# The Swedish Paradox:

## *Wealth Inequality in the Land of Equality*

Yigit Tok

Thesis submitted for the degree of
Master in Economics

Department of Economics
Supervisor: Karl Ove Moene

UNIVERSITY OF OSLO

Spring 2023

# The Swedish Paradox:

*Wealth Inequality in the Land of Equality*

Yigit Tok

The Swedish Paradox:

http://www.duo.uio.no/

Printed: Reprosentralen, University of Oslo

# Abstract

In this paper, I conduct a comprehensive analysis to evaluate the effectiveness of the Swedish model in addressing wealth inequality and the concentration of wealth in the top 1%. The investigation is carried out by tracing the historical trajectory of wealth concentration and investigating key contributing factors such as intergenerational wealth transfer and the growing importance of capital gains at the highest income levels. The study builds on insights from previous literature and utilizes data from renowned databases such as the World Inequality Database (WID), the Luxembourg Wealth Study (LWS), the Luxembourg Income Study (LIS), the Global Wealth Databook and The Wealth Report and the Forbes Billionaire List.

The research findings illuminate the Swedish model's paradox in tackling economic inequality in the country. While it shows remarkable success in reducing income inequality, the model falls short in reducing wealth concentration, particularly in the top 1% of society. The study reveals that the Swedish elite class is considerably broader in comparison to its Nordic counterparts and even the United States. Furthermore, recent patterns indicate a growing income inequality, especially among the top income shares, largely driven by factors such as the increasing influence of capital gains and declining intergenerational mobility within the top 1% of income earners. This divergence further signifies a departure from the model's historical success in achieving income equality.

Without the implementation of policies that address the persistent wealth inequality and its concentration in the top 1%, Sweden is likely to maintain the current trend of escalating economic inequality and a growing influence of the wealthy class.

# Contents

# List of Figures

# List of Tables

# Chapter 1

# Introduction

The social democratic rule of the 1930s marked the beginning of a series of policies in Sweden, designed to cultivate a more egalitarian society. This approach gained momentum in the late 1960s and early 1970s with the introduction of new income, wealth, and inheritance taxes. By the late 1970s and early 1980s, Sweden attained the world's lowest Gini coefficient and established a functional welfare state, all while maintaining a high standard of living Esping-Andersen (1990) Korpi & Palme (1998). This successful approach, garnering international recognition, offered a third-way option in a world divided by the Iron Curtain between free market and centrally planned economies. Thus, the "Swedish model" was born, also known as the Scandinavian or Nordic model. This model was not exclusive to Sweden; the other Nordic countries adopted similar policies, resulting in considerable reductions in societal inequalities[1].

[1] These terms are often used interchangeably when referring to the economic policies in the Nordic countries. In this paper, 'Swedish Model' is used to define the policies taken in Sweden, and the 'Nordic Model' is used to refer to the social democratic policies of Sweden, Norway, Denmark, and Finland.

In public perception, the Nordic countries are associated with prosperity, stability, and equality, achieved through the welfare state. This perspective is also shared among political figures, most notably Bernie Sanders, the American senator from Vermont. Sanders frequently advocates policies focused on economic equality, drawing inspiration from the Scandinavian countries. Yet, there's a crucial question to address: does Sweden, the largest Nordic country, live up to its reputation as an exemplar of egalitarianism? Critics argue that recent policy shifts in Sweden discredit the Nordic model Mitchell (2016), and there appears to be some truth behind them. As highlighted by the research of Barth et al. (2021), Sweden exhibits the highest increase in inequality among the Nordic countries. Data from 2021 indicates Sweden has the highest Gini coefficient among the Nordic countries, in stark contrast to 2003 when it held the lowest position [2].

The rising inequality in Sweden can be traced back to global trends and shifts in Swedish economic policy, especially since the 1990s. During this period, the introduction of new policies led to deregulation, privatization, and a scaling back of certain welfare provisions. This era also witnessed significant tax reductions, including the abolition of the wealth tax in 2007 and the inheritance tax in 2005. Although these policies were crucial in Sweden's recovery from the economic crisis of the early 1990s, they also caused a rise in inequality in the country. Bergh & Erlingsson (2009).

Interestingly, despite its many achievements, the Swedish model had inherent shortcomings from the very beginning. It excelled in building a welfare state, ensuring income equality, and maintaining a high standard of living, yet it struggled to adequately address other measures of inequality. A

[2] https://data.worldbank.org/indicator/SI.POV.GINI?locations=SE-NO-DK-FI

prominent example of this is the enduring wealth inequality, with a significant accumulation of wealth in the top percent. In 2021, Sweden's wealth Gini coefficient stood at 88.1 [3], marking it as the leader in wealth inequality among developed nations, even surpassing the United States.

Addressing wealth inequality requires a nuanced analysis of various long-term factors that have contributed to its development and persistence throughout history. Unlike income inequality, which responds more dynamically to policy changes, wealth inequality is a more complex issue. Wealth, which includes assets such as real estate, stocks, bonds, and savings, tends to accumulate over time and is often transferred between generations, making it more resistant to policy interventions.

The objective of this research is to provide a comprehensive examination of the Swedish model, specifically the factors leading to the concentration of wealth in the top 1% of society. The analysis begins by diagnosing wealth inequality in the country, using data from several reliable wealth reports. Then, I explore the historical development of the Swedish economy, followed by an examination of the impact of generational wealth transfer, intergenerational mobility, and the rise of top income shares. Finally, this research examines the effectiveness of wealth and inheritance taxes, discussing their potential as policy interventions for addressing wealth inequality in the country.

This research operates under two main assumptions. First, the Swedish model has not achieved its egalitarian goals in terms of wealth inequality. Policies of the Swedish model have paradoxically contributed to the concentration of wealth in the hands of the wealthiest percentage in the country. Second, the success of income equality, combined with ineffective wealth redistribution

[3]Global Wealth Report 2022, Credit Suisse

strategies, has inadvertently perpetuated the privileged wealthy class. This shift has made capital gains the main income source for the country's top 1% earners. These assumptions are tested through a detailed examination of wealth inequality data in Sweden, shedding light on the development and persistence of pronounced inequality.

The paper is structured as follows: Chapter 1 introduces the Swedish model and its main challenges. Chapter 2 provides a review of previous literature. Chapter 3 discusses the data and methodology, explaining the reasons behind the chosen data sources and research methodology. Chapter 4 presents detailed inequality indicators for Sweden in light of the most recent wealth inequality data. Chapter 5 delves into the previously outlined factors contributing to economic inequalities in Sweden. Finally, Chapter 6 draws conclusions based on the results and discusses the implications of them for the Swedish model and wealth concentration.

# Chapter 2

# Previous Literature

The literature on economic inequality can be traced back to the writings of pioneers like Adam Smith, David Ricardo, Karl Marx, Friedrich Engels, and their contemporaries. They laid the foundation for our understanding of economic inequality and its implications for society. Their work, though fundamental, had their own limitations mainly due to constraints of their era, and their political involvement. Consequently, the focus of this paper will be on contemporary studies on economic inequality. These studies have provided insights both into the general trends explaining the evolution of inequality indicators in the Western free market economies, and into the specific characteristics of Sweden and how it compares to other Nordic countries and western democracies.

The pioneering work of Kuznets (1955) is often attributed to be the first modern work that provided an understanding of the economic inequality and the reasons behind the trends causing changes in the rates of economic inequality. His influential research introduced the hypothesis of the reversed U shape, also known as the Kuznets curve, to explain changes in inequality in post-industrial

Western nations. Kuznets argued that during early development, nations witness an increase in inequality due to technological progress causing creative destruction. However, upon reaching a certain development stage, nations would experience a decline in inequality, leading to a more egalitarian economic distribution. This hypothesis was widely accepted as it seemingly explained the trajectory of economic inequality in post-industrial Western nations, with the anticipation that developing countries would follow a similar path. Yet, the abrupt shift in the trend from the 1980s, when developed nations began to experience a rapid increase in inequality, challenged the validity of the Kuznets curve, leading to its decline in popularity as it could no longer explain the ongoing economic developments.

In the aftermath of the inequality trend, Thomas Piketty stepped in with his insights into economic inequality. In Piketty (2013) and Piketty (2019) he argued that economic inequality is not an accidental outcome but a characteristic feature of capitalism. He claimed that the trend of increasing equality in developed countries until the 1980s was not a natural progression. Rather, it was a product of specific circumstances such as major world wars, the implementation of social welfare policies, and progressive taxation aimed at reducing inequality. Piketty placed significant emphasis on the rate of return on capital. According to him, when the rate of return on capital outpaces the rate of economic growth, wealth tends to concentrate in the hands of a few.

Despite criticisms and changes in the discourse around economic inequality, some contemporary approaches found ways to build upon the Kuznets curve. For instance, Milanovic (2016) proposed the concept of Kuznets Waves. According to Milanovic, each wave of inequality is bounded by events triggering technological change. He cites the period between 1850 and 1970 as one such wave. In his later work, Milanovic (2013), Milanovic delved into the concept of "global income inequality," shedding light on income disparities on a global scale, regardless of national boundaries. His research highlights the widening income gap between the world's wealthiest individuals and the rest of society, a trend that is also observed in Sweden and seems to have been intensified by increasing globalization and trade relations between nations.

Shifting our focus to a more localized context, we come across a comprehensive study by Bengtsson that investigates inequality in Sweden. Bengtsson (2020) challenged the widely held belief that Sweden has always enjoyed economic equality. He presented compelling evidence of significant disparities in the past. For instance, in 1850, the average member of the selective political elite possessed 156 times more wealth than the working class and artisans, and 23 times more than the peasantry. This social divide, ironically, paved the way for the growth of successful labor movements and the development of effective and non-corrupt government policies, leading to the remarkable income equality that Sweden achieved by the 1970s.

Diving deeper into the Nordic context, Moene (2016) offered some illuminating insights, by focusing on the share of billionaires and wealthy individuals in Nordic countries, particularly Norway, in comparison to the United States. Based on the data in 2014, the United States had 1.7 billionaires per million, Denmark 0.9, Finland 0.9, Norway 2.0 and Sweden 2.4. The research further delves into the distribution of wealth among various wealth cohorts. This investigation served as an inspiration for the comprehensive data analysis undertaken in Chapter 4, where wealth indicators and the allocation of wealth among society's most affluent individuals were meticulously examined, employing multiple reputable sources. In his collective work with Barth and Pedersen, Moene also focused on income inequality and labor market data in the Nordic countries. The analysis in Barth et al. (2021) revealed that Sweden has seen the highest increase in income inequality among all Nordic countries, a trend continuing since the 1990s. For example, from 1987 to 2015 Sweden experienced a 45% increase in its income Gini coefficient, in contrast to 22%, 28%, and 25% in Norway, Denmark, and Finland, respectively. These works highlight the increasing trend of inequality in Sweden, manifesting in both income and wealth indicators.

The studies that focus on the inequalities within the top 1% give us important insights on diagnosing the inequality that's not easily recognizable at first glance, especially in regards to income inequality. The study of Björklund et al. (2012) on intergenerational mobility in Sweden which focuses on income inequality for 1% and 0.1% found that among the upper end of the to 1% capital gains are the main source of income, and in contrast to 99% they display a negative correlation with variables such as years of education, cognitive skills and experience. Roine & Waldenström (2008) Roine & Waldenström (2012) also found that top incomes are increasingly dominated by capital gains and by individuals who share family ties with the wealthiest class in the society.

In Sweden, the concentration of wealth has a profound influence on the upper echelons of income distribution. As illustrated by the referenced studies, the significant impact on the top 1% of incomes in the country clearly shows how wealth inequality catalyzes other emerging disparities. These trends emphasize the necessity of discussing policy interventions that can directly address wealth inequality, a pivotal step in grappling with the various aspects of inequality pervading the country.

This conversation is enriched by the study of behavioral responses to wealth and inheritance taxes, which can provide insightful perspectives. Currently, Sweden does not collect such taxes, though they could potentially serve as an instrument to mitigate wealth concentration issues. In his paper, Giddey & Wendschlag (2022) examines the departure of the richest classes from Sweden in the 1970s, illuminating the failure of the Swedish government and banking sector to curb tax evasion. This scenario is often leveraged as a counter-argument against wealth taxes, suggesting that they lead to tax evasion and, in more extreme cases, the relocation of companies to other countries. However, in contrast, Alstadsæter et al. (2022) provides evidence from Norway, a country that maintains a wealth tax, demonstrating a successful increase in tax revenues through a policy emphasizing tax enforcement. Importantly, this strategy has proven effective in the long term.

In conclusion, this section has provided a review of the existing literature on economic inequality. The discussion of literature reflects the multifaceted nature of economic inequality, which requires a comprehensive exploration from multiple perspectives. The works referenced here serve a pivotal role in highlighting the complex dimensions of economic inequality and providing valuable inspiration for further analyses within this study.

# Chapter 3

# Data and Methodology

In this section, I introduce the data sources and methodology used in the analysis of economic inequality in Sweden. To investigate the various dimensions of inequality, including wealth concentration, top income shares, and intergenerational mobility, I draw primarily on the World Inequality Database (WID), the Global Wealth Database, the Wealth Report by Knight Frank, Luxembourg Income Study (LIS) and Luxembourg Wealth Study (LWS). I also use complementary data sources such as OECD, World Bank Data, Forbes to provide additional context and to enrich the understanding of the study.

The selection was based on the ability of the data sources to compare inequality indicators in Sweden with Western European and North American countries. The scope of the data comparison is limited to the West for several reasons: First, there is the difficulty of conducting a reliable comparative analysis, as developing countries tend to lack rigorous data collection and validation procedures, which compromises the accuracy and reliability of the data. Second, in the data sources mentioned above, data from developing countries come from IMF, World Data Bank, or CIA estimates rather than from comprehensive studies conducted in these countries. Third, the gap between the formal and informal economy is wider in developing countries, which further compromises the reliability of the data. Finally, the shared cultural norms, methodology, and similar economic and institutional trajectories in Western countries make the comparison more useful than including countries that have experienced different growth trajectories.

The following subsections detail the rationale behind the selection of data sources, methodology used to compile the data, and how the data is utilized to address the research questions in different chapters.

## 3.1 World Inequality Database (WID)

The World Inequality Database (WID)[1] is a comprehensive and widely used database that provides comparable data on a variety of indicators of income and wealth inequality for a large number of countries over time. The database is maintained by a team of international researchers and is regularly updated to ensure the accuracy and relevance of the data. The sources for the data used in the study varies depends on the country, the sources for the Western European and the Northern American countries mainly rely on Piketty & Zucman (2014) and Piketty et al. (2017) The data for Sweden covers the period between 1800 and 2017, and along with the data from Piketty's studies, it utilizes the data from Waldenström (2017) which compiles data taken from Statistics Sweden (SCB) [2].

I chose the World Inequality Database for this study due to its comprehensive coverage of inequality indicators, which allows for a comparative analysis

[1] https://wid.world
[2] https://www.scb.se/en/

between Sweden and the Western democracies. Furthermore, the database's focus on income and wealth distribution, as well as its ability to provide breakdowns by percentiles and deciles, makes it an ideal source for examining the top income shares and wealth concentration in Sweden.

## 3.2 Global Wealth Database and Luxembourg Wealth & Income Studies

The Global Wealth Database is an authoritative source of information on global wealth distribution, published annually by the Credit Suisse Research Institute. The database is a product of meticulous research and rigorous methodology, making it a reliable source for the wealth indicators. It integrates data from a variety of reliable sources, including national accounts. It utilizes national statistics for the Nordic countries, including Sweden making it consistent with the data used in the World Inequality Database. In this paper the database serves as a great tool for providing data on wealth indicators adjusted for Gini coefficient, which allows us to observe the intensified effect of the coefficient in the context of Sweden.

The Gini coefficient is utilized in Luxembourg Wealth & Income studies as well. To briefly explain the methodology behind it: the calculation of Gini coefficient revolves around the usage of the Lorenz curve, which allows to provide the distribution of a specific variable in a population. The Lorenz Curve, when applied to wealth or income inequality, provides a graphical representation of wealth or income distribution in a society. To create the Lorenz curve, individuals or households in a population are arranged in ascending order based on their level of the variable being examined. The cumulative percentage of the variable is then plotted against the cumulative percentage of the population. In a perfectly equal society, the Lorenz curve would coincide with the line of equality, which is a 45-degree line running from the bottom left corner to the top right corner of the graph, indicating that each percentage of the population holds an equivalent percentage of the variable. However, societies often exhibit inequality, meaning the Lorenz curve typically bows below the line of equality. The greater the bow, the higher the inequality. Figure 1. provides the graphical representation of the Lorenz curve.

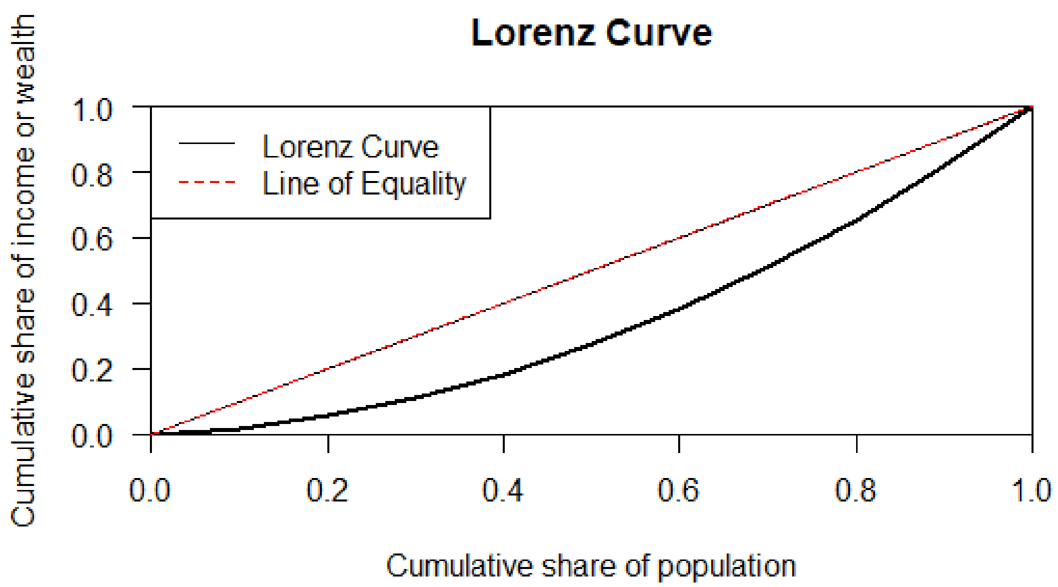


Figure 3.1: The Lorenz curve

To calculate both wealth and income inequality, the Gini coefficient is derived from the Lorenz curve by calculating the area between the curve and the line of equality. The coefficient ranges from 0 (perfect equality) to 1 (maximum inequality). The coefficient has been a useful tool to determine both

Sweden's great performance in terms of income inequality, as the coefficient was and still is one of the lowest in the world, and persistent wealth inequality, as the coefficient has always been one of the highest in Sweden among developed countries.

## 3.3 The Wealth Report and Forbes

Knight Frank's annual Wealth Report provides a comprehensive analysis of global wealth trends, including the behavior of High Net Worth Individuals (HNWI) and Ultra High Net Worth Individuals (UHNWI) and the performance of luxury markets. The report is renowned for providing information on wealth distribution, international real estate markets and the investment patterns of the wealthy. In this paper, I focus on the data on High Net Worth Individuals (HNWI) and Ultra High Net Worth Individuals (UHNWI). HNWI refers to individuals within a country with a net worth of more than US$1 million, including their primary residence, and UHNWI refers to individuals within a country with a net worth of more than US$30 million.

Forbes The World's Billionaires list is an annual compilation that identifies and ranks the world's wealthiest individuals based on their estimated net worth. Launched in 1987, the list uses a comprehensive methodology that includes valuation of assets such as holdings in public and private companies, real estate, yachts, art, and cash, while taking into account debt. The list includes individuals from a variety of sectors, including technology, finance, and consumer goods, providing insight into global wealth trends. The list has become a reliable source to monitor and analyze wealth concentration, shifts in global economic power, and wealth creation trends. It is important to note, however, that the reported net worths are estimates, as they are subject to fluctuations due to market dynamics and the confidentiality of private holdings.

By combining the data available from the sources we are able to divide the wealthy class under three categories.

- Wealthy: Net worth more than US$1 million (HNWI)
- Ultra Wealthy: Net worth more than US$30 million (UHNWI)
- Billionaires: Net worth more than US$1 billion

This differentiation allows us to identify specific patterns and trends in wealth accumulation that are not immediately apparent in a broader analysis. For example, wealth growth may be highly concentrated among the "ultra wealthy" or "billionaires," suggesting greater wealth inequality at the top. Moreover, the economic activities and behaviors of different wealth classes may vary considerably. The wealthy may have most of their wealth in the form of liquid assets or labor income, while the ultra-wealthy and billionaires may have significant wealth in the form of stocks, real estate or businesses. By distinguishing between these groups, we can assess the impact of these different forms of wealth on overall wealth inequality.

Furthermore, the policy implications may differ depending on the concentration of wealth at these different wealth levels. Taxes and policies that affect income or wealth may have a greater impact on the wealthy class, while capital gains or wealth taxes may have a greater impact on the wealth of the "ultra wealthy" and "billionaires". By recognizing these distinctions, policy effects can be more accurately analyzed to address wealth inequality. Finally, the societal impact may also differ depending on the concentration of wealth within these different classes. Gilens & Page (2014) found the significant effect of having a large wealthy class rather than a few individuals, as it allows them to lobby for and pass policy decisions that benefit the wealthy class.

# Part I

# Data Analysis of Wealth Inequality Indicators in Sweden

# Chapter 4

# The Analysis of Wealth Distribution

## 4.1 Introduction

The first part of this paper focuses on the data on wealth and income inequality in order to provide an in-depth analysis of wealth inequality in Sweden. By conducting a comprehensive analysis of inequality, we will have a solid understanding of the current state of wealth inequality in Sweden, which will allow us to address the causes of inequality in the second part of the paper.

To achieve this, I will examine various aspects of wealth distribution, focusing primarily on the concentration of wealth within the richest one per cent in Sweden. The data to be examined are derived from a number of reliable sources, such as Global Wealth Databook, The Wealth Report, Forbes Billionaire List, and OECD data. Data sources and methodology are described in detail in Chapter 3. The data is used to analyze the distribution of wealth across different wealth levels, with a particular focus on the top 1%.

## 4.2 Wealth Inequality Data

Figures 4.1 and 4.2, using data from the World Inequality Database (WID), show the distribution of net wealth held by the top 1% and 10% in different Western democracies from 1995 to 2021. The latest data from 2021 show that in Sweden, the top 1% control 28% of total wealth, indicating a higher concentration of wealth than its Nordic counterparts, Norway and Denmark, where the top 1% hold 23% and 22% of total wealth, respectively. Continental European countries have similar levels of wealth concentration to Sweden, with France's top 1% holding 27% of total wealth and Germany's top 1% holding 29%. The United Kingdom, however, shows a more equal distribution, with the top 1% holding only 21% of total wealth, a lower percentage than in any of the Nordic countries. Not surprisingly, the United States, known for its pronounced economic inequality, has the highest concentration of wealth, with the top 1% holding 35% of total wealth.

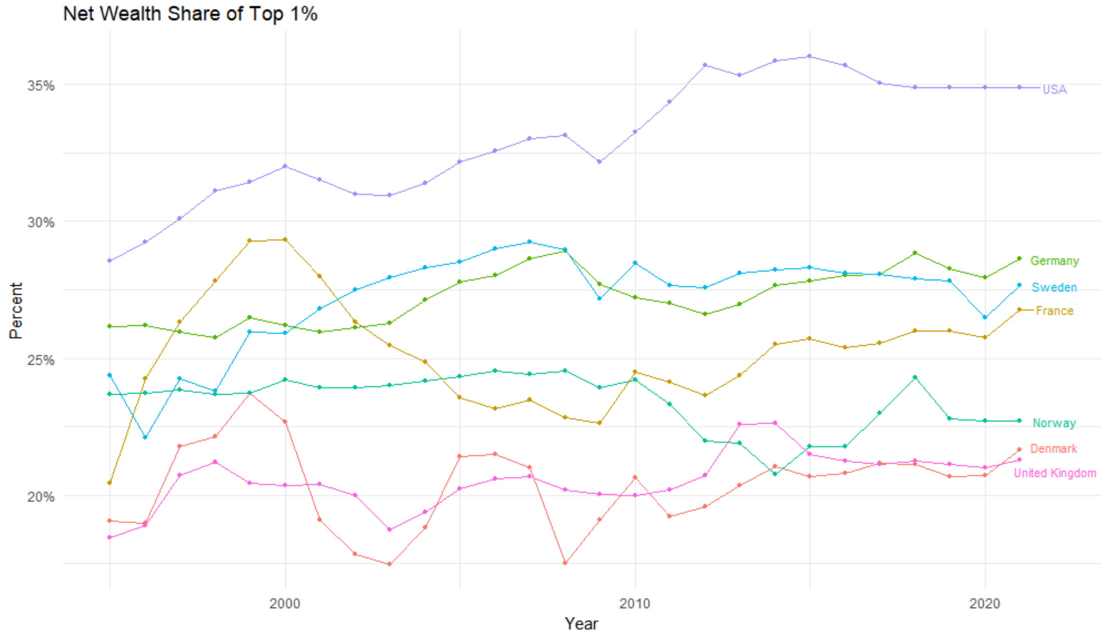


Figure 4.1: The share of net Wealth for the top 1%

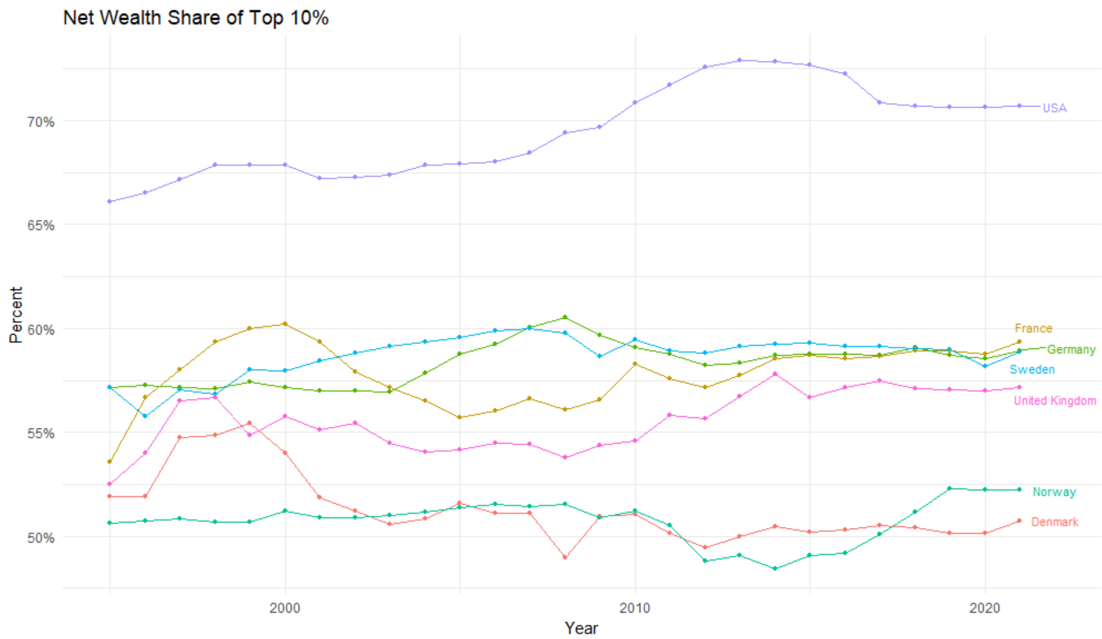


Figure 4.2: The share of net Wealth for the top 10%

The data on wealth inequality in Sweden presented in terms of wealth shares over the years gives us an important insight into the persistence of wealth inequality in the country, but it does not give us the full picture. The Global Wealth Report, provides us with several useful variables such as mean wealth per adult, median wealth per adult and the Gini coefficient for wealth.

Table 4.1 provides a comprehensive overview of wealth distribution across several countries including the variables mentioned above.

The mean wealth per adult in Sweden in 2021 was US$381,968, surpassing Finland (US$186,208), and Norway (US$334,432) and remained slightly below Denmark (US$426,494). This figure also surpasses those of France, Germany, and the United Kingdom, though it remains significantly behind the United States and Australia, which report US$579,051 and US$550,110, respectively. However, when we observe the data for median wealth per adult, we see that Sweden falls behind all countries in the list with its US$95,051, except for Finland, Germany, and the United States. The lower figures in Finland and Germany can be attributed to their unique history with the Russian Empire and later the Soviet Union, which prevented these countries from achieving higher median wealth per adult (as well as higher mean wealth per adult in the case of Finland). And the gap between mean and median wealth per adult in the United States is consistent with its wealth inequality in the World Inequality Database, and the high Gini coefficient it exhibits.

The Gini coefficient provides us with the worst results for Sweden. At 88.1, Sweden's Gini coefficient is the highest among the countries listed, even surpassing the United States, known for its economic inequality, which has a Gini coefficient of 85.0. When compared with the Gini coefficients of the other

Nordic countries, the difference in the coefficient is even more pronounced with Denmark's 73.9, Finland's 74.4 and Norway's 79.4.

| **Wealth Indicators Within Countries** | | | |
|---|---|---|---|
| **Country** | **Mean Wealth Per Adult** | **Median Wealth Per Adult** | **Gini** |
| Australia | $550,110 | $273,903 | 66.2 |
| Denmark | $426,494 | $171,175 | 73.9 |
| Finland | $186,208 | $80,152 | 74.4 |
| France | $322,074 | $139,169 | 70.2 |
| Germany | $256,985 | $60,633 | 78.8 |
| Italy | $231,323 | $112,138 | 67.2 |
| Norway | $334,432 | $132,482 | 79.4 |
| Sweden | $381,968 | $95,051 | 88.1 |
| United Kingdom | $309,375 | $141,552 | 70.6 |
| United States | $579,051 | $93,271 | 85.0 |

Table 4.1: Wealth Indicators Within Countries (2021)
Source: Global Wealth Databook 2022, Credit Suisse

Although the United States has a larger gap between mean and median wealth per adult, Sweden surprisingly has a higher Gini coefficient. This means that while the mean wealth per adult in the United States is significantly higher than the median wealth per adult, the concentration of wealth at the top of society is more intense in Sweden, indicating that a smaller subset of the population controls a substantial portion of the country's total wealth.

Exploring additional data that focus on the distribution of wealth in Sweden's highest wealth groups could help us clarify why the country's Gini coefficient is particularly high. It could reveal hidden facets of Sweden's wealth inequality, such as the share of wealth controlled by the ultra-wealthy or billionaires, and indicators of the rate of wealth growth across different percentiles. Expanding our research will also provide us with a more detailed and accurate picture of the dynamics and causes of wealth concentration in Sweden. This will form the basis for the discussions in the second part of the paper.

Moene (2016) focused on the distribution of wealth among the top percentiles in the Nordic countries, conducting a comparative analysis between Norway and the United States across various wealth levels, revealing the hidden wealth inequality in Norway compared to the United States. Inspired by the research, I decided to use various data sources that provide us with the distribution of wealth within the top stratum of society, and to conduct a comparative analysis that includes Sweden, the Nordic countries, and the United States of America.

To do this, I combine data from several sources to compare the concentration of wealth at different levels. "Wealthy" refers to High Net Worth Individuals (HNWI) with a net worth of US$1 million or more, including their primary residence, and "ultra-wealthy" refers to Ultra High Net Worth Individuals (UHNWI) with a net worth of US$30 million or more, including their primary residence, both data taken from he Wealth Report by Knight Frank[1]. Whereas the data for individuals with a net worth over US$1 billion data comes from Forbes Billioniare List. Population and wage data are from the OECD[2]. In order to keep the data consistent, all of them are based on 2021 data, as well as the

[1]https://www.knightfrank.com/research/report-library/the-wealth-report-2022-8858.aspx

[2]https://data.oecd.org/

previous data used in the study so far.

Table 4.2 provides a comprehensive overview of the number of individuals in each country who fall into different wealth categories: "wealthy," "ultra-wealthy," and "billionaires," while also noting the total population of each country. Examining the raw data reveals an interesting scenario for 2021: Sweden is home to 41 billionaires, a number that significantly exceeds the combined total of 29 billionaires in the other major Nordic countries. However, to fully appreciate these numbers, it's important to adjust the data to account for the differences in population size between these countries.

Taking a broader look at wealth distribution, the table also sheds light on the "wealthy" and "ultra-wealthy" categories. In 2021, Sweden had 573,210 individuals who meet the criteria for "wealthy" and 4,368 individuals who were categorized as "ultra-wealthy". These figures far exceed those of other Nordic countries, such as Norway, Denmark and Finland, which have smaller numbers in both categories. But while these numbers may seem striking, it's important to consider them in relation to each country's total population. This approach is particularly necessary for the United States, which has a larger population and therefore a higher absolute number of wealthy and ultra-wealthy individuals.

| Countries | Population | Wealthy | Ultra-Wealthy | Billionaires |
|---|---|---|---|---|
| Sweden | 10,415,811 | 573,210 | 4,368 | 41 |
| Norway | 5,408,320 | 164,569 | 1,251 | 12 |
| Denmark | 5,856,733 | 384,092 | 2,921 | 10 |
| Finland | 5,541,017 | 153,665 | 1,168 | 7 |
| USA | 331,893,745 | 24,273,540 | 210,353 | 724 |

Table 4.2: Distribution of Wealthy, Ultra-Wealthy and Billionaires across countries

To reach a more nuanced understanding of wealth distribution the data is adjusted for population in Table 4.3. With 5.5% of the population falling into the wealthy category, 4.19 per 10,000 identified as ultra-wealthy and 3.94 per million as billionaires, Sweden exceeds Norway and Finland in all categories and has a higher concentration of billionaires than Denmark. The proportions in Sweden are even more remarkable when compared to the US, a country known for its wealth concentration at the top of the society. Although the US has a higher percentage of wealthy and ultra-wealthy people, Sweden significantly outperforms it in the concentration of billionaires. This suggests a higher level of wealth accumulation at the very top in Sweden.

It's worth noting that these figures should be interpreted in the context of the average wage in each country. Sweden has a significant number of wealthy and ultra-wealthy individuals, and exhibits the largest concentration of billionaires compared to all countries listed. Interestingly, Sweden also has the lowest average wage compared to the countries we observe. This suggests that the concentration of extreme wealth in Sweden is particularly pronounced when viewed in the context of its average wage.

Another point that requires mentioning is that the billionaire category itself is unequally distributed within the United States, with some American billionaires possessing hundreds of times more wealth than the average billionaire.

| Countries | Average Wage | Wealthy | Ultra-Wealthy | Billionaires |
|---|---|---|---|---|
| Sweden | 48,951.00 | 5.50 | 4.19 | 3.94 |
| Norway | 58,377.00 | 3.04 | 2.31 | 2.22 |
| Denmark | 61,331.00 | 6.56 | 4.99 | 1.71 |
| Finland | 49,708.00 | 2.77 | 2.11 | 1.26 |
| USA | 74,738.00 | 7.31 | 6.34 | 2.18 |

Table 4.3: Distribution of Wealthy (per 100), Ultra-Wealthy (per 10k), Billionaires (per million)

We can further explore the data by adjusting for wage differences in the United States, Sweden, Norway, and Denmark. There are several reasons that make the adjusted data a better indicator of wealth concentration. First, differences in average wages can greatly impact the relative wealth distribution. Countries have different standards of living, purchasing power, and average income levels. If we simply look at the raw wealth data, our comparisons might not accurately reflect the true distribution of wealth in each country. For instance, what is considered "wealthy" in one country might not be considered so in another due to these wage differences. Therefore, adjusting for average wages allows us to make more accurate and meaningful comparisons of wealth distribution across countries.

I order to achieve this we will adjust each wealth cohort for the average wage in the United States. The average wage was selected as the adjustment variable for this research.

There are several reasons for this decision:

First, the average wage in a country can be significantly skewed by the highest earners. Rather than being a drawback, this skewness makes the variable a perfect choice to incorporate into an analysis that focuses on the upper end of the society.

Second, average wages are often seen as reflections of a nation's economic prosperity and standard of living. Nations with higher average wages usually are more economically developed and offer better economic opportunities.

Third, the inclusion of average wage also acts as an indirect lever to adjust for the variations in the cost of living across different countries. This is crucial because living costs have a profound impact on wealth perception and wealth accumulation. Higher living costs are typically accompanied by higher average wages, so an adjustment based on average wages helps to incorporate this aspect into the analysis of wealth distribution.

Finally, the choice of the average wage as an adjustment variable also stems from its pragmatic appeal. It is a standardized and universally understood measure, making it widely available for many countries. This makes it easy to replicate the methodology for a wide range of countries, thus allowing for broader cross-country comparisons.

However, while average wage is a robust adjustment variable, it is crucial to note that it cannot encapsulate all the economic variables that lead to the creation of wealth at upper end of society. Therefore our calculations should be taken as well formulated estimates.

Adjusting the “Wealthy,” “Ultra-Wealthy,” and “Billionaires” categories for the average wage in the USA involves calculating the ratio of the average wage in the USA to the average wage in each country, and then multiplying this ratio by the percentages in each of the three categories. This way we got the results for a "what if scenario" in which the Nordic countries have the same average wage as the United States. Here are the calculations:

- For Sweden:
  - Adjusted Wealthy = (74,738 / 48,951) * 5.50 = 8.36 per 100
  - Adjusted Ultra-Wealthy = (74,738 / 48,951) * 4.19 = 6.34 per 10,000
  - Adjusted Billionaires = (74,738 / 48,951) * 3.94 = 5.95 per million
- For Norway:
  - Adjusted Wealthy = (74,738 / 58,377) * 3.04 = 3.95 per 100
  - Adjusted Ultra-Wealthy = (74,738 / 58,377) * 2.31 = 2.9 per 10,000
  - Adjusted Billionaires = (74,738 / 58,377) * 2.22 = 2.84 per million
- For Denmark:
  - Adjusted Wealthy = (74,738 / 61,331) * 6.56 = 7.92 per 100
  - Adjusted Ultra-Wealthy = (74,738 / 61,331) * 4.99 = 6.03 per 10,000
  - Adjusted Billionaires = (74,738 / 61,331) * 1.71 = 2.07 per million
- For Finland:
  - Adjusted Wealthy = (74,738 / 49,708) * 2.77 = 4.15 per 100

– Adjusted Ultra-Wealthy = (74,738 / 49,708) * 2.11 = 3.17 per 10,000

– Adjusted Billionaires =(74,738 / 49,708) * 1.26 = 1.90 per million

The figures for the United States remain the same as their wage data is the base for this adjustment.

When we analyze the data presented in Table 4.4, it becomes clear that, when adjusted for wage differences, Sweden demonstrates an exceptional concentration of wealth for every single wealth cohort. With 8.36% of the population categorized as wealthy, 6.34 per 10,000 identified as ultra-wealthy, and 5.95 per million being billionaires, Sweden surpasses all other countries in the list, including the USA. These findings highlight the extent of wealth accumulation at the highest levels within Sweden's economic structure.

| Countries | Adjusted Wealthy | Adjusted Ultra-Wealthy | Adjusted Billionaires |
|---|---:|---:|---:|
| Sweden | 8.36 | 6.34 | 5.95 |
| Norway | 3.95 | 2.97 | 2.84 |
| Denmark | 7.92 | 6.03 | 2.07 |
| Finland | 4.15 | 3.17 | 1.90 |
| USA | 7.31 | 6.34 | 2.18 |

Table 4.4: Distribution of Wealthy (per 100), Ultra-Wealthy (per 10k), and Billionaires (per million) adjusted for American-level average wages.

## 4.3 Results

The main takeaways from the data are as follows:

First, the analysis of net wealth held by the top 1% and top 10% reflects a substantial wealth gap in Sweden, with these groups holding a disproportionate share of the country's total wealth.

Second, a comparison of mean and median wealth per adult, coupled with the Gini coefficient provides us with an even more striking result: In terms of the Gini coefficient, Sweden's wealth distribution is even more skewed than that of the United States, a nation often highlighted for its wealth inequality. This data indicates that Sweden's wealth inequality problem is deeper than first thought by looking at new wealth data.

Third, a closer examination of different wealth groups within the country provides compelling evidence that the billionaire class in Sweden is larger than in Denmark, Norway, Finland, and the United States, with the wealthy and ultra-wealthy also having a significant number of individuals qualifying for these groups. Furthermore, when we adjust the results for the difference in average wage Sweden revealeved that the concentration of wealth in Sweden is more pronounced all high wealth categories used in the study, indicating a strong elite class in Sweden. As suggested by Gilens & Page (2014), a larger proportion of both wealthy individuals and billionaires can lead to increased influence of the richest class in political and economic decisions, as compared to a scenario where a small number of affluent individuals control a substantial portion of wealth. This suggests that the Swedish elite could potentially exert more influence compared to their counterparts in Nordic countries and the United States, enabling them to advocate for policies in Sweden that primarily serve their own interests.

These findings lay the groundwork for the next part of this paper. The second part sections will delve into the causes of this pronounced wealth inequality in Sweden, and also analyze the potential effects of policies designed to tackle it. This analysis will give us a better understanding on the paradoxical inequality in the country.

# Part II

# Exploring the Factors Contributing to Economic Inequality

# Chapter 5

# The Reasons Behind Wealth Concentration in Sweden

## 5.1 Introduction

As we move into the second part of this paper, it is necessary to recall the results of our comprehensive analysis in the first part. The findings from the first part highlight the pronounced wealth inequality in Sweden, with a pronounced concentration of wealth within society's upper brackets. The aim of this section is to unravel the factors that contribute to this pronounced concentration of wealth, by examining various dimensions that influence the distribution of wealth in Sweden.

First, I trace the development of inequality over the past few centuries and examine the economic policies that have evolved over time. The aim is to contextualise our current understanding of wealth inequality within Sweden's historical economic framework.

Next, I examine the intertwined concepts of intergenerational wealth transfer and mobility. This analysis will clarify how wealth is perpetuated within families and across generations, offering insights into the concentration of wealth within the top decile. Concurrently, I discuss the phenomenon of rising top income shares, exploring its role in further reinforcing wealth accumulation within the wealthiest stratum of society.

Finally, the behavioral responses to wealth and inheritance taxes are addressed. This will give us a better understanding of the arguments for and against the taxes that can be implemented to combat inequality in the distribution of wealth. The examples of countries that still have wealth taxes will also be discussed, in particular Norway because of its social similarities with Sweden.

## 5.2 Historical Overview of Inequality in Sweden

Understanding how Sweden's economy has evolved over time is crucial to understanding the country's current difficulties with economic inequality, particularly wealth inequality, which is more inelastic than other economic indicators. Sweden's historical development has shaped the economic landscape and influenced the distribution of wealth and the degree of social mobility. In this chapter, my analysis focuses on the historical development of Swedish economic policy up to its latest phase, which began in the 1990s.

Before the 19th century, Swedish economic policy was shaped by the mercantilist approach that dominated Europe. This period was characterized by an emphasis on maintaining a favorable balance of trade, increasing state power through the accumulation of gold and silver, and promoting domestic industries through protectionist measures Heckscher & Heckscher (1954). The Swedish economy during this time was heavily reliant on its natural resources, such as iron and timber, which were exported to other European countries in exchange for manufactured goods and luxury items. Trade rights to other countries were limited to only two cities: Stockholm and Turku, which limited the development of trade in the rest of the country. This economic system led to the development of a small privileged class in the country.

In 1750 the Swedish nobility made up less than 0.5% of the population, by 1860 it was down to a quarter of a percent, on a par with the United Kingdom, the most unequal country of the post-industrial revolution era, as also discussed in Piketty (2019).

This phenomenon, which predates the country's industrialization, highlights the historical roots of wealth concentration and how it has persisted in Swedish society over time. By comparison, during the second half of the 18th century, the nobility constituted more than 5% of the population in countries like Spain, Portugal, Poland, Hungary, and Croatia, and about 1% of the population in France and Great Britain Piketty (2013).

In the late 18th century, the ideas of Age of Liberty (Frihetstiden), which refers to the nation's shift from absolutism to increased civil liberties, began to influence the economic policy. One prominent figure from this period was Anders Chydenius, a clergyman and economist who advocated for free trade, economic liberalism, and individual freedom. Chydenius' work, including his seminal pamphlet "The National Gain" (Den nationnale winsten), argued that economic prosperity could be achieved through the unrestricted movement of goods, capital, and labor, as well as minimal state intervention in the economy.

Chydenius (1765) His ideas were considered radical at the time and failed to gain support, but it marks an important turning point in Swedish economic history, showing that the ideas of economic liberalism were beginning to flourish in the country.

The introduction of new civil rights, the spread of liberal ideas, and the transformation of Swedish society from an absolutist militaristic nation to a country that implemented military neutrality all prepared Sweden for its industrialization phase. During the mid-19th century, Swedish economic policy underwent significant changes with the implementation of liberal economic policies aimed at modernizing the Swedish economy and promoting industrialization. Some of the key reforms were the abolition of the guild system, the removal of restrictions on domestic and international trade, and the establishment of a modern banking system Nilsson (2019). These reforms created a more favorable environment for free market economy and started to transform Sweden from an agrarian to an industrial society.

However, these changes did not improve the inequality situation in the country. On the contrary, they widened societal gaps as the era's technological progress brought benefits only to a small elite group. As noted by Clark (2014), productivity increased a hundredfold during the technological advancement of the Industrial Revolution, but people in industrialized societies continued living at bare-subsistence levels, with the exception of those at the upper end of society.

The late 19th century and the beginning of the 20th century observed the continuation of the free market policies promoting free trade and limited government intervention in the economy, fostering economic growth and the development of a strong manufacturing sector Magnusson (2000). This, combined with successful educational policies and economic stability, brought prosperity to the nation and reduced the high rate of emigration it was experiencing. It also marked the beginning of a decline in inequality in the country.

Figure 5.1 shows that the income inequality peaked in Sweden in 1900, and then started a downward trend.

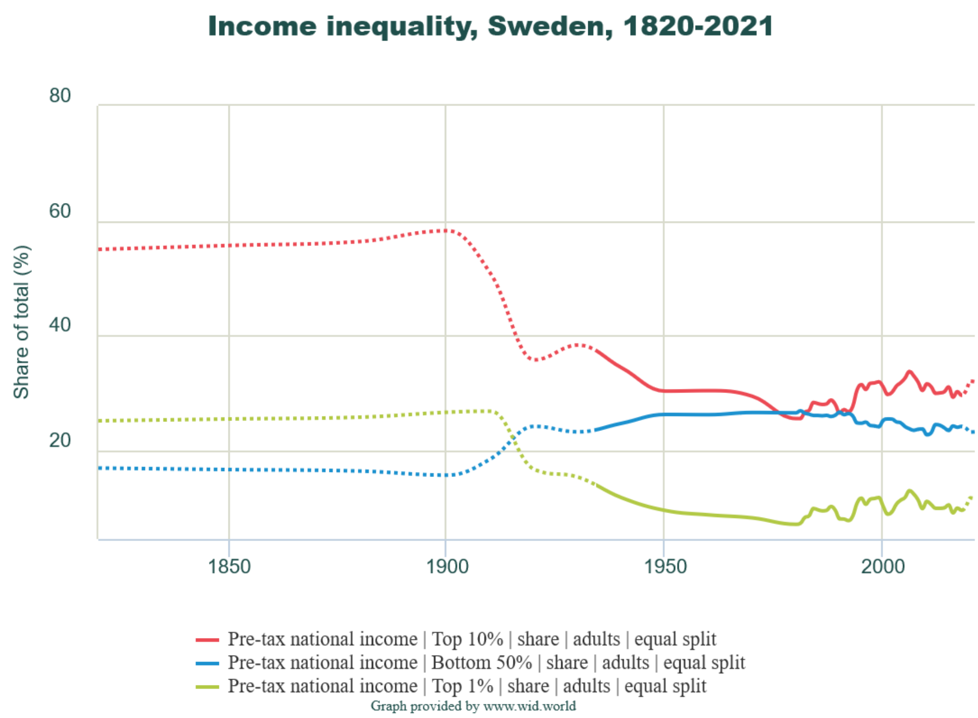


Figure 5.1: Income inequality, Sweden, 1820-2021
Source: World Inequality Database

Furthermore, the Great Depression and the subsequent global economic instability of the 1930s prompted a shift toward third way policies, with a greater emphasis on government intervention, social welfare, and economic redistribution Erixon & Sally (2010). This marked the beginning of the development of the Swedish Model, characterized by a strong welfare state, collective bargaining, and progressive taxation.

The latter half of the 20th century observed further developments to the Swedish Model, with the introduction of policies aimed at reducing income disparities and promoting social mobility as discussed in Lindbeck (1997). However, since the 1990s, Sweden has faced new challenges due to globalization and changes in the global economic landscape. Bergh & Nilsson (2010) and notes Bergh & Erlingsson (2009) that in response to these challenges, the country has undergone a series of economic reforms, including deregulation, liberalization, and the scaling back of certain welfare provisions. These shifts in economic policies have contributed to the increase surrounding wealth and income inequality in Sweden.

## 5.3 Generational Wealth Transfer, Intergenerational Mobility and The Rise of Top Income Shares

Wealth, as an economic indicator, exhibits a greater inelasticity in comparison to other economic variables. This can be attributed to the fact that wealth accumulation is a cumulative process, shaped by various factors such as inheritances, savings, investment returns, and asset appreciation, which often evolve over extended time periods. As a result, assets are less susceptible to short-term fluctuations in income or economic cycles, as changes in these factors do not immediately translate into significant changes in wealth.

Moreover, wealth disparities across different socioeconomic strata can further contribute to its inelastic nature, as the affluent tend to possess greater financial resilience and access to resources that can reduce the impact of economic shocks. Wars and political changes can also cause a heightened degree of elasticity in wealth by introducing significant disruptions to the economic landscape. These events often lead to widespread instability, resulting in fluctuations in asset values, market conditions, and investment returns.

Additionally, wars and political shifts often lead to changes in tax policies, wealth redistribution, and property rights, directly impacting the distribution of wealth within a society. In extreme cases, the confiscation or destruction of assets might take place, further contributing to wealth's increased elasticity. Therefore, although wealth is generally inelastic, its elasticity can be heightened during periods of political or military upheaval, as these events alter the economic environment and challenge traditional wealth accumulation mechanisms.

Europe stands out as the continent where the persistence of wealth inequality, driven by inheritance and the long-lasting effects of ancestral socioeconomic status, is one of the most pronounced in the world. The historical development of European societies, characterized by centuries of aristocratic rule and a deep-rooted class system, has led to the entrenchment of inherited wealth and social stratification as discussed in Piketty & Goldhammer (2014). The transfer of wealth and the decline in intergenerational mobility often serve to perpetuate economic inequality.

An example of the persistence of wealth inequality in Europe can be found in a study focused on Florence on the social mobility by focusing a very long time period. Barone & Mocetti (2020) examined intergenerational mobility in

Florence over a period from 1427 to 2011 using ancestral records. The study found an income elasticity of 0.04 for the city, a value which significantly exceeds the expectations of conventional models. The long period under study witnessed Italy's transformation from a country divided by city-states to a unified nation, as well as its experience of two world wars, highlighting the how the importance of ancestral socioeconomic status persists even in the face of turbulent times.

For centuries, Sweden managed to avoid the serious turbulence taking place on the continent. Even before adopting its policy of neutrality at the beginning of the 19th century, the Swedish mainland maintained stable borders and did not experience territorial changes for centuries. Furthermore, the Swedish neutrality has contributed significantly to safeguarding the nation's wealth from external shocks, uncertainty, and disruptions typically associated with war and political strife. This political strategy has allowed the nation to avert the direct and indirect costs of war, such as military expenditures and diminished productivity, which could otherwise have negative impact the wealth of individuals and households. As a result, this policy of neutrality has created a protected the Swedish wealthy class in a turbulent global landscape.

Golson (2011) emphasized the fact that neutral countries in Europe during the World War II, such as Sweden and Switzerland, not only avoided the shocks brought on by the war, but gained a comparative advantage over other nations by maintaining trade with both Allied and Axis countries, which allowed their key industries to continue functioning without interruption. During the war period, and the post-war decades Sweden enforced a high rate of inheritance tax in some cases going as high as 60%, which contributed to the redistribution of wealth. However, its effect was limited as evidenced by the persistence of wealth inequality in the country.

Roine & Waldenström (2009) examined the wealth concentration in Sweden from 1873 to 2006. The study revealed that wealth inequality in Sweden reached its peak at the beginning of the 20th century, when the top decile of Swedish society controlled over 90% of the country's wealth. It fell to 53% in 1980 and has risen to over 60% in recent years.

Ohlsson et al. (2008) further analyzed the wealth of the top percent and found that despite the decline of the top decile, the top 1% actually increased their share of wealth in the first half of the 20th century. However, redistributive policies in force began to decrease the concentration of wealth among the top 1% as in the latter half of the century until the 1970s. After the policies targeting the issue were reversed, the top 1% experienced a more pronounced increase in their wealth share compared to the top 10%."

Despite suffering from concentration of wealth at the upper end of society for a long time, Sweden exhibited a high level of intergenerational mobility in the 20th century both before and after the establishment of welfare state. As discussed in Berger et al. (2023) and Salverda et al. (2009) this was due to high growth rate observed in Sweden, which benefited the mobility in the country. Furthermore, the success achieved in income equality also benefited significantly to Sweden achieving a high generational mobility.

However, when we observe intergenerational mobility in Sweden with a focus on top 1% and top 0.1% the mobility rates drop significantly. Björklund et al. (2012) conducted a study of top income shares in Sweden by analyzing Statistics Sweden's multi-generational register to compare the incomes of men born in the country between 1960 and 1967 with those of their biological fathers. The results of the study showed that variables correlated with higher incomes, such as high IQ, non-cognitive skills, and total years of education, have a negative correlation for the top 1% and % 0.1 income groups. These income groups are also highly correlated with high-income fathers and have experienced significantly higher income growth than the other income deciles.

"The significant contrast in intergenerational mobility within the top 1%, 0.1%, and the rest of society shows that the top 1% in Sweden experiences a reality different from the Swedish norms in various metrics. The main implication of this phenomenon is that as the rest of society becomes more equal, the top 1% gains an unfair advantage due to their existing wealth, the political influence that comes with it, and the lack of serious policies tailored for the top 1% of society."

## 5.4 Behavioral Response to Wealth and Inheritance Taxes

Sweden, like many other nations, has abolished its wealth and inheritance taxes and currently has no direct tax on wealth. The motivation behind the abolition of such taxes ranges from attracting capital investment, promoting economic growth, creating jobs, and discouraging tax avoidance. However, these factors indicate a trickle-down economics [1] in motion, where all benefits of these tax cuts are reaped by the upper end of the society, and the rest of society can only enjoy some possible side benefits such as higher growth and job creation.

[1]Trickle-down economics refers to the economic policies that disproportionately benefit the richest groups in society.

In this chapter, several aspects of wealth and inheritance taxes will be evaluated. First, I will analyze changes in tax rates since their introduction and their effects on wealth inequality. Second, I will investigate the phenomenon of tax evasion and the exodus of the wealthy. A perspective from Norwegian wealth taxes will be provided, aiming to answer whether these taxes could be effective, or if they are redundant in today's global economic system.

Sweden introduced wealth and inheritances taxes quite early in its history: the inheritance tax was introduced in 1885, followed by the wealth tax in 1911. The nature and impact of these taxes have changed considerably since their introduction. Initially the inheritance tax was just 0.5% but it increased significantly in the 1930s and 1940s reaching rates as high as 10%. The decades following the post war observed rates high as 60% for the higher end of the inherited the assets, with the lower end being at 10%. Such rates, which are inconceivable in today's world, remained high until the latter half of the 1970s. The rates then continued to be reduced until they were completely abolished in 2007. Wealth taxes however remained rather stable, with effective tax rate never exceeding 2.5%. The wealth tax rate was reduced from the beginning of 1970s to 1% level, and it was abolished in 2005.

The wealth and inheritance taxes were instrumentalized most during the war years, and post-war decades. However, the most heated discussions regarding the taxation and its negative effects took place in the 1970s, which observed high-income earner individual people with high profile leaving the country. Astrid Lindgre, the writer of Pippa Longstocking, Ingvar Kamprad, the director of countless successful films, Ingvar Kamprad, the founder of Ikea were just few of the people that faced tax evasion charges and left the country causing a public debate on marginal tax rates being high as 70% for high wage earners.

When we observe the case of Ingvar Kamprad, the founder of Ikea, who left Sweden in 1973 and then lived in Switzerland until 2014, it appears to be characteristic for the 1970s. Giddey & Wendschlag (2022) analyzed the phenomenon in detail. The people who left the country to avoid the taxes preferred to settle in low tax countries like Switzerland where marginal tax rates were significantly lower than that in Sweden.

However, it's important to note that the exodus of the wealthiest class in Sweden didn't occur during the peak of wealth and inheritance taxes from the 1930s to the 1970s, but rather after income taxes reached an all-time high. This renders obsolete the arguments against wealth taxation in Sweden that refer to the exodus in the 1970s, as taxation on high wage earners triggered the response.

Furthermore, the findings of Alstadsæter et al. (2022) show that Norway, a country that still enforces tax on wealth, managed to increase tax revenues from wealthy individuals by increasing enforcement efforts. This further discredits fears over reduced revenues due to tax evasion in the presence of wealth taxation. The total tax wedge for the average worker in Sweden is significantly higher at 42.4%, compared to 35.7%. We also observe a higher tax rate on upper-end wages in the country. This provides further evidence that the recent trend of the wealthy leaving Norway is different in nature from what Sweden experienced in the 1970s.

The Norwegian case shows that taxation on wealth can increase tax revenues, and a well-enforced policy can also lower the case of tax evasion.

Nevertheless, the inefficiency of wealth and inheritance taxes are still in the living memory of Swedish society, and public opinion is still against any tax on wealth as "inheritance" (n.d.) emphasized on its failures during the last decades of the taxes.

Past failures in tax policy have led to a situation where there are no policies targeting the concentration of wealth at the top. Although Sweden's neighbor, Norway, has found success through more efficient enforcement, there doesn't seem to be enough public support for such policies in Sweden. This has resulted in a system where the wealthiest individuals can increase their share of wealth, while the rest of society struggles to catch up.

# Chapter 6

# Conclusion

This paper has carried out an extensive analysis of wealth inequality in Sweden, paying particular attention to the concentration of wealth among the richest class of society. As demonstrated in Part 1, Sweden stands out from the Nordic countries for its exceptional number of billionaires, surpassing even the United States. Moreover, an examination of various wealth data sources revealed that, when we account for wage disparities, the proportion of millionaires and individuals with a net worth exceeding US$30 million in Sweden substantially surpasses that of the United States, Norway, Denmark, and Finland. These findings point to a significant concentration of wealth within Sweden's wealthiest classes, forming the basis for the causal analysis carried out in the second part of this paper.

Part 2 showed that Sweden has grappled with wealth inequality and a concentration of wealth and power in the hands of a small elite for centuries. Throughout the 20th century, particularly from the mid-20th century until the 1970s, wealth inequality saw a reduction, though not as pronounced as that of income inequality. Remarkably, the successful policies targeting income equality had a paradoxical effect: they led to a decrease in social mobility within the top income brackets, which increasingly became dominated by capital gains. As a result, descendants of the wealthiest 1% continued to accumulate wealth, with high wage earnings based on merit being overshadowed by the impact of capital gains and inherited wealth. This situation has perpetuated the concentration of wealth within the top 1%.

In conclusion, it is evident from this study that Sweden manifests one of the highest levels of wealth inequality in the world, particularly pronounced within the society's upper wealth brackets. Given the current absence of effective policies to address this issue, the trend of wealth inequality can be expected to persist in the country.

# References

(n.d.).

Alstadsæter, A., Johannesen, N., Le Guern Herry, S., & Zucman, G. (2022). Tax evasion and tax avoidance. *Journal of Public Economics*, *206*, 104587. Retrieved from https://www.sciencedirect.com/science/article/pii/S0047272721002231 doi: https://doi.org/10.1016/j.jpubeco.2021.104587

Barone, G., & Mocetti, S. (2020, 11). Intergenerational Mobility in the Very Long Run: Florence 1427–2011. *The Review of Economic Studies*, *88*(4), 1863-1891.

Barth, E., Moene, K., & Pedersen, A. W. (2021). Rising Inequality in the Egalitarian Nordics. In *Europe's Income, Wealth, Consumption, and Inequality.* Oxford University Press.

Bengtsson, E. (2020). *Världens jämlikaste land?* Arkiv förlag.

Berger, T., Engzell, P., Eriksson, B., & Molinder, J. (2023). Social mobility in sweden before the welfare state. *The Journal of Economic History*, *83*(2), 431–463. doi: 10.1017/S0022050723000098

Bergh, A., & Erlingsson, G. Ó. (2009). Liberalization without retrenchment: Understanding the consensus on swedish welfare state reforms. *Scandinavian political studies*, *32*(1), 71–93.

Bergh, A., & Nilsson, T. (2010). Do liberalization and globalization increase income inequality? *European Journal of Political Economy*, *26*(4), 488-505.

Björklund, A., Roine, J., & Waldenström, D. (2012). Intergenerational top income mobility in sweden: Capitalist dynasties in the land of equal opportunity? *Journal of Public Economics*, *96*(5), 474-484.

Chydenius, A. (1765). *Den nationnale winsten*.

Clark, G. (2014). The industrial revolution. , *2*, 217–262.

Erixon, F., & Sally, R. (2010). *Trade, globalisation and emerging protectionism since the crisis* (Tech. Rep.). ECIPE working paper.

Esping-Andersen, G. (1990, 01). The three worlds of welfare capitalism.

Giddey, T., & Wendschlag, M. (2022). Tax system credibility vs. banking system reputation?: Tax evasion from sweden to switzerland in the early 1970s. In *Histories of tax evasion, avoidance and resistance* (pp. 240–256). Routledge.

Gilens, M., & Page, B. I. (2014). Testing theories of american politics: Elites, interest groups, and average citizens. *Perspectives on Politics*, *12*(3), 564–581. doi: 10.1017/S1537592714001595

Golson, E. (2011). *The economics of neutrality: Spain, sweden and switzerland in the second world war* (Unpublished doctoral dissertation). London School of Economics and Political Science.

Heckscher, E. F., & Heckscher, G. (1954). *An economic history of sweden* (No. 95). Harvard University Press.

Korpi, W., & Palme, J. (1998). The paradox of redistribution and strategies of equality: Welfare state institutions, inequality, and poverty in the western countries. *American Sociological Review*, *63*(5), 661–687.

Kuznets, S. (1955). Economic growth and income inequality. *The American Economic Review*, *45*(1), 1–28.

Lindbeck, A. (1997). The swedish experiment. *Journal of economic Literature*, *35*(3), 1273–1319.

Magnusson, L. (2000). *An economic history of sweden* (Vol. 16). Routledge.

Milanovic, B. (2013). Global income inequality in numbers: In history and now. *Global policy*, *4*(2), 198–208.

Milanovic, B. (2016). *Global inequality: A new approach for the age of globalization*. Harvard University Press.

Mitchell, D. J. (2016). Sweden isn'ta good role model for bernie sanders.

Moene, K. (2016). 11. the social upper class under social democracy. *NORDIC ECONOMIC POLICY*, 245.

Nilsson, T. (2019). The swedish senate, 1867–1970: From elitist moderniser to democratic subordinate. In *Reforming senates* (pp. 133–145). Routledge.

Ohlsson, H., Roine, J., & Waldenström, D. (2008). Long-run changes in the concentration of wealth: An overview of recent findings.

Piketty, T. (2013). Capital in the twenty-first century. *The American Economic Review*.

Piketty, T. (2019). Capital and ideology. *The American Economic Review*.

Piketty, T., & Goldhammer, A. (2014). *Capital in the twenty-first century*. Harvard University Press.

Piketty, T., Saez, E., & Zucman, G. (2017, 10). Distributional National Accounts: Methods and Estimates for the United States*. *The Quarterly Journal of Economics*, *133*(2), 553-609. Retrieved from `https://doi.org/10.1093/qje/qjx043` doi: 10.1093/qje/qjx043

Piketty, T., & Zucman, G. (2014). Capital is back: Wealth-income ratios in rich countries 1700–2010. *The Quarterly Journal of Economics*, *129*(3), 1255-1310.

Roine, J., & Waldenström, D. (2008). The evolution of top incomes in an egalitarian society: Sweden, 1903–2004. *Journal of Public Economics*, *92*(1), 366-387.

Roine, J., & Waldenström, D. (2009). Wealth concentration over the path of development: Sweden, 1873-2006. *The Scandinavian Journal of Economics*, *111*(1), 151–187.

Roine, J., & Waldenström, D. (2012). On the role of capital gains in swedish income inequality. *Review of Income and Wealth*, *58*(3), 569-587.

Salverda, W., Nolan, B., & Smeeding, T. M. (2009). *The oxford handbook of economic inequality*. OUP Oxford.

Waldenström, D. (2017). Wealth-income ratios in a small, developing economy: Sweden, 1810–2014. *The Journal of Economic History*, *77*, 285-313.