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WO96: Markets, money and mobilities: transnational organizing

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Practices of a role model in the nexus of statecraft and market-making

The following is a presentation of my recently started post-doctoral study concerning aspects of organization on the financial market. The project is one of many within the multidisciplinary research program *The Organization of Markets* at Score.

The Swedish national pension fund, *Första AP-fonden*, is a government authority *and* a fund company and thus situated in the nexus of statecraft and market-making. The fund's claim to be "a role model among international pension fund managers" makes it an interesting site for a study of attempts to organize the financial market on an international level. This "study through" the practices and policies of *Första AP-fonden* focuses on how the fund, by exploiting its dual role as fund company and state authority, acts on the financial market with an ambition of "doing good". Through practices such as ESG-analysis, active ownership and an Ethical Council publishing a "black list" of companies that violate the fund's codes of conduct attempts to, through expectations, norms and regulation, shape other market actors and thus the market and the study shed light on practices here used.

The overall aim of the research is to render visible some of the taken for granted practices, values and notions within the financial market in order to discuss and analyze the organizational aspects of such normalized issues.

A very preliminary, but – to me – inspiring and interesting idea is to consider the importance of trust in the financial market. I have begun to think about the issue in plural: trusts, and attempt to describe and discuss variations of trust construction and the different directions this seem to take. Trust can be viewed as a most fundamental aspect of this particular market. So far, the project has begun to explore the construction, or rather attempts of re-construction, of trust in the market itself in the aftermath of the last financial crisis. Here a particular concept concerning trust and finance has caught my attention: "fiduciary", and I shall attempt to explore the

importance and meaning of the term “fiduciary behavior”. Fiduciary is a legal term referring to someone acting on behalf of someone else in a particular matter and in circumstances that give rise to a relationship of trust. The term is often used to describe the role of a fund company or a bank in relation to its customers. A fiduciary, then, is someone managing someone else’s money. The concept “fiduciary behavior” is often used in literature and financial media about issues of trust and of certain behavior on financial market.

As part of the ethnographic fieldwork of this project I this spring attended various Annual General Meetings, AGM, of Swedish companies in which the national pension fund, *Första AP-fonden*, owns shares. My suggestion is that a construction, or rather contestation and re-construction of various trusts and of the fiduciary can be witnessed at these meetings. I will, in my presentation at the panel, account for the ethnography thus made and present illustrative examples of what I think of as an ongoing construction of trust in the financial market.

I here take the opportunity to provide a brief introduction and background to the research: I wished to focus the study around a fund company since funds are considered to be important and formative products on the financial market. A mutual trust fund is both a product and service. When buying in to a fund the customer pays for a certain amount of shares in a collection of securities; stocks in various companies and/or interest-bearing securities. The customer then owns a specified share of a particular fund that is assembled in certain ways, but the customer also pays for the management of what he/she has bought. In 1774 Dutch businessman, Adriaan van Ketwich, created a financial product that is now considered to be the worlds first mutual fund. His idea was to pool several minor assets into one larger entity and thereby enable for collective investing. He called his creation an “investment trust” and gave it a name that translates roughly into “Unity makes power”. This form of collective investment spread and gained popularity in other European nations during the latter part of the 17th century and reached the US towards the end of the century, where the collective investment in mutual funds gained popularity during the 1920’s and what soon came to be called “the fund industry” has grown impressively since then. The idea of pooling resources is described as the enabling of “ordinary people” to participate with small investments in the financial market and the invention and popularization of funds are often seen as a

democratization of financial markets. This popularity and the growth of mutual fund investments have been seen as constitutive for the development of the financial market. In fact, the explosive growth of mutual funds and their significance for the financial market has been said to be “nothing less than revolutionary”.

So, mutual funds have, in rather short time, become the most common and widespread form of saving. Sweden is a good example of the quick popularization of fund investments. The very first mutual fund was introduced in 1958, 20 years later there were 17 funds to choose from and there are now, on the Swedish market, over 4000 different funds to choose from. In the mid 90's 50 % of the Swedish population owned fund shares and today that amount is 98%. The high percentage is, of course, partly due to the construction of Sweden's national pension system involving mandatory placement of part of your future pension in funds (“voluntary” fund investment is now 74%).

Narrowing the field a bit, I then decided to focus on pension funds mainly because of their size and, thus, power. The assets of the world's pension funds amounted, in 2008, to 20 trillion US dollars, which is more than any other form of investment holds, such as the assets of other mutual funds, insurance companies or private savings. Because of their size pension funds are acknowledged as very influential actors on financial markets and as such they are seen to be “a crucial catalyst in the transformation of the theory and practice of financial management”.

I have a couple of reasons for zooming in on Swedish national pension funds. One has to do with access: I do not have access to ethnographic research with the walls of a private fund company – at least within the given time frame. From my dissertation research on the construction of the new national pension system I already had some knowledge about the six national pension funds. I knew that they were to operate as any private fund company but that they were also a government authority, and this I knew would enable me access otherwise denied. Another reason for choosing this rather odd hybrid of state and market was the idea, or hope rather, that the duality of this market actor would make visible practices and notions otherwise normalized and, thus, more difficult to notice.

There are currently six national pension funds in Sweden. The funds were created in 1960 as a supplementary pension scheme to the *then* new pension system. During the past 50 years the funds have been altered several times and the latest reorganization of the national pension funds were in connection to the introduction of a new national pension system in Sweden in 1999. The national pension fund companies are to “achieve the highest possible returns on the Fund’s assets, with well-balanced financial risks, and thereby contribute to high and predictable long-term retirement pensions for the current and future pensioners”. To me the Swedish national pension funds hybrid position of being both market and state and their dual mission of making money and taking social responsibility make them intriguing sites for exploration of practices, values and notions within the financial market.

Of the six national pension funds currently in existence I chose to attempt to gain access to the first one, *Första AP-fonden*, simply because it on its website and print leaflets claims it: “strives to be a role model among international pension funds”. Wanting to study practices, values and notions within the financial market it seemed a good idea to follow a self-proclaimed leader. *Första AP-fonden* further describes itself as “a global pension fund manager” in that it invests worldwide. *Första AP-fonden* is one of the largest pension managers in Sweden. It is based in Stockholm and has 45 employees. *Första AP-fonden* recently adopted a new ownership policy. The policy places emphasis on active ownership. The active ownership entails, among other things, active participation in general shareholder meetings, action to influence the composition of company boards, direct contact with representatives for the companies and cooperation with other shareholders in the companies. The fund adopts what is called ESG-analysis, where the “E” and “S” stands for environmental and social issues and the “G” for governance, or as a key informant put it: “Just ordinary corporate governance”.

Thus far my fieldwork consist of a series of in depth interviews with the Head of communication and ownership issues at *Första AP-fonden* and of attending Annual General Meetings where the fund owns shares. I have also interviewed key actors involved in issues of particular importance at the AGMs. I think of this part of the fieldwork as focused around “G”-issues. The ongoing fieldwork continues and is intensified this fall as I have prepared to include the workings of the funds Ethical Council in the study. Fieldwork is, obviously, here devoted to “E” and “S” issues.