

Challenges to Civil Society - Foundations and Philanthropy as International Actors in the 21st Century

Kärcher World Meeting, 17 July 2018, 7 p.m.

Elbpanorama Penthouse, Bernhard-Nocht-Straße 113

Ladies and Gentlemen,

Let me first of all extend a very warm welcome to you all this evening. It is a great honour and pleasure for me to talk to you and I hope it is a great pleasure for you to be in Hamburg, with almost 1,8 Million inhabitants the second biggest German city, only surpassed by Berlin, the capital, where nearly 3,5 million people live.

I am sure that Hartmut Jenner invited you to Hamburg at this time of the year as he wanted to celebrate with you Germany as the 2018 soccer world champion, as the new "Fußballweltmeister", but – as you have never dared to imagine – even CEOs are not always right in their predictions, and now we all celebrate Croatia, the vice champion of this year.

Hamburg is generous in celebrating other nations as Hamburg calls itself the gate to the world. This is mostly due to the Hamburg harbour, which is still (behind Rotterdam and next to Antwerp) the second or third most important harbour in Europe accounting for 136,5 Million tons of all kinds of goods that were loaded or uploaded in the Hamburg harbour in 2017. This position among the European Harbours is remarkable, as Hamburg is not located right on the sea as many foreigners think. There are 100 km, 65 miles, between us and the mouth of the river Elbe, and all boats, all the giant container ships have to reduce their speed and go slowly into the river Elbe for a couple of hours before they get to the city.

The traditional calling “gate to the world” is also reflected by the fact that the city hosts 98 consulates, only New York and Hongkong have more consulates within its walls than Hamburg. And when you walk the city you easily see what an international, multicultural place Hamburg is.

With Airbus, Otto Group, Beiersdorf (which produces Nivea), Tchibo, Körber, Jungheinrich, just to name a few, this city is also home to many companies with international importance just like Kärcher which unfortunately does not yet have its headquarters here. But I know that no city in the world can ever compete with Winnenden.

I expected applause!

But - as an aside - I must honestly pay you a great compliment: Since the ZEIT-Foundation works rather internationally I have to travel a lot and I have met with Kärcher products in Nigeria, in India (Darjeeling), in Israel, recently in Wladiwostok, in Sarajewo, on the steps of the cathedral in Kaliningrad and at many other locations in the world. Next time I will send a photograph to my friend Hartmut Jenner when again I encounter a Kärcher product in some far away Indian or African village.

But, as I am the CEO of a Hamburg based not for profit **foundation** I will not go on with more figures on the splendour of this city although we are very near to some very special splendour: we are only a quarter mile away from the most sinful Hamburg neighbourhood, the famous St. Pauli district and the Reeperbahn, but I could imagine that you already spent last night there. I will rather focus tonight on the importance of the so called third sector, not industry and business, not politics and administration, but the world of foundations and civil society. I will split my talk into two parts: First giving you an overall picture of the foundation scene and second telling you and discussing with you the challenges that foundations face today.

As all good talks – at least talks from a professor – also this one must start with a definition. I will not spare you of this exercise. The definition of a foundation is quite easy:

What lies at the basis of each foundation:

Just three things:

- There must be a founder, a private individual, a family, a company
- There must be a capital, money, equity, shares, a company, real estate which the founder is willing to endow permanently as financial basis the earnings of which (interests, dividends, rents) will be spent for the foundations purpose
- There must be a statute which clearly defines the not for profit charitable purpose of the foundation: be it the promotion of education, of research, music, natural environment etc.

You see, it's an easy recipe: founder, capital, purpose. Thus, foundations primarily serve four desires:

- 1) they are a means for private people to pursue an idea, an objective even beyond their death
- 2) they provide a possibility for altruistic behaviour and deeds motivated by whatever charitable reason
- 3) they are products of a free society and they strengthen freedom, liberty of a society at the same time.
- 4) Foundations involve the individual in the future development of the country. The individual partakes in the country's future. He takes responsibility for a small or bigger section of the society,

let's say in general education, in the fight against Alzheimer or cancer, in the attempt to integrate kids from immigrants

It may come as a surprise to you that the third sector, the not for profit world, the world of charitable foundations is much closer linked to the two other sectors - business and politics - than many people think.

Last Monday the German daily Handelsblatt, a newspaper similar to the Financial Times, asked: Where is the Krupp Foundation? Your German colleagues know why our most influential business newspaper asked this question. 21 percent of the famous and very traditional German steel company Thyssen Krupp is owned by a charitable foundation, the Krupp foundation which was established by the late personal owner, Alfred Krupp von Bohlen and Halbach shortly before his death in 1967. At first the Krupp foundation was the only shareholder. With the need for new money and the merger with Hoechst and Thyssen the foundation became the anchor shareholder with now 21 percent. Last week the CEO of the Krupp Company resigned just a few days after they had signed a joint venture of the Krupp steel activities with the Indian giant Tata. The pressure to split up the company into four or five independent units has increased. With the two divisions automotive and escalators being highly profitable and therefore being very precious the shareholders think that single divisions of Krupp would independently be of much higher value than the company as such. But there is the Krupp Foundation: According to its statutes the foundation's aim is to preserve the integrity of the company and to spend the company's yearly earnings/profits on the promotion of science, education, arts, health and sports. Now 160.000 employees look at the foundation whether it will stand to its aims and keep the company intact as such as the employees fear for their jobs when the company would be split up and sold in parts. A very difficult situation for the Krupp Foundation.

There are other big companies in Germany owned or partly owned by foundations. Bosch, for example, is owned to more than 90 percent by

the charitable Robert Bosch Foundation (92 percent of the Stammkapital). When Robert Bosch, the famous engineer, inventor and entrepreneur died in 1942, he left a last will saying that the company's annual profit shall not go to the family but to charitable purposes as education, academia, health and social work. The Robert Bosch Foundation was established in the 1960s in order to fulfil Robert Bosch's last will. And I can tell you - as I have visited some Robert Bosch production sites - there is a very high feeling of identity between the average employee and the charitable goals of the company. "With what we achieve with our labour, we do good", is a statement you hear very often from Bosch employees.

A last example of the interlink between a big and highly successful company and a foundation as key shareholder is Bertelsmann, one of the international Media giants originally and still based in the small Westphalian town of Gütersloh, again – like Kärcher in Winnenden – a world champion rooted in a small town away from big cities. This, I think, is part of the secret of Germany's industrial success. Reinhard Mohn who took over the small Bertelsmann publishing house shortly after the WW2 and developed it into a big Media corporation decided to establish the Bertelsmann Foundation in 1977 which now holds about 80 percent of the shares of the company, some of the rest belongs to the Mohn family.

I gave you three modern examples, Krupp, Bosch and Bertelsmann for the close connection between for the profit-world of business and the not-for-profit-aims of foundations, but the world of foundations is of course much older than the 20th century. A very nice example of a traditional foundation dating back to the early 16th century is the Fugger Foundation which Jacob Fugger the Rich established in 1521 in the city of Augsburg. It was a time when the textile industry of Augsburg had faced a severe crisis and there was much unemployment in the city. Jacob Fugger, however, had become the richest man in the country, only comparable to the medici, and he was afraid that he might not

reach heaven. There is this terrifying sentence in St Mark when Christ says that rather a camel gets through a needle's ear than a rich man can get to heaven. I know it does not affect us sitting here in the Elbpanorama as we are not rich and we will all – well, let's say not all but most of us will meet in heaven again but it worried Jacob Fugger a lot. Even imagining sitting in limbo for centuries being tortured by little devils before finally entering St Peter's gate made Jacob Fugger feel sick. And then he decided he would start a foundation to pacify God and – at the same time – to help Augsburg citizens in need, citizens who had become homeless because of unemployment. Jacob Fugger started the Fugger Foundation and had 120 little houses and apartments built for – as the statutes say: trustworthy catholic Augsburg citizens who had lost their jobs without being personally guilty for this loss. The happy citizens who moved in had to pay not more than two Rhenish Gulden as yearly rent, but they also had to agree that in return they would pray every night an additional Lord's Prayer and three Ave Marias for Jacob Fugger and his family and an extra Credo for him every Sunday. As foundation capital Jacob donated lots of forests, arable land and whole villages including the population to his foundation. The foundation still exists today, it still lives from the profit of the forests. And there are still 120 poor families who live in the beautiful small houses for a yearly rent of 2 Rhenisch Gulden which is 1,76 Euro. The Fugger neighborhood in Augsburg is nowadays considered to have been the first European public housing project a model for many cities and governments in the following centuries.

But let us turn back to Hamburg now and to the present time. Despite the examples I have given from Augsburg or Stuttgart Hamburg is the capital of foundations in Germany. 1.250 foundations are located here out of 23.000 altogether in Germany. Why are there so many in Hamburg? Well, the city is quite wealthy with some old wealth in it which could grow for ages. And: the city has enjoyed a republican tradition for ages: the citizens of Hamburg could not leave their

demands and hopes to a duke, or a king, or an archbishop: they always had to get things done by themselves.

The second reason for the growth of foundations and the increase of their importance is what sociologists call a mature society. Mature society holds true for the western part of Germany as it means: there has been the opportunity for three generations now to accumulate money without disturbances like a war or severe political crises. And: Western Germany has enjoyed since 1949 a political system which allows social market economy and which gives the right to every individual to decide privately and freely on his and her inheritors. Thus, quite a few people have decided to establish a charitable foundation which – when the time comes – shall inherit the fruits of a successful business life.

Therefore the number of foundations has grown despite the financial crisis which made and makes it so difficult to earn money out of money. The growth from around 10.000 foundations in Germany in the year 2000 to 23.000 now also results from tax incentives that the German government decided on as the government was afraid of egoistic tendencies in German society. The political parties, the churches, the unions they all lost members and the question arose how do we foster civic engagement, how do we make the citizen participate, how do we kindle their responsibility for the society. That happened at a time immediately after 1990 when Germany was reunited and the demands on public money got very high and private money, contributions from charitable associations and foundations was very much looked for.

What also helped in this endeavour was the high reputation that foundations generally enjoy. They are considered as being trustworthy, they are seen as powerful pillars of society, demonstrating altruism, taking care of others, the needy, being innovative, being agents of change, engines of reform, laboratories for innovation. But when we leave all these glorious Epiteta aside and look at the basis: foundations

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have some money to spend and that makes them attractive and makes the founder of a foundation attractive, too. And who is here who does not want to be attractive?

It is a highly diverse market with many small players. In Germany only seven charitable foundations have a capital of more than one billion Euros, the Robert Bosch Stiftung being the wealthiest foundation with a company as its “capital” worth around five billion Euros.

Let us now come to the second part of my talk: What are the challenges for foundations?

I will point out three of these challenges:

1. The growth of civil society institutions asks for further growth. Our society has got used to private charitable investment: research in cancer treatments; new developments in the protection of the environment; enrichment programs for kindergarten and primary schools; support for museums, theatres, orchestras; programs for the integration of migrants; all this and much more asks for more and more foundations

2. Second challenge

Foundations should be courageous! Their general aim is to contribute to public benefit. Therefore they should not shy away from urgent questions such as

- the possible influence of artificial intelligence on our labour market and on every individual's life
- the impact of our standard of living on the natural resources of the earth
- the benefit of globalisation
- the dangers of nationalistic tendencies just to name a few.

- Foundations can deal with these questions as they are non-partisan neutral platforms, independent institutions. They cannot solve the problems of the world and I am far from charging them with too many tasks but foundations must voice these questions that are so central to civil society, to each of us
3. Third and last challenge: Foundations thrive in liberal states and they must be prepared to defend free and democratic society. Foundations always work best in societies that are firmly grounded in freedom, in liberty and based on a capitalistic model of economy. You can see this in the USA where foundations have been playing an important role in social welfare, in education, health, fine arts and culture for centuries. And counter examples are states with a totalitarian government: Nazi Germany shut down privately established foundations, in East Germany, the GDR, up until 1989 the socialist government took care of everything and did not want foundations, the Soviet Union did not allow foundations and China only allows state controlled institutions. Foundations however enable private individuals to get involved with the actual affairs and the future of society. Foundations invite the citizen to do more for his or her country than to pay taxes and go to the election. Foundations are a means for active involvement, for citizens who are prepared to take responsibility by for example establishing a private law school, as the ZEIT-Stiftung has done in Hamburg, by opening its own art museum as the Henri Nannen Stiftung did in Emden, by running their own hospital as the Robert Bosch Stiftung does or by just helping local kindergärten to offer special programs for kids who have just recently com to Germany.

A society that wants the participation of its citizens knows that this involvement strengthens democracy, strengthens the open liberal society. Thus each foundation with its private money, its individual aims,

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enhances a free and democratic social order, becomes a strong pillar of democracy. A society with many privately established foundations can therefore be seen as a blessed society. We should be alarmed whenever we hear that governments are sceptical or worried about private involvement into affairs that – as they say – belong to the state. Autocratic systems as we see them now in Turkey and in Hungary, in Egypt and possibly also in Poland are a great danger to foundations. Autocratic rulers are not interested in open society but rather in less liberal and state-controlled ways of as they put it: “leading a country to success”.

The Hungarian government forbade the George Soros Foundation to continue working in Hungary and the Soros Foundation will now move to Berlin.

Societies are well advised to invite their citizens to become founders even if the yearly earnings of a foundation are small as the interests are down. The greater threat to a viable active foundation – scene does not come from economics but from politics. Foundations are a good barometer for the status of liberty and personal freedom in every country. Let us enhance, let us strengthen this liberty for the good of the country and for our personal well-being.

I apologize for the pathos at the end of my talk but I am convinced of the advantages of a liberal society open to new ideas, to international institutions and networks, to global competitions, to fair trade without stupid trade-wars. Thank you very much for your attention.