

RESEARCH

Sarah Förster

Philanthropic Foundations and Social Welfare

A Comparative Study of Germany,
Sweden and the United Kingdom
(England)



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Abbreviations

ACF	Association of Charitable Foundations
BGB	Bürgerliches Gesetzbuch (German Civil Code)
CAF	Charities Aid Foundation
CME	Corporate Market Economies
DSC	Directory of Social Change
EFC	European Foundation Centre
EUFORI	European Foundations for Research and Innovation
ITSSOIN	Impact of the Third Sector as Social Innovation
LME	Liberal Market Economies
TWWC	Three Worlds of Welfare Capitalism



1 Introduction

1.1 Research problem and broader research context

In many European countries, the field of social welfare is under immense pressure and governments are searching for more effective and efficient solutions to allocate provision under tight welfare budgets. These programs are required to solve social problems and in turn assure a prosperous and harmonious existence in an increasingly heterogeneous society.

The provision of aid to the most vulnerable groups in society is at the core of the welfare state arrangements. We can examine the welfare state from different perspectives by alternately putting social rights, market solutions, or social transfers in focus. Family cohesion and care for the closest members continues to dissolve due to the increasing prevalence of long distance relationships and the expectation of a longer working life. Families are sometimes spread around the globe or across an entire country. There have always been children unable to live with their parents or relatives, or are orphanages who have none. These children are among the most vulnerable groups in society. Today, such children are under the special protection of the state in almost all European countries. However, before the provisions of the welfare state came into being, it was often left to private initiatives to take care of these children.

The interplay of state, market, family and nonprofit welfare provision institutionally developed since the early Middle Ages or even further back in history (cf. Smith and Bormann 2007). Even there, a mix of all these spheres came together. However, with the birth of the welfare state the state took on responsibility for care and welfare of its citizens. These systems differ significantly influenced by the path-dependent development of the institutional configuration of social welfare field.

Philanthropic foundations are a versatile organization (cf. Hammack and Anheier 2013). They have the potential to amplify the problem-solving capacity of society with the potential to act independent and provide seed and risk money for the development and execution of ideas that otherwise wouldn't have a chance to be funded.

There is however another part of the foundation sector especially prominent in the social welfare field, which isn't discussed as much in foundation literature so far but represents a more European perspective on the foundation sector in social welfare. These are large carrier foundations that provide services and care in the field of social welfare. They work as operating foundations directly in the field. This forms a totally different type of foundation, where we don't know much about.

»What little we know about relationships between foundations and governments in practice suggests that relationships vary between countries and over time (Anheier and Daly 2007; Schlüter et al. 2001, 268–81; Karl and Karl 1999).« (Leat 2012, 135). Gaining insight into this relationship is becoming more relevant for foundation research as a ›foundations boom‹ in Europe during much of the 20th century took place and the context of the retreat of the state as a general phenomenon in most advanced market economies gives space and necessity for commitment (cf. Anheier and Leat 2013). This makes it even more interesting to assess the significance of the commitment of foundations in the production of welfare and for the future development of the relationship to the state.

In recent decades, the number of foundations that are serving the public good rose within Europe. The majority of an estimated 141,000 public benefit foundations in Europe (McGill 2015—European Foundation sector 2015 report¹) have been funded in the last two decades of the 20th century (cf. Hopt et al. 2008). However, not much is known about their commitment and function in their respective societies. We need more empirical insights to get closer to a realistic assessment of foundations engagement, role and function in society. This is an even more pressing topic as the public, at least in part through tax-exemptions, finances these organizations.

Foundations in the social welfare field count among some of the oldest organizations with origins that sometimes date back to the sixteenth century or even further back. We do not know much about philanthropic foundations operating in the social welfare field in general and know even less so from a comparative view. The dissertation contributes to a broader perspective and in particular, provides insights into some of these still existing foundations. It emphasizes the heterogeneity of foundation types focusing on the mode of operation as a distinct characteristic. **The main aim of this research** is to learn more about foundations in the field of social welfare provision and the institutional embedding of foundations in different welfare regimes.

Two strands of literature are in focus. On the one side the debate on philanthropic foundations in different European countries is in focus and on the other side the welfare regime literature which deals with the classification of well-developed market economies. Therefore, three typologies of political economy on different modern economic systems are analyzed for their potential to explain something about the embedding of foundations.

Wolfgang Seibel described the idea of the investigation for the third sector: *»So we have to assume the existing flexibility of institutional choice to be dependent on different patterns of third-sector embeddedness which can be revealed*

¹ One aspect which is especially pointed out by the report is that these numbers contain active and inactive foundations that may still be registered with the authorities (Mc Gill 2015, 1).

especially through cross-national comparative research.» (Seibel 1990, 57). This is correspondingly the guiding idea for the assessment of foundations' embeddedness in social welfare in different welfare state systems.

In governance research, there are three prominent typologies rooted in political economy. These hold exciting potential in explaining the embedding of different actors in well-developed market economies, the welfare states. They focus on different areas of societal spheres, the market, the state and the third sector.

Political economy theory comprises the most prominent approaches for the typology of different welfare states. In this analysis, three theories will be leading. These are the Varieties of Capitalism based on Hall and Soskice (2001), the Three Worlds of Welfare Capitalism by Esping-Andersen (1990), as well as – especially with regard to the third sector – the Social Origins theory as originally described by Salamon and Anheier (1998). Institutionalism and path-dependent trajectories are implicitly considered an influence on the development of distinct institutional country settings.

The three typologies provide varied perspectives and differ in their emphasis on aspects and drivers for country-specific institutional configurations. This gives a certain role to the actors that differ according to their regime type affiliation. The function the state or the market take on is explicitly thought of in the theories, but the perspective on some of the actors differs, meaning some actors are more in focus than others.

These typologies were challenged over time, especially the Three Worlds of Welfare Capitalism, which was in focus when questions were raised on the role of Mediterranean welfare states or a missing gender dimension (cf. Arts and Gelissen 2002). The Varieties of Capitalism was challenged, also, by the finding of hybrid regimes (Schneider and Paunescu 2012). The Social Origins theory struggles with data availability for further theory testing (cf. Steinberg and Young 1998). All three theories were used to analyze the potential to assess hybrid organizations in different welfare systems (cf. Anheier and Krlev 2014), and in the large EU funded project ITSSOIN these theories build the framework for the assessment of the third sector as an impact on social innovation (Anheier et al. 2014).

If the priority of research on social welfare and the third sector focuses *»on the role of the third sector in a larger context, based on a theoretical understanding of historical development«* (cf. Brandsen 2008, 113), then systemic perspective theories provide a fruitful approach (ibid.) as they are used here for the assessment of philanthropic foundations. The theoretical framework of this research project proposes to assess how foundations, as a special organizational form in social welfare, fit the regimes within which they exist.

- Do these three theoretical approaches have some explanatory power for foundations in social welfare?

- Do foundations fit these regime types?
- What can we learn about their embedding in different social welfare systems?

The dissertation takes a comparative approach. The three countries investigated as welfare systems are Germany, as a conservative or corporatist welfare regime country, Sweden, as a social democratic regime, and the UK (England), as a liberal welfare regime.

Welfare regime theory has the potential to be applied to investigate the embedding of organizations in the context of the respective regime system. For foundations especially the approaches proved to be a good heuristic to reveal that even though they are considered very independent organizations, they are bound by institutional embedding. As the chosen countries are all very distinct regimes according to regime theory, they offer the potential to show the differences and commonalities that comparative research may reveal.

Foundations as an organizational form have not had that much attention when it comes to their embedding in different welfare state systems. Foundations are said to be one of the freest organizations of modern society (cf. Anheier and Leat 2006, Anheier 2014). The leading idea behind the research is that foundations in social welfare are influenced by the respective regime system within which they exist, even though they are said to be one of the most independent organizations, with their own assets and free of market or state constraints, set up for eternity.

This independence means they do not have to follow the demands of the median voter to get reelected, nor do they have to comply with demands of customers to stay alive. This dual independence provides them with the power to follow their own strategies and not fulfill the demands of others—at least from an ›ideal type‹ perspective. They are in possession of a higher institutional elasticity than other third sector organizations. They have more space to act freely from institutional constraints. Foundations have more room and freedom to act, because of their unique structure in having their own assets and often times an independent governance structure. Those organizations hold a large potential for certain types of activities and of course, also have certain constraints.

In many European countries, the term ›foundation‹ is not a legal term. Many different legal forms may count as a foundation and many name themselves as such. For instance, in Germany, some of the largest and best-known foundations are limited liability companies (GmbHs), like, for example, the ›Robert Bosch Stiftung‹.

The structural operational definition of a foundation as originally developed by Salamon and Anheier (1997) for nonprofit organizations and further adapted for foundations (cf. Anheier 2001, Anheier 2014) is used by the UN Handbook on Non-profit Organizations (United Nations 2003) and further used in the Feasibility

Study on a European Foundation Statute (Hopt et al. 2008). This definition will be the point of reference for the investigation at hand. It is particularly applicable for comparing foundations in the different legal systems of European countries. It is comprehensive enough to cover a spectrum, while precise enough to point out the important organizational distinction of having assets and of having a decision-making process that is typically not based on the broad participation of members outside the board of trustees² (cf. Anheier and Daly 2007, 4).

According to this definition and considering a European comparative perspective, foundations are an asset based entity³, financial or otherwise, based on an original deed, with the following characteristics: 1. Private entity, 2. Self-governing entity, 3. Nonprofit-distributing, and 4. serving a public purpose⁴ (cf. Anheier 2014, 161). For the comparison of different European spheres, however, the country specific concepts and legal definitions of a ›foundation‹ shall be included, since the cultural and legal histories are also reflected in the conceptualizations of the respected legal concepts/definition⁵.

The issue at hand: *»While the growth in numbers has been widely noted, there has been less public and political discussion of what this trend means in terms of the roles, and more importantly, the rationales of private foundations, and the implications for their host societies.«* (Anheier and Leat 2013, 2). Further, the embedding of foundations in their host societies is an important aspect for understanding this special organizational form. It is mainly discussed as being one type of organization, but there is a broader spectrum with different implications for the embedding within the welfare state, as the dissertation shows. There are theoretical implications to be taken into account in foundation research with regard to the mode of operation.

² *»Expressing primarily the will of the donor, the organizational structure of foundations does typically not allow for broad-based participation and decision making outside the limited circle of trustees.«* (Anheier and Daly 2007, 4).

³ As Smith and Borgmann (2007, 2) specify – *»Whether the term is foundation, endowment, trust, fondacion, fundacao, fonds, Stiftung, stichting or saatio, words have been employed in every European language to describe private legal entities that possess income-generating assets and devote their resources to public purposes.«*

⁴ Alternative definition: A foundation has the following characteristics (Anheier 2001 in Anheier and Daly 2007): Foundations are asset-based financial or otherwise, based on an original deed. They are private entities, self-governing, nonprofit-distributing, serving a public purpose and having their own identity as being a ›foundation‹ (cf. Anheier and Daly 2007, 8f.).

⁵ The definition chosen here shall provide the investigation with a benchmark against which the different foundation forms and country specifics can be assessed. This approach was also chosen by Anheier and Daly (2007, 10) in the investigation on the ›Politics of Foundations‹.

Foundations work in different modalities, which accounts for different foundation types. Foundations can work as either grant-making or operating⁶. In some cases, they pursue their aims in a mixed mode, meaning in certain contexts they give grants and in others they work in the field operating projects, programs or other organizations themselves. Operating foundations work mainly through fully owned subsidiaries as carrier⁷ foundations, or in-house with their own projects. These different approaches were of importance with regard to the roles and positioning of social welfare foundations in Germany (cf. Förster 2017). The operating, and especially carrier, part of the foundation sector is critically important to understanding the foundation sector in the social welfare field. That is the main basis for the argument of the dissertation at hand.

»Although operating foundations are historically the older form, the surge of grantmaking foundations in the twentieth century. [...] seldom has an organizational form been more neglected than that of operating foundations, and recent research overlooks this type of foundation almost entirely.« (Toepler 1999, 164). This is true for the American foundation sector, as Toepler (1999) describes it⁸, but even more so for the European one, where operating foundations have a long history. As such, the dissertation at hand aims to begin filling the gap of research on operating foundations – at least in the field of social welfare provision, where this foundation type can provide good examples for the influence of the welfare regime on the different foundation types, as will be shown in the argument to follow.

⁶ *»The ways in which goals are pursued allow for a general distinction between operating and grant-making foundations, the former of which are more actively involved in carrying out the intended activities than the latter. Accordingly, foundations are either restricted to making grants to other agencies, or deliver services directly.«* (Toepler 1999, 163).

⁷ Carrier foundations are a special type of operating foundation. These foundations carry other organizations as legally responsible body, like, for instance, a research centre or social service provider. They operate other organizations or services in their field of engagement themselves. The concept of being a carrier is not limited to foundations, there are also carrier associations.

⁸ Interestingly Toepler (1999), in the US context, has a different take on the operating and grant-making distinction than the research at hand for the social welfare field postulates. *»The key distinction to typical nonprofits relates to the financial independence from other stakeholders (e.g. funders). Operating foundations leave the donor a high degree of control (cf. Foote, 1985a, 14f.). Such control and participation is less likely in other nonprofit service providers, where funding restraints may also lead to compromises with regard to the services offered and shared control between different groups of demand-side stakeholders (Gronbjerg, 1993).«* (Toepler 1999, 166). But in this dissertation the focus lies on the social welfare provision field and here, a rather limited donor control as service providers is in focus, the compliance with rules and regulations and the rather limited space to act independently. This leads towards the further distinction of the different foundation types in grant-making and two operating forms in operating grant-makers and operating carrier foundations. The definition above may aim at operating grant-making foundations, where the funder is in control of the projects she runs.

The empirical country case insights are based on interviews conducted with foundations representatives and experts in 2015. Additional secondary sources data from literature and desk research are used to strengthen the argument and provide context. Data from the Germany case include a representative survey and interview data. The collection of data was conducted as research associate in a three-year project on the ›Roles and Positioning of German Foundations‹ (cf. Anheier et al. 2017; Förster 2017).

1.2 Terminology

1.2.1 *The concept of embeddedness*

Embedding is a term that developed with different implications in economic sociology and that is used with different meanings. Some of the most important representatives of embedding as a concept are Polanyi (1957) and Granovetter (1985). With ›*The Great Transformation*‹, Polanyi described the embeddedness of markets in economic and non-economic institutions (cf. Polanyi 1971, in Swedberg 1987, 60). He based the institutional process on the three aspects of integration, reciprocity, and redistribution and exchange. Granovetter (1985) used the term in a different manner; he emphasized the network aspect of social relations in human action.

»For Polanyi markets are not networks [as for Granovetter who changed the meaning of embeddedness] of structurally equivalent producers but rather fully social institutions, reflecting a complex alchemy of politics, culture and ideology« (Krippner 2001, 782).

For an overview on the development and delimitation of the concept of embedding please note the discussion on embeddedness from a Polanyi symposium in Krippner et al. (2004).

The way the concept of ›embeddedness‹ is used in this study is a more basic idea of being integrated and part of a system configuration, to be *»firmly and deeply ingrained«* (Oxford Dictionary Online, 4th October 2017). To be embedded can refer to different characteristics according to the three different theories under investigation. The different drivers for regime difference lead to several aspects that are important regarding the embedding of foundations. Being embedded according to the Varieties of Capitalism logic has different implications than being embedded according to a Three Worlds of Welfare Capitalism perspective or the Social Origins logic, which shall be operationalized in more detail with the development of propositions in the theoretical framework. Embedding characterizes the involvement and closeness of foundations to the policy field and the regime logic fit.

1.2.2 Carrier foundations as operating foundation type

Carrier foundations are a special type of operating foundation. These foundations ›carry‹ other organizations as the legally responsible body, like, for instance, a research centre or social service provider. They operate other organizations or services in their field of engagement. They often function more like a holding entity, in being the legal responsible body for mainly independent organizations under one roof. The concept of being a carrier in the social welfare field and in general is not limited to foundations. There are also carrier associations. Anheier and Seibel (2001, 15) describe such ›Trägergesellschaften‹ in general as »*carrier association or legally responsible body*«. Operating foundations work mainly through fully owned subsidiaries as carriers, or in-house with their own projects, which is the more common meaning of operating foundation.

There are different foundation types with different modes of operation. The composition of the foundation sector with its different types of foundations is unique in every country, and the argument here is that this is because of different regime systems. There has always been a welfare mix, and the composition of actors in the provision of social welfare in each country developed uniquely on different pathdependent trajectories and was shaped by a unique development of institutional configuration. The argument here is that the foundations sector is also part of this unique development in each of the three country regimes in Germany, Sweden and the UK.

1.2.3 Social welfare field

The field of social welfare is focused on the »*services provided by the government or private organizations to help poor, ill, or old people*« (Cambridge Dictionary Online 20.08.2017), as well as the most vulnerable people, like children or young people and people with disabilities. The welfare field in macro system analyses is often discussed with regard to social security, like pension systems, unemployment benefits, or health insurance – which all have influence on the way these services are provided.

For this investigation, the social service aspect of social welfare shall be in focus, which is in relation and connection to these other aspects of social welfare, but is concentrating on the aspect of services for certain target groups like children and young people, elderly people and people with disabilities, refugees and the most deprived in society in need of help. The term is used interchangeably with the social service field, as it is defined in the ICNPO classification (cf. Salamon and Anheier 1996). This perspective gives the opportunity to assess the organizational landscape in relation to the welfare system configuration.

1.3 Thesis outline

The thesis is organized as follows. After **Chapter 1**, the introduction, in **Chapter 2**, the theoretical framework and the propositions for the investigation are developed and defined. They provide the main argument for regime differences impacting foundations from the perspective of the three theories in question. In **Chapter 3**, the plan of inquiry is laid out and the operationalization and investigation of the data is explained. The study puts new collected data and already existing data into a new perspective to assess the embedding of philanthropic foundations in social welfare on the background of regime theory. After developing the conceptual theoretical framework and presenting the methodology, the second part of the dissertation will provide empirical insights on foundations in social welfare and the welfare state in the three different countries of Germany, Sweden and the UK. The next three chapters present the country cases, with **Chapter 4** on Germany, **Chapter 5** on Sweden and **Chapter 6** on the UK. In each of the country cases, an initial historical overview on the development of the welfare state and the nonprofit sector gives a basic introduction into the regime and development of the state and nonprofit sector, then a brief, basic overview on the legal framework of foundations and an empirical picture on the differentiation of the foundation sector in each country is given. The empirical findings for foundations in social welfare are presented before the final section discusses the theoretical propositions in relation to the findings. **Chapter 7** brings all the findings together and adds a comparative perspective to develop the final argument on the embedding of foundations in social welfare based on the theoretical propositions. Lastly, **Chapter 8**, the conclusion provides an outlook on further areas for research and discusses both limitations and implications from the final argument



2 Theoretical framework

There is important governance research in comparative political economy. Three prominent typologies influenced the field of welfare state classification considerably. They all deal with different regimes of well-developed economies. The theories propose certain drivers, which are the main influence of country differences according to each of the theories. The approaches deal with the question of whether and why there are different clusters of countries, how they came about and how these systems function. The chapter will lay the groundwork and theoretical framework for further analysis with regard to philanthropic foundations.

The spheres of state, market and family serve different functions and have varied configurations of problem solving capacity in the different country systems. The field of civil society goes beyond the traditional family sphere, and the third sector is marked by the large variety of nonprofit organizations. This sector, which plays a considerable role in many fields, like, for instance, in social welfare, education or arts and culture in all European countries, has not been thought of explicitly as an actor or as its own sphere in two of the three macro system theories in focus, which are the Varieties of Capitalism (VoC) approach by Hall and Soskice (2001) and the Three Worlds of Welfare Capitalism theory by Esping-Andersen (1990). Salamon and Anheier (1998), however, sought to explicitly explain nonprofit sector differences in terms of size, composition and function in different welfare regime systems. The Social Origins theory is the third approach of interest for the assessment of foundations in social welfare.

All three of these theories hold a special perspective on well-developed economic systems in Europe and beyond. They explain regime differences from unique points of view. They focus more on the market production system, social policy aspects or the third sector being the main area of interest. These three approaches hold a specific logic of development and function between the different spheres of state, market and family, or the third sector. One can identify different drivers for the development of the different state systems.

This chapter provides a concise overview of the three regime theories and in a further step, discusses the theory with regard to social welfare foundations as special organizations in the welfare field. The typologies will be used to develop propositions for social welfare foundations in the respective regime countries from the different theoretical points of view.

2.1 Welfare regimes and the underlying logic of country differences

First, the Varieties of Capitalism (VOC) approach (Hall and Soskice 2001) offers a framework with a special focus on understanding variations across national market economy systems⁹. Each country has specific conditions regarding its institutional configurations. Depending on these specific conditions, countries, as well as companies, have sector-specific competitive advantages at their disposal. (cf. Porter 1990, Amable 2003, Lundvall 2007, Whitley 2007 in: Schneider and Paunescu 2012).

Hall and Soskice (2001) postulate that two main types of capitalistic systems exist among wealthy nations. On the one hand, there are **liberal market economies (LMEs)** and on the other, **coordinated market economies (CMEs)**. The former is prototypically represented by the system of the US and the UK for Europe and the latter by Germany. Each special setting is characterized by one type of capitalism and is responsible for certain industry-specific technological and comparative advantages. (cf. Schneider and Paunescu 2012, 732). These two types of ›regimes‹ build out different coordination patterns that foster institutional complementarities for the respective economy on the world market. The approach focuses on the firm as actor. All actors [firms] strive to advance their interests in strategic interactions with others (cf. Scharpf 1997a in: Hall and Soskice 2001, 6).

LMEs and CMEs are ideal types. They are constructed as the poles of a spectrum (cf. Hall and Soskice 2001, 8) with being market centered on one end and being state centered on the other end. Each system builds out specific institutional environments. *»In any national context, the firms will gravitate to the mode of coordination for which there is institutional support.«* (Hall and Soskice 2011, 9). This would also be the case for other actors in the system. They would prefer or had to comply with the same mode of coordination, which is supported by the institutional configuration of the respective system. **LMEs tend to base their coordination more on pure market mechanisms, whereas the preferred coordination mechanism of CMEs is more constrained by the state and based on networks of relationships.**

Complementarities¹⁰ have special relevance not only on the world market but also within the respective systems. *»[...] Nations with a particular type of coordination in one sphere of the economy should tend to develop complementary practices in*

⁹ In general it is about the exchange of products and goods on the world market. The different country specific systems of product and goods – the market production systems – build out complementarities on the world market. (cf. Hall and Soskice 2001).

¹⁰ Two institutions can be said to be complementary, if the presence (or efficiency) of one increases the returns from (or efficiency of) the other (Hall and Soskice 2001, 17).

other spheres as well» (Hall and Soskice 2001, 18)¹¹. Hence, the social service sector would develop complementary coordination with gravitation to the preferred mode of operation in the system. LMEs would be likely to have larger parts of social services based on market mechanisms, private funding and general skill profiles of employees in the social sector, whereas in CMEs, the state will coordinate more and has a stronger influence. Employees would have more specific training. Welfare state arrangements based on state incentives were more dominant than pure market coordination.

The type of political economy relates to a corresponding type of welfare state (cf. Hall and Soskice 2001, 50f.). All LMEs are accompanied by a ›liberal‹ welfare state with emphasis on means testing and low levels of benefit, which reinforce the fluid labor markets. LMEs tend to encourage general, rather than specific, skills of workers and employees. Welfare state systems, which correspond with the CMEs, vary quite a bit more in their structure and build out. CMEs tend to prefer more specific skills in their workers and employees. In order for the employment market to provide these skills, the welfare state needs to build higher social protection schemes so that the employees invest in these specific skills and reduce the risk of unemployment and need. With higher protection schemes, the risk to need more time to find a new work place is compensated. This means that CMEs welfare schemes are more pronounced and the welfare state tends to have higher state expenditure than in the LME countries.

The second theoretical approach is Esping-Andersen (1990) and his work ›Three Worlds of Welfare Capitalism‹. He distinguishes three types of welfare regimes. He examines different social policies. Nonetheless, the welfare state is more than the sum of discrete programs. Welfare state regimes consist of considerably more complex and interwoven legal and organizational features. (cf. Esping-Andersen 1990, 712 in: Arts and Gelissen 2002, 139). Path-dependency via trajectories of different historical forces formed distinct institutional constellations, which shaped and still shape the different welfare regimes. Esping-Andersen differentiates traditions of political mobilization and political philosophy, on the one side, and features of contemporary social policy configurations, on the other side (cf. Esping-Andersen 1990, Arts and Gelissen 2002).

Social rights are the essence of social policy in this perspective. Esping-Andersen (1990) thereby draws on the findings of Polanyi (1944). Social rights influence

¹¹ Footnote 18 from Hall and Soskice 2001, 18): *»Of course, there are limits to the institutional isomorphism that can be expected across spheres of the economy. Although efficiency considerations may press in this direction, the presence of functional equivalents for particular arrangements will limit the institutional homology even across similar types of political economies, and the importance to institutional development of historical processes driven by considerations other than efficiency will limit the number of complementarities found in any economy.«*