus Wallenberg sr, 1864–1943, who controlled *Knut och Alice Wallenbergs Stiftelse* after the death of his brother Knut A. Wallenberg (1853–1938).

3. Ax:son Johnson (Axel Ax:son Johnson, 1876–1958, his widow, his descendants and their spouses),
4. Klingspor (Carl Klingspor, 1847–1911, and his descendants and their spouses) and Stenbeck (Hugo Stenbeck, 1890–1977, his spouse and their descendants),
5. Mark (descendants to Knut J:son Mark, 1869–1958, and their spouses) and Carlander (descendants to Axel Carlander, 1869–1939, and their spouses),
6. Broström (descendants to Dan Broström, 1870–1925, and their spouses),
7. Bonnier (descendants to Karl-Otto Bonnier, 1856–1941, and their spouses),
8. Kockum (descendants to Frans Henrik Kockum, 1840–1910, and Carl Frans Henrik Kockum, 1878–1941, and their spouses),
9. Ericsson (Elof Ericsson, 1887–1961, his widow, his descendants and their spouses),
10. Åhlén (descendants to Johan Petter Åhlén, 1879–1939, and their spouses),
11. Kempe (descendants to Johan Carl Kempe, 1799–1872, and their spouses),
12. Söderberg (descendants to Olof Söderberg, 1872–1931, and their spouses),
13. Bergengren (descendants to Axel Bergengren, 1839–1901, and their spouses),
14. Edstrand (descendants to Hans Edstrand, 1855–1926, and their spouses).

Two spheres were management controlled, without the managers holding any controlling shares: Industrivärden–Handelsbanken and Custos/Säfveån–Skandinaviska Banken. Finally, the ‘Dunker sphere’ differed from the other spheres as it was controlled by Helsingborg’s city council and independent persons, after a donation from Henry Dunker (1870–1962).

The exercise of control was also investigated, and foundations were found to be the main controlling device in half of the ownership spheres. In particular, foundations were found to have been used to build and maintain a strong influence in the Swedish

industry by small groups of high-impact entrepreneurs and their families. The controlling foundations were as follows (the foundations promote charitable purposes when nothing else is stated; founding year is in parentheses):<sup>37</sup>

- The Wallenberg family: The control primarily rests on *Knut och Alice Wallenbergs Stiftelse* (1917) and on the smaller *Marianne och Marcus Wallenbergs Stiftelse* (1963) and *Stiftelsen Marcus och Amalia Wallenbergs Minnesfond* (1960). There are also a number of minor foundations in the sphere: *Jacob Wallenbergs Stiftelse*, *Särskilda fonden* (1960), *Stiftelsen för Rättsvetenskaplig Forskning* (1947), *Tekn. dr. Marcus Wallenbergs Stiftelse för utbildning i internationellt industriellt företagande* (1982), *Berit Wallenbergs Stiftelse* (1955), *Marcus Wallenbergs Stiftelse för Internationellt Vetenskapligt Samarbete* (1976), *Ekon. dr Peter Wallenbergs Stiftelse för Ekonomi och Teknik* (1996), *Stiftelsen för Ekonomisk Historisk Forskning inom Bank och Företagande* (1994) and *Ekon. dr Peter Wallenberg Stiftelse för Entreprenörskap & Affärsmannaskap* (2016).
- The Industrivärden–Handelsbanken sphere: *Svenska Handelsbankens Pensionsstiftelse* (pension foundation), *Svenska Handelsbankens Personalstiftelse* (personnel foundation), *Stiftelsen Oktagonen* (personnel foundation)<sup>38</sup>, *Svenska Handelsbankens Pensionskassa* (pension fund), *Tore Browaldhs Stiftelse* (1961) and *Jan Wallanders och Tom Hedelius Stiftelse* (1961).<sup>39</sup> *SCA och Essitys Personalstiftelser* (personnel foundation) and *SCA*

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<sup>37</sup> Foundations founded after the publication of the inquiry are included in the ownership spheres.

<sup>38</sup> A profit sharing foundation.

<sup>39</sup> Handelsbanken founded and financed *Tore Browaldhs Stiftelse* and *Jan Wallanders och Tom Hedelius Stiftelse* to honour their long-time commitment to the bank as CEOs and chairmen of

*och Essitys Pensionsstiftelser* (pension foundation) are usually included in the sphere.<sup>40</sup> All the foundations are controlled by management/employees.

- The Ax:son Johnson family: *Axel och Margaret Ax:son Johnsons Stiftelse för allmännyttiga ändamål* (1947). There is also a much smaller family foundation in terms of capital: *Axel och Margaret Ax:son Johnsons Stiftelse* (1947; family foundation). However, this foundation controls the majority of the investment company, Nordstjernen, which in turn controls the majority of the family's companies.<sup>41</sup>
- The Dunker sphere: *Henry och Gerda Dunkers Stiftelse* (1953), *Stiftelsen Henry och Gerdas Donationsfond Nr 1* (1962) and *Stiftelsen Henry och Gerdas Donationsfond Nr 2* (1962).<sup>42</sup>
- The Åhlén family: *Åhléns-stiftelsen* (1954).
- The Kempe family: *Stiftelsen J.C. Kempes Minne* (1936) and *Stiftelsen Seth M. Kempes Minne* (1941).
- The Söderberg family: *Torsten Söderbergs Stiftelse* (1960) and *Ragnar Söderbergs Stiftelse* (1960).
- The Ericsson family:<sup>43</sup> *Ollie och Elof Ericssons Stiftelse för Vetenskaplig Forskning* (1958) and *Ollie och Elof Ericssons Stiftelse för Vägfarande Ändamål* (1961).

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the board. Hence, the foundations were not founded by Browaldh's, Wallander's or Hedelius' private wealth.

<sup>40</sup> SCA was a company controlled by the Industrivärden–Handelsbanken ownership sphere. In 2017, SCA was split into two companies, SCA and Essity.

<sup>41</sup> *Helge Ax:son Johnsons Stiftelse* (1941) is also identified to the group (Sundqvist, 1985–2015).

<sup>42</sup> *Henry och Gerda Dunkers Stiftelse* (1953). *Stiftelsen Henry och Gerdas Donationsfond Nr 1* was administrated by Helsingborg's municipality (*kommun*), while *Stiftelsen Henry och Gerdas Donationsfond Nr 2* and *Henry och Gerda Dunkers Stiftelse* were originally administrated by six independent persons (SOU 1968:7, p. 130).

<sup>43</sup> Note, it was not Lars Magnus Ericsson who founded L M Ericsson.

The spheres Wehtje, Klingspor and Stenbeck, Mark and Carlander, Bergengren, Edstrand, Broström, Bonnier, Kockum and Custos/Säfveån–Skandinaviska Banken had no foundations, or their foundations were of minor importance for control.<sup>44</sup>

The capital transferred to the family-controlled foundations was chiefly shares in the family firm(s), which originated from entrepreneurs who were active during the period when Sweden was industrialized in the second half of the 19<sup>th</sup> century. Knut Wallenberg (1853–1938), founder of *Knut and Alice Wallenbergs Stiftelse*, was the second-generation Wallenberg. His father, André Oscar Wallenberg (1816–1886), founded Stockholms Enskilda Bank in 1856, which is still under family control and has been critical for the Wallenberg group since its establishment. *Axel och Margaret Ax:son Johnsons Stiftelse för allmännyttiga ändamål* and *Margaret Ax:son Johnsons Stiftelse* were founded by Axel Ax:son Johnson (1876–1958), the second generation in the Ax:son Johnson family. In 1890, his father, Axel Johnson (1844–1910), founded the shipping company Nordstjernan, which later became an investment company and still is central for the control of the group. Henry Dunker's (1870–1962) father was one of the founders of Helsingborgs Gummifabrik AB in 1891. Henry Dunker developed the business successfully and was once estimated to be Sweden's richest person. He was co-founder of Trelleborgs Gummifabriks AB in 1905. *Åhléns-stiftelsen* was founded by the widow and children of Johan Petter Åhlén (1879–1939) in his memory. He was co-founder of Åhlén and Holm in 1899 (sole owner as from 1902), a mail-order company. *Stiftelsen J.C. Kempes Minne* and *Stiftelsen Seth M. Kempes Minne* was founded by Charlotte 'Lotty' Bruzelius (1855–1941) in memory of her father, Johan Carl Kempe, and her brother, Seth Michael Kempe. Johan Carl Kempe (1799–1892) was an

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<sup>44</sup> For instance: *Ingeborg och Knut J:son Marks Stiftelse* (1917), *Broströmska Stiftelsen* (1924), *Reinhold Edstrands och hans syskon Gunhild och Theklas Stiftelse* (1951), *Hugo Stenbecks Stiftelse* (1962) and *Sven och Dagmar Saléns Stiftelse* (1968).

entrepreneur whose business group became Mo och Domsjö AB after his death. Torsten Söderberg (1894–1960), founder of *Torsten Söderbergs Stiftelse*, and Ragnar Söderberg (1900–1974), founder of *Ragnar Söderbergs Stiftelse*, were grandsons of Per Olof Söderberg (1836–1881), founder of Söderberg & Haak AB (1866). Elof Ericsson (1887–1961) was the chief executive officer and later chairman of the board for AB Åtvidabergs industrier<sup>45</sup> (founded in 1922). Elof Ericsson became a major shareholder in the late 1930s.

### ***Old and new family groups***

In 2018, there were approximately 17,000 foundations<sup>46</sup> (County Administrative Board, *Länsstyrelsen*). It has been estimated that approximately 90 percent of all foundations are private (SOU 2009:65). The vast majority of foundations are small.<sup>47</sup> Nevertheless, a few foundations control a large share of Swedish industry. Interestingly, the largest foundations are the same as those identified in SOU 1968:7. The foundations controlled by the Wallenberg and the Ax:son Johnson families stand out.

The Wallenberg foundations dominate and control or have a dominant influence over several of Sweden's most successful multinational firms. The Ax:son Johnson foundations also control or have a dominant influence on firms with substantial economic value. The Söderberg family controls Ratos, a listed investment company, via *Torsten Söderbergs Stiftelse* and *Ragnar Söderbergs Stiftelse*. The Dunker foundations' control the listed company Trelleborg.

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<sup>45</sup> Later FACIT, a world leading manufacturer of mechanical calculators.

<sup>46</sup> And an additional small number for personnel, pension and collective agreements foundations.

<sup>47</sup> We refer to the foundations controlled by the Wallenberg family as one foundation. We also include the holding company FAM AB, owned by *Knut och Alice Wallenbergs Stiftelse*, *Marianne och Marcus Wallenbergs Stiftelse* and *Stiftelsen Marcus och Amalia Wallenbergs Minnesfond*.

*Stiftelse Oktagonen* and *Svenska Handelsbankens Pensionsstiftelse* are important shareholders in Handelsbanken. However, as of 2015, the Industrivärden–Handelsbanken sphere is considered to be dissolved, as Fredrik Lundberg (1951–) has become a dominant owner in the former sphere companies.<sup>48</sup>

Fredrik Lundberg has successfully managed the heritage after his father, Lars Erik Lundbeg (1920–2001), the founder of the Lundberg family group. The Lundberg family is perhaps the most prominent of the new family groups that have emerged and is challenging the Wallenberg family for the most influence in the Swedish industry.

In addition to the Lundberg group, there are a few more emerging family groups that have created substantial wealth: the Gustaf Douglas (1938–) family, the Melker Schörling (1947–) family, the Persson family (founded by Erling Persson, 1917–2002, and now controlled by his son, Stefan Persson, 1947–) and the Olsson family (controlled by Dan Sten Olsson, 1947–, son of the founder Sten A. Olsson, 1916–2013). Notably, the new family groups use personal ownership for control and do not rely on foundations.<sup>49</sup>

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<sup>48</sup> The other ownership spheres identified in SOU 1968:7 have disappeared or lost influence. The firms controlled by the Wehtje, Mark and Carlander, Bergengren, Edstrand, Broström, Kockum, Åhlén, Ericsson, and Kempe families were less successful, and these families are no longer regarded as ownership spheres. The Bonnier family has been and still is in publishing. Custos/Säfveån was dissolved by corporate activists in the 1980s. The Stenbeck and Klingspor group is the exception. The group has successfully transformed from investing in basic industry to investing in industries such as telecom and e-trade.

<sup>49</sup> The new family groups have also established foundations. *Familjen Erling Perssons Stiftelse* (founder of H&M) was established in 1999, *Lars Erik Lundbergs Stiftelse för forskning och utbildning* founded in 1996, *Lars Erik Lundbergs Stipendiestiftelse* founded in 1991, *Sten A. Olssons Stiftelse för Forskning och Kultur* founded in 1996, *Jane and Dan Olssons Stiftelse för Sociala Ändamål* and *Jane and Dan Olssons Stiftelse för Vetenskapliga Ändamål*. These foundations are too small to be used for control. The Kamprad family founded *Familjen Kamprads Stiftelse* (founder of IKEA) in 2011. The family has emigrated from Sweden, and IKEA is controlled by foundations domiciled outside Sweden.