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Working Paper 2014:9

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Magnus Henrekson and Daniel Waldenström

Uppsala Center for Fiscal Studies
Department of Economics
P.O. Box 513
SE-751 20 Uppsala
Sweden
Fax: +46 18 471 14 78

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August 2014

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July 6, 2014

Abstract: This paper studies the evolution of the modern Swedish inheritance taxation from its introduction in 1885 to its abolishment in 2004. Our contribution is twofold. First, we compute annual effective inheritance tax rates for differently sized bequests and different types of inherited assets (non-firm wealth and family firm equity), accounting for all relevant exemptions, deductions and valuation discounts. Second, we try to account for the changes in inheritance taxation. Ideology rather than mass mobilization or revenue maximization appears to drive the sharp tax increases of the 1930s through the 1960s. We document increased opportunities for tax planning for the wealthy, in particular a series of drastic tax cuts on inherited family firms from the 1970s onwards. This rise of avoidance opportunities for the rich, while more and more middle-class heirs paid notable inheritance taxes, contributed to a loss of legitimacy for the tax and its ultimate repeal in 2004.

Keywords: Gift tax; Inheritance tax; Estate tax; Tax avoidance; Excess burden; Entrepreneurship; Ownership transfers of family firms.

JEL-*codes*: H20; K34; D31.

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* We have received valuable comments from Mikael Elinder, Oscar Erixson, Kjell-Olof Feldt, Gunnar Johansson and Ken Scheve. Financial support from the Jan Wallander and Tom Hedelius Foundation is gratefully acknowledged.
† Research Institute of Industrial Economics (IFN), P.O. Box 55665, SE-102 15 Stockholm. Sweden. E-mail: magnus.henrekson@ifn.se.
‡ Department of Economics, Uppsala University, P.O. Box 513, SE-751 20 Uppsala, and IFN, Stockholm. Affiliated to IZA, UCLS and UCFS. E-mail: daniel.waldenstrom@nek.uu.se.

1. Introduction

The evolution of inheritance, gift and estate taxation across different economic systems addresses central questions about the trade-offs between egalitarian ambitions and incentive effects in the welfare state. While inheritance taxes are among the most direct fiscal instruments for rendering equality of opportunity in every new generation, in addition to being a source of government revenue, they possibly slash incentives to accumulate wealth and may also give rise to tax evasion and avoidance behaviors. Ultimately, it is therefore an empirical question whether these taxes contribute positively or negatively to society's development over the short and long run.

The main contribution of this study is to provide new series of effective average inheritance tax rates in Sweden for the years 1885–2004, thus covering a period from the early stages of industrialization to the present, i.e., until 2004 when the inheritance tax was abolished. Previous studies mostly proxy the tax using statutory marginal tax rates – typically the top marginal rate – regardless of how much inheritance is required to reach that rate or how many heirs that were affected. Our effective average rates instead reflect the role of the inherited amount and also account for the full spectrum of institutional factors affecting the final tax payment such as deductions, exemptions and valuation rules. Most importantly, we show how tax rates have varied substantially across different types of inheritances, namely family firms and non-corporate individual wealth. This important separation of tax burden across types of inheritance appears to be a specific contribution to the literature on intergenerational transfer taxation.

There are several reasons why studying inheritance taxation over time in Sweden is of interest. To begin with, the recent work on the long-run evolution of inheritance in France by Piketty (2011) and Piketty, Postel-Vinay and Rosenthal (2013), and the related study of inheritance flows in Sweden from the early 19th century to today by Ohlsson, Roine and Waldenström (2014), indicates remarkable variations over time, related to macroeconomic factors such as the capital-income ratio, private savings and the adult mortality rate as well as political variables including the taxation of inheritance and wealth. Furthermore, a new theory of optimal inheritance taxation proposed by Piketty and Saez (2013) provides a systematic framework for understanding the scope of inheritance taxation in a developing economy. While it is beyond the scope of our study to offer facts on all of the relevant dimensions in the

Piketty-Saez model, we do address outcomes related to the elasticity of bequests to the tax rate, the concentration of bequests and the extent to which society cares about those receiving small inheritances.

Moreover, Sweden developed the world's most extensive welfare state with a strong egalitarian emphasis (Esping-Andersen 1990). Putting inheritance taxation in historical perspective is not only crucial for understanding the achievements of the Swedish welfare state but also for getting further insights about the society in which it gained popular support. According to some (e.g., Lindbeck, 1997; Henrekson and Jakobsson, 2001) the Swedish tax system became increasingly hostile towards entrepreneurship and business ownership during the postwar period. If this is true, what was the role of inheritance taxation, in particular with respect to the transmission of family firms to the next generation.

We also compare the evolution of inheritance taxation in Sweden with the patterns for other countries. As documented by Scheve and Stasavage (2012), mass mobilization in connection with the two world wars resulted in major hikes in inheritance tax rates in many countries. However, Sweden did not participate in the world wars, and yet it adopted high inheritance tax rates. How can this be accounted for?

Several important findings come out of our analysis. Our long-run series suggest that the period 1885–2004 can be divided into four broad phases based on the evolution of the effective rate of inheritance taxation. Before 1934 taxes were very low even for the largest inherited fortunes. In 1934, the tax on large bequests was raised from 4 to 20 percent, and in 1948 the rate was further increased to 60 percent. It then remained consistently at 60 percent or higher through 1991, peaking at 70 percent in the mid-1980s. The effective inheritance taxation was also continually increased during this period through bracket creep and reduced exemption levels. The fourth phase is the 1992–2004 period when the top rate was halved to 30 percent. The inheritance tax rates on unlisted firms and non-corporate wealth were effectively the same until the early 1970s. Thereafter, new valuation rules addressing especially inherited family firms, lowered effective tax rates and additional eases in the 1990s lead to further tax reductions until the final abolishment in 2004.

We propose three main potential explanations to the observed patterns. First, the expansion of the tax in the 1930s and late 1940s had little to do with revenue maximization or balancing war-driven mass mobilization, two popular hypotheses in the previous literature. Instead the increases appear to have been primarily related to an ideology of redistribution and the uninterrupted reign of Social-Democratic governments from 1932 until the mid-1970s. Second, our estimates indicate an increasing degree of tax avoidance and evasion over the postwar era, a problem that was noted by legislators who stopped further tax increases and eventually began dismantling the effective tax levels from the 1970s onwards. Third, the demise of the Swedish inheritance tax appears to be due to a loss of legitimacy among broad layers in the population in the latter part of the 20th century. While a large share of Swedish taxpayers (about one quarter to one third) were affected by the tax and the tax increased steadily due to inflation-induced bracket creep, the tax burden at the top end of the distribution was reduced due to legislation and financial globalization. This undermined the legitimacy of the inheritance tax in the eyes of Swedish taxpayers and eventually led to its abolishment.

Section 2 provides an overview of the rules and tax rates determining the taxation of inheritances in Sweden over the entire period of study. Section 3 presents a calculation of effective inheritance tax rates for differently sized estates containing either personal net wealth or family business equity. Section 4 presents further facts and speculation about the main determinants of the evolution of inheritance taxation in Sweden, and Section 5 concludes.

2. Inheritance, gift and estate taxation in Sweden

In this section we present the basic principles governing Swedish inheritance, gift and estate taxation since the tax ordinance in 1884, which instituted the country's first modern inheritance taxation, up until its final abolishment in 2004.[1] This information is needed for the calculation of effective inheritance tax rates, which is presented in the following section.

In Sweden, inheritance taxation has taken the form of taxation of the acquisitions of heirs. This is internationally the most common form of taxation of intergenerational transfers. It differs from estate taxation, where instead the wealth of the deceased is taxed.[2] Still the starting point for calculating the inheritance tax is the remainder of a deceased person's estate, after settling outstanding debtors' accounts and, if the deceased was married, the spouse's

[1] Various kinds of duties and fees on estates, inheritances and wills had existed earlier, but only for small and specific parts of the tax base and population strata. See Du Rietz, Henrekson and Waldenström (2014) for an exhaustive description of these rules and regulations.

[2] For more extensive overviews of inheritance, gift and estate taxes, see, e.g., Gale and Slemrod (2001), Boadway, Chamberlain and Emmerson (2010) and Kopczuk (2013).

right to its marital property. The remainder is allocated to the heirs and beneficiaries under the will, and as a final step the inheritance tax is calculated for each heir. Assets included in the taxable estate are real and financial assets including consumer durables and most private insurances, net of debts. The tax-exempt spousal property removed from the taxable estate has usually amounted to half of the estate; from 1960 at least four price basic amounts.[3]

The division of the estate into the taxable inheritance lots is based on legal rules of inheritance order across different classes of heirs and also stipulations in the deceased's will if such exists. For example, if there are three children, the estate is divided into three equal parts unless there is a will stipulating differently. If an heir abstains from his or her inheritance, the estate is passed on to his or her children.

Gift taxation is an integral part of any inheritance tax system. If every gift were considered as independent of earlier acquisitions, large tax gains could be accomplished simply by splitting up gifts into smaller installments, *inter vivo* gifts (literally meaning gifts between the living), that are spread out over time. To counteract any tendencies towards tax avoidance specific summation rules were introduced early on in the Swedish inheritance and gift tax ordinance, stipulating that gifts and bequests from the same donor should be added to inheritance lots and be taxed jointly.

2.1 Valuation of assets and liabilities

A central part of inheritance taxation is the calculation of the value of the tax base. The starting point for the valuation of assets and liabilities of estate inventories is that they should be listed at market values at the time of death of the deceased. However, there have been several special valuation rules applied on different asset classes in the Swedish inheritance tax code, and history also contains several important changes in valuation principles that matter for the final tax burden.

Real estate was typically recorded at its tax-assessed value in the year preceding the death. The value of condominiums corresponded to members' share of condominium association. Other personal property was to be taxed at market value, and a business was valued as its

[3] The price basic amount is calculated based on changes in the general price level. Many transfer payments, tax rates, entitlements etc. are determined by the price basic amount. In 2004, the price basic amount was SEK 39,300, and an average annual worker salary was SEK 262,200. The non-taxed spouse's marital property that year thus amounted to 60 percent of the average annual salary.

sales value, estimated by trustees (see further below). However, some asset classes were listed at only a fraction of their market value. For example, shares registered on the main listings at the Stockholm Stock Exchange were listed at 80 percent of their full market value from 1997 to 2004, at 75 percent in 1978–1996 and at 100 percent before 1978. Unlisted shares were assessed at only 30 percent of their quoted or book value from 1978. Forest holdings were listed at half their market value throughout the period. Small firm inventories and stock-in-trade have, at times, also been valued below market prices (see more below).

Insurance policies represent a specific and relatively problematic asset class within the inheritance taxation context. If a deceased person leaves behind insurance without beneficiaries, the value of the insurance, or the insurance disbursements, are simply included in the estate inventory. The same principle normally applies for insurances possessed by a surviving spouse. However, insurances with beneficiaries, which are in fact included in most insurance contracts, are typically tax-exempt following the marriage codes (Englund 1975). There are, however, some variations in the exact rules governing the treatment of insurance acquisitions both over time and across certain insurance types.[4]

Certain forms of business assets received substantial tax and valuation reliefs in the latter part of the 20th century. These reliefs represent an important dimension in the Swedish inheritance taxation, in particular with respect to the changes over time. The corporate tax code had since long contained some reliefs in the valuation of firm’s machinery, inventories and stocks-in-trade (Du Rietz, Johansson and Stenkula 2014), but in the 1970s a series of wide-ranging reliefs for inheritance of small closely held (private) companies were introduced. The political motivation for these reliefs referred primarily to facilitating the intergenerational transmission of family firms. The reliefs applied to both gifts and bequests and regardless of whether companies were sole proprietorships (*enskild firma*), partnerships (*handelsbolag*) or privately held joint-stock companies. That is, these new generous valuation rules applied to the net assets of all firms *not* listed on the stock exchange.

In 1971, a small conditional tax concession of 10 percent of the inheritance tax on the recipient’s lot was introduced. More importantly, from 1974 there was an option for the heirs to

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[4] The main rule after the 1914 inheritance and gift taxation ordinance was that beneficiary acquisitions were taxed as inheritance, but before this they were partly included. Individual private pension insurance was exempted from taxation. See Du Rietz, Henrekson and Waldenström (2014, section 3.2) for further details.

undervalue stocks-in-trade and inventories. These new valuation rules stipulated that the lowest of either acquisition cost or replacement value were to be used as a basis for taxation, and then an additional five percent was deducted for obsolescence, and finally the remaining value was written down to 40 percent (Englund 1975, p. 62).[5] Finally, in 1978 the valuation relief for private businesses was extended even further: unlisted firms were now valued at 30 percent of booked net equity value (assets less liabilities).

2.2 Tax rate schedules

Tax rates, taxable limits and exemptions, bequest brackets, and the scope for deductions are important parts of the inheritance tax. In Sweden, the tax always depended on consanguinity, i.e., the relationship between the deceased and the heirs, with spouse and children normally paying a lower tax than did other relatives or non-relatives.[6] With the 1884 stamp ordinance, all previous variants of estate taxes including stamp duties and inheritance lot taxes were merged into a single tax in the form of a stamp on the total estate value. Initially the tax rate was basically flat at about half a percent, but in 1895 a progressive tax schedule was introduced.

The Swedish statutory tax rates changed quite dramatically between 1885 and 2004. Figure 1 depicts the statutory marginal tax rate schedules for immediate family heirs (spouses and children) over the distribution of bequests (expressed as multiples of average annual incomes of Swedish production workers) in six selected years (where each year is representative of the period in question). There is considerable variation in both level and progression in the inheritance tax schedule, with the overall trend being increased levels and also progression through 1991. Tax rates were practically flat and very low until 1934, and the largest progressivity appears in the postwar era until the reform in 1992, when the schedule was made basically flat again, but at a relatively high level and a small exemption.

[Figure 1 about here]

[5] In the tax rate computations below we have interpreted the deliberate underestimation of stocks-in-trade and inventories in 1974–1977 to be an assessment at 40 percent of equity.

[6] Heirs were divided into three (at times even four) classes. Class I, which had the lowest tax rates, included surviving spouse, children and their descendants. Class III consisted of juridical persons such as public utilities, private non-profit foundations and associations, of which some were tax exempt. Class II, strictly speaking, encompassed all other heirs, i.e., those not belonging to Class I and III. In practice, this meant parents, brothers and sisters, and cousins. Gifts to public authorities, religious communities and foundations promoting research, education, culture or sports were tax exempt. For a detailed description of tax rates and allowances across all classes of heirs, see Du Rietz, Henrekson and Waldenström (2014).

The sharp increase in tax rates between 1920 and 1940 is explained by the reform of 1934. The Social Democrats gained governmental power in 1932. A bill to introduce an estate tax alongside the inheritance tax was rejected by Parliament, but instead the existing inheritance and gift taxation was raised (SOU 1957:48, p. 23).

An estate tax alongside the existing inheritance tax was instituted in 1948. The two taxes were combined such that the estate was first taxed and then the tax payment was deducted from the estate before the inheritance lots were distributed and taxed.[7] The estate tax was levied on the total net value of the estate after the deduction of certain tax-exempt items, such as the marital property (half of the estate in case of a surviving spouse) and a tax-free amount.

The estate tax was abolished from 1959, but instead inheritance tax rates were sharply increased. The top tax rate for children and spouses was increased to 60 percent (and to 65 percent in Class II and IV). The new tax schedules applied until 1970.

The 1970s and 1980s saw further increases in the inheritance tax rates, as is also reflected in Figure 1. The earlier taxable limits (*bottenbelopp*) were changed into general deductible exemptions (*grundavdrag)*, and the number of brackets was reduced, which resulted in a small tax increase.[8] As we have already noted, these raises of statutory rates were accompanied by alleviations in the valuation of some assets. For example, in 1971 reliefs in the valuation of private (unlisted) firm assets in the estates were introduced and from 1978 onwards the taxable net worth of private firms (assets less liabilities) in wealth and inheritance taxation was further reduced to no more than 30 percent of the book value of firm equity.

The first reduction of tax rates was enacted in 1987. The number of inheritance tax brackets was reduced and tax rates were adjusted downwards. In 1991 tax bracket boundaries were adjusted upwards in response to the (partly inflation-driven) sharp increase in property values.

In 1992 inheritance tax rates were greatly reduced and bracket boundaries were adjusted up-

[7] A highly progressive income tax schedule was also introduced in 1948 (Du Rietz, Johansson and Stenkula 2014) and a new wealth tax schedule more than doubled the statutory wealth tax rates (Du Rietz and Henrekson 2014).
[8] If the inheritance lot was below the taxable limit there was no inheritance tax. If the inheritance lot exceeded the taxable limit, the entire lot was taxed.

wards. The lower tax was motivated by the fact that inheritance taxes had reached a very high level in Sweden compared to other countries, and a perceived need to lower taxation of capital more generally (SOU 2002:52, p. 18). Figure 1 shows that the top marginal tax rate was halved to 30 percent. The basic exemptions had also been raised several times. The inheritance tax was removed for bequests to spouses in 2003 and fully abolished in 2004.[9]

Capital gains taxes also arose if heirs did not hold enough cash to pay the inheritance tax and sold off assets to finance the tax payment. If one assumes that the deceased had owned the inherited assets (family firms or other non-corporate assets) for five years or more, capital gains were tax-free through 1966. Between 1967 and 1975 ten percent of the capital gains were added to the heirs' personal income tax base and taxed at the marginal income tax rate. From 1976 to 1990, the taxable share of long-term capital gains increased to forty percent and after the tax reform in 1990–1991, all of capital gains was taxable but at a flat rate around 20–30 percent depending on type of asset (dwelling or financial assets).

3. Effective inheritance tax rates, 1885–2004

What was the effective average inheritance tax paid by heirs over this long period? Did the tax burden differ widely across different bequest sizes and types of inheritance? This section presents new calculations of effective average inheritance tax rates each year during 1885–2004. We calculate tax rates for two synthetically constructed estate types: an individual non-family firm fortune, E, and the value of business equity when an entrepreneurial firm is inherited by the younger generation in the family, E^f. Associated with each of these two estates are taxable bequests received by the heirs, B and B^f. Taxable bequests typically differ from the estates, both due to the basic exemptions, deductions and valuation discounts described in the previous section and because the number of heirs n is typically larger than one, which means that $B = \tilde{E}/n$, where $\tilde{E}$ is the estate net of exemptions, deductions and valuation discounts. Tax rates are computed for the case of two children heirs ($n = 2$), each inheriting an equal share of the remainder of the estate and where there is no surviving spouse.[10] The *effective average inheritance tax rate*, τ_{Bt}, is then defined as the total payment in year t of inheritance,

[9] The tax was abolished effective from 17 December 2004, not 1 January 2005, which was originally decided by Parliament. This was motivated by a concern for the heirs of the Swedish victims of the tsunami catastrophe in the Indian Ocean on 26 December 2004. More than 500 Swedes, most of them on vacation in Thailand, were killed in the disaster.

[10] This assumption implies that the heirs are not subject to the full progressivity of the inheritance tax, τ_I, as heirs or testators not belonging to the immediate family typically paid higher tax rates.

gift and estate taxes as a percentage of the inherited wealth, i.e.,

(1) $$\tau_{Bt} = \frac{\tau_{It} B}{E} \quad ,$$

and for an inherited family firm estate it becomes

(2) $$\tau_{B^f t} = \frac{\tau_{It} B^f}{E^f} \, ,$$

where τ_{It} denotes year-specific inheritance tax schedules presented in the previous sections (see further Du Rietz, Henrekson and Waldenström 2014). During 1948–1959 heirs also paid estate taxes and the taxed amount $\tau_{Et} E$ was deducted from the taxable bequest, which in the case of non-family firm wealth implied the following effective inheritance tax:

(3) $$\tau_{Bt} = \frac{\tau_{It}(B - \tau_{Et} E) + \tau_{Et} E}{E} \, .$$

An additional tax burden related to inheritance taxation was capital gains taxation in the case that heirs of family businesses had to sell off part of the company in order to be able to pay the inheritance tax.[11] Letting KG denote the amount of realized capital gains on assets held more than five years (which was typically the case with family firms), *KG* was taxed as income beginning in 1967 (at variable income tax rates, τ_{Yt}) and we would then add $\tau_{Yt} KG$ to the numerator in (2).[12]

Note that if bequests were transferred earlier as gifts, the tax was usually not reduced because the basic exemption was lower and the tax rates were identical. It was also not easy to reduce gift taxation by transferring ownership of a company by means of a combination of inher-

[11] In practice, selling off shares or assets may not always have been possible and there were alternative ways for heirs to finance their tax payments, e.g., to pay out extra dividends, salaries or to take loans. In extreme cases, the comprehensive inheritance tax including the direct inheritance tax plus indirect inheritance taxes in the form of extra income tax and social security fees could be so high as to exceed total firm equity (see further Du Rietz, Henrekson and Waldenström 2014).

[12] Before 1966 KG was tax exempt, between 1967 and 1975 a tenth of KG was added to labor income and taxed according to labor tax schedules, τ_{Yt}, typically at a marginal tax rate around 75–85 percent for high-incomes. Between 1976 and 1990, four tenths of KG was taxable at the labor tax schedule. After the tax reform in 1991, hundred percent of KG was taxable at a flat tax rate, typically 30 percent. The effective inheritance tax rate including capital gains tax is then $\tau_{Bt} = (\tau_{It} B + \tau_{Yt} KG)/E$.

itance and multiple gifts, because of the summation rules discussed above. It should be pointed out, however, that the inheritance tax was not immediately payable. It could be paid in installments over a period of 10 years.

We calculate effective inheritance tax rates for individual fortunes and family firms at four different size classes: very large, large, medium and small:[13]

- *Super-large estate*: This is set at a level corresponding to one thousand average workers' annual salaries. In 2004 this corresponds to an estate worth SEK 265 million (about EUR 30 million). Exactly how many closely held firms of this size that existed in Sweden in 2004 (and in earlier years) is quite uncertain, but one approximation made by Du Rietz, Henrekson and Waldenström (2014) was that they were approximately one hundred. What we do know is that estate of this size represented a personal wealth at the 99.999th percentile (top one hundred) in the Swedish wealth distribution (Roine and Waldenström, 2009).
- *Large estate*: This corresponds to one hundred workers' salaries, being SEK 27 million in 2004 (about EUR 3 million). Possibly there were about one thousand family firms of this size and the estate lies at the 99.95th (top 20,000 individuals) wealth percentile.
- *Medium estate*: This is set at ten workers' annual salaries, being roughly SEK 3 million in 2004 (EUR 310,000). There were tens of thousands of these firms in 2004 and a net wealth of this size represents the 95th wealth percentile (top 250,000 individuals).
- *Small estate*: This "middle-class" estate is set at the level of the average taxable wealth in Sweden in 2004 (SEK 622,000 or EUR 70,000), corresponding to 2.5 annual worker incomes. We only compute inheritance tax rates for non-family firm wealth for this category.

Figure 2 presents the evolution of effective inheritance tax rates, t_B and t_{Bf}. There is a clear inverse-U-shaped pattern over the period, and it is possible to distinguish four distinct phases. Effective tax rates were very low before the First World War and until the early 1930s. The

[13] Note that these names refer more to the relative size of firms rather than individual fortunes; a small family firm estate corresponds to an individual net wealth at the 95th percentile in the Swedish personal wealth distribution.

inheritance tax reform of 1934, when statutory tax levels were sharply increased, ushered in a second phase. A third phase began with the tax reform of 1948, when an estate tax was introduced in addition to the inheritance and gift tax. In the 1950s and 1960s the inheritance tax continued to increase, to a large extent due to inflation-driven bracket creep in the nominal tax schedule. In the 1970s, effective tax rates decreased for family firm bequests because of the extensive valuation reliefs for unlisted corporate assets described in the previous section. Inheritances of non-firm assets remained largely unchanged throughout the 1970s. A fourth phase began in 1992 when the government dramatically reduced the statutory tax rate schedules from a range of 10 to 60 percent (with many brackets) to only three brackets ranging from 10 to 30 percent. Irrespective of size, this lowered the effective tax rate for the inherited family firms to single-digit percentage points. Tax rates then remained at this low level until the repeal of the inheritance tax in December 2004.

[Figure 2 about here]

What the evidence in Figure 2 also shows clearly is the distinction since the 1970s in the tax treatment between heirs of family firms (and other private, i.e., unlisted, corporate wealth) and heirs of other assets. In 1973, heirs of the super-large estate paid an effective inheritance tax of about 60 percent regardless of the kind of estate. The year after, 1974, the heir of a similar non-corporate fortune paid 62 percent, while the heir of the equally valuable family firm paid a mere 24.7 percent; a horizontal tax wedge of 37 percentage points generated virtually overnight. While this differential treatment has been well-known among tax lawyers, maybe among some politicians, and most certainly among family-firm owners in Sweden, it has received much less attention in the academic economics literature on inheritance taxation. We have not found any previous investigations of this horizontal inequity in the inheritance tax or its impact on related phenomena such as wealth accumulation or tax avoidance activities.

Finally, the importance of realized capital gains taxation is reported in Table 1. As a whole, this additional tax burden does not change the overall pattern for the inheritance tax over time or across different bequest sizes and types. At most, the capital gains tax raised the effective inheritance tax by a tenth when applied to heirs of large and super-large estates in the 1970s and 1980s.

[Table 1 about here]

4. Accounting for inheritance tax changes in Sweden

What were the main determinants of the dramatic changes in the Swedish inheritance taxation during the 20th century? In particular, which factors can account for the sharply raised tax schedules in the interwar and early postwar periods and for the equally sharp tax cuts, first for family firm heirs in the 1970s and then for all other large bequests in the early 1990s? This section presents facts and speculation about the main candidates that could possibly account for these swings. Specifically, we discuss the role of ideology versus more tangible economic or geopolitical factors in shaping the inheritance taxation as we have estimated it in the previous section. Furthermore, we relate the inheritance tax to avoidance behavior, a topic which has received much attention in the public debate over inheritance taxation going back even to the nineteenth century. We also evaluate the extent to which the alleged motives for high rates of inheritance taxation produced the desired outcome, and why the very idea of having an inheritance tax lost its legitimacy and political support.

4.1 Understanding the tax raises: Mass mobilization, optimal taxation or ideology?

We have noted that inheritance taxation in Sweden was very low until the early 1930s, both in terms of effective tax rates and as a share of total tax revenues. Was this exceptional or consistent with a common international trend in inheritance taxation? Scheve and Stasavage (2012) study the evolution of inheritance tax rates in 19 countries from the eve of industrialization until 2000. Their data show that the inheritance tax is invariably very low in all countries before the year 1900.[14] Although there are large cross-country differences in the maximum top rate, inheritance tax rates increased sharply in all 19 countries in the 20th century. Scheve and Stasavage test two alternative explanations for this fact: (i) the extension of the suffrage, and (ii) political conditions created by mass mobilization in connection with the two world wars. They find no evidence for the importance of extended suffrage but strong support for the mass mobilization hypothesis.

But this is unlikely to explain the development in Sweden, a country that was not involved in either of the two world wars. First, in contrast to the U.K. there is no evidence of a discrete upward shift in the level of government spending after either world war (Durevall and Henrekson 2011), which stands in stark contrast to the upward displacement of government spending in the U.K., especially after the First World War (Peacock and Wiseman 1961).

[14] Arguably with the exception of the U.K. and New Zealand, where the top inheritance tax rates were 8 and 5 percent, respectively, in the year 1900.

Second, the timing of the two major hikes in inheritance taxation in Sweden (1934 and 1948) cannot be temporally tied to the two world wars. But despite being spared direct involvement in the world wars, Table 2 shows that Sweden belongs to a group of only four countries where the top inheritance tax rate exceeded 60 percent for an extended period (40 years or more).[15]

This can be compared to the far lower inheritance tax rates in the seven countries in the Scheve and Stasavage (2012) dataset that were attacked or occupied by Nazi Germany or the Soviet Union during the Second World War. In 1950 the average top rate in those seven countries was a mere 20 percent as compared to an average of 77 percent for the four countries in Table 2.

[Table 2 about here]

But if mass mobilization is unable to account for the tax raises in Sweden between the 1930s and 1960s, what is? In light of the Swedish economic and political institutional context, we can think of at least two other possible channels, one based on an optimal taxation argument emphasizing inheritances as a large and stable revenue-generating tax base, and another pointing towards the role of ideology and the political color of government.

Concerning the tax revenue explanation, Figure 3 shows the evolution of revenues from the inheritance, gift and estate taxes, i.e., $\tau_B B$, as a share of total taxes and of national income. The share of inheritance taxes of total taxes hovered around two percent in the interwar era, around one percent in the 1940s and then decreased steadily until the 1990s down to a level of around 0.2 percent, i.e., a reduction by over 90 percent. This level was low not only in absolute terms but also internationally; by the end of the 1990s inheritance taxes as a share of total tax revenues stood at 0.7 percent in Germany, 1.4 percent in the United States and 1.8 percent in France (Beckert, 2008, p. 273). The inheritance tax revenue share of national income was much lower, around one fifth of one percent in the interwar and early postwar decades. Thereafter it fell to about half that level by the end of the century, i.e., a fall of 50 percent, and the fall was not at all as sharp as in the case of the revenue share of total taxes. This pattern thus suggests that although the overall fiscal significance of inheritance tax revenues was never large in Sweden, it fell rapidly during the postwar period.

[15] The other Anglo-Saxon countries also had comparatively high top inheritance tax rates by the early 1950s: Australia 28 percent, Canada 54 percent, Ireland 54 percent and New Zealand 56 percent.

Turning to the evolution of the actual tax base, the amount of inheritances (and gifts) flowing from the deceased to the living, a recent investigation by Ohlsson, Roine and Waldenström (2014) shows that this flow in Sweden was around 12 percent of national income just before the First World War and that it then fell steadily during the interwar period to a level below five percent around 1950, which is roughly the same level as in France in this period (Piketty, 2011). On the whole, the tax revenue data and estimates of inheritance flows do not suggest that inheritances were ever considered an important source of government revenue per se. This finding is well in line with what Beckert (2008) finds for the historical evolution of inheritance taxation in France, Germany and the U.S.

[Figure 3 about here]

The other proposed mechanism behind the observed increases in Swedish inheritance taxation is ideological. The electoral victories of the Social-Democratic Party in the early 1930s also entailed a broad public debate in Sweden concerning inequality and the (un)fairness of the wealth distribution and inheritance flows. Leading Social Democrats were definitely aware that high inheritance taxes could impair incentives to entrepreneurship and firm formation. However, in line with the late Schumpeter in *Capitalism, Socialism and Democracy* (Schumpeter 1942), many Social-Democratic intellectuals believed that the large industrial corporation was the major unit of production (Wigforss, 1956), and that there was an inexorable movement in capitalist societies towards progressively larger companies. If that were so, individual entrepreneurship and new firm formation would wane in importance. The leading Social Democrat Ernst Wigforss, Minister of Finance in 1925–1926 and 1932–1949, even maintained that in the long run the large industrial corporations should be converted into ”social enterprises without owners”. In these enterprises individuals could still be shareholders, but the shareholders were no longer residual claimants; wages should be set in wage negotiations, dividends should be related to the level of interest rates in capital markets, and all excess profits should remain within the companies (see also Johansson and Magnusson, 1998, pp. 115–116).

Digging a little deeper into the ideological domains of the Swedish Social Democracy, Wigforss even authored a critical report on wealth inequality and inheritance taxation in 1928 where he states that (Wigforss, 1928, p. 6) “the inheritance tax can be extended and reformed in order to become a means by which large fortunes are curtailed, at least to the extent that these fortunes do not emanate from the industriousness and thrift of their owners.” He also asserts that as a means of redistribution the inheritance tax is more likely to enjoy popular support than (highly) progressive income and wealth taxes. The alleged reason is simple: Inherited wealth is not acquired through one’s own socially valuable actions, and hence it is less legitimate. Wigforss (1928, p. 9) explicitly states that “the current wealth distribution cannot be seriously defended, notwithstanding how much one emphasizes the importance of incentives for thrift, diligence and entrepreneurship.” He also maintains that (p. 28) the British inheritance tax rate at 40 percent on large inheritances is not sufficiently high “to whittle away the large fortunes and eliminate the cleavage between rich and poor.”

Wigforss acknowledged that sharply increased inheritance taxes would blunt incentives to saving and entrepreneurship. However, he pointed to compensatory mechanisms that could offset these effects. The incentives for firms to finance investments through retained earnings could be strengthened. He wanted to open up the possibility to pay inheritance tax on large fortunes in kind (stocks, bonds, real estate). That would, he asserted, provide an avenue for increased public ownership of production and collective capital formation.

The Social Democrats gained governmental power in 1932, a position they retained until 1976. Appointed as new Minister of Finance, Wigforss soon proposed the introduction of an estate tax alongside the inheritance tax. This bill was rejected by Parliament, but instead the existing inheritance and gift tax rates (*arvslottsskatten*) were increased by a factor of five in 1934.

Immediately after the Second World War, two widely debated issues in Sweden concerned the extent of economic planning in the postwar era and the taxation of high incomes and wealth. In 1944, the Social Democrats launched a policy program together with the Trade Union Confederation (LO) in which one important objective was to equalize income and wealth by means of higher taxation (Ohlsson 2011). Large fortunes were considered capable to bear – besides the annual wealth tax – an extra charge when transferred to heirs after the death of a wealthy person. The estate tax became a complement to the inheritance taxation already in place. Through the joint use of these two systems both the size of the estate and the size of the inherited lots determined the total tax levied.

The upshot was a top combined estate and inheritance tax rate of 60 percent from 1948. The top rate was thus raised by a factor of 15 – from 4 to 60 percent – in 15 years. Neither the timing nor the discussion motivating this hike can be traced either to the world wars or to unevenly distributed hardship during the Great Depression. Thus, we find little support for the mass mobilization hypothesis in Sweden, and this also holds true for arguments based on the inheritance tax as an important revenue source for government. Instead, ideological motives of redistribution and long-term vertical equity is a more likely explanation to the sharp increases in inheritance taxation from the 1930s until the 1960s.

4.2 Tax avoidance

As already noted, the revenues coming from the inheritance, gift and estate taxation were relatively small in Sweden, both as a share of total tax revenue and of national income. At face value this could be due to low statutory tax rates, but from the previous section we know that this was not the case; Swedish statutory inheritance tax rates were well in line with, or even higher than, those observed in other Western countries during the 20th century. An alternative explanation to the low revenues could be tax avoidance or evasion among Swedish testators and heirs. In this subsection, we argue, based on both quantitative and qualitative evidence, that tax avoidance and evasion was prevalent, although due to the difficult nature of such evidence we cannot be certain about how large a problem this was for Sweden's inheritance tax regime.

One way to quantitatively assess the degree of avoidance is to compare the overall average tax rates computed using two distinct measures of the tax base (i.e., B) that are collected and estimated by Ohlsson, Roine and Waldenström (2014). On the one hand, we use the tax base reported to tax authorities in probate records and inheritance tax returns for the calculation of inheritance taxes. This is therefore sometimes called the "fiscal flow" of inheritance. On the other hand, we use the tax base as it ought to be judging from what we know about the size of the private stock of wealth (how much wealth that can possibly be inherited), the adult mortality rate (the share of the population that dies each year) and how wealthy the deceased are compared to the living (i.e., how much of the wealth that belongs to those who die). These inheritances are sometimes called the "economic flow" as they are estimated from a structural relationship between observed macroeconomic variables following a methodology set out by Piketty (2011).

A difference between the average tax rate using “fiscal flow” and “economic flow” tax bases then reflects either a flawed measurement or some sort of tax avoidance or tax evasion behavior. Although both effects are likely, one way to distinguish between these possible channels and deem which one of them is the most important, we examine whether this differential correlates positively with the level of the difference between inheritance tax rates across large and small bequests. If such correlations exist, that would indicate that the possible economic incentives to underreport estates or inheritances in times of high tax burdens are indeed transmitted into a large difference between disclosed and actual bequest flows.

Figure 4 shows two time series: one with the difference in average tax rates between the “fiscal flow” and “economic flow” tax bases, and one with the difference in effective inheritance taxation between large and small bequests.[16] The result is quite striking. Looking at the average tax rate differential (the black solid line), it is virtually zero in the early period 1906–1908 but then rises up to 1943–1944, when the “fiscal flow” average tax is twice the size as the “economic flow” average tax (six vs. three percent, see Table A3 in the Appendix). After the Second World War the differential increases further, hovering between six and ten percentage points, which represents a multiple of three and four between the two tax rates. This difference alone thus indicates an increase in either measurement problems or avoidance or both over time.

Now contrast this trend to the contemporaneous evolution of the effective tax rate differential between large and small bequests (the dashed grey line). The figure shows a striking resemblance between the two time trends, with a strong increase between 1900s and the 1940s, and an even more so up to 1955, only to slowly fall back somewhat in 1967 and the early 2000s. This high correlation thus at least does not reject the avoidance hypothesis; by contrast, it seems quite plausible judging from the two sets of time series. Having said this, Ohlsson, Roine and Waldenström (2014) point out that the tax-reported inheritance flow misses several important components, among which an important one is unpaid collective insurance savings, especially occupational pension funds, of the deceased. Ohlsson et al. make a back-of-the-envelope calculation of these funds in 2004, and we add this estimate to the fiscal flow before computing the average tax rate. Figure 4 shows that the resulting gap between economic and fiscal flow tax rates decreases by about one quarter, thus indicating that mismeasurement also

[16] See also Appendix table A3 where all tax bases and tax rates are reported. Note that we only observe “fiscal flow” inheritance in a few years in relation with surveys by authorities of the inheritance tax system.

seems to account for a significant share of the observed tax differential.

[Figure 4 about here]

Did the contemporaries take notice of this differential between the fiscal and economic tax base and its impact on tax revenues? So it seems, at least to some extent. In the specific case of the estate tax regime in 1948–1959, people noted that it did not raise as much revenue as had been originally estimated. In fact, it generated only half of the amount anticipated (SOU 1957:48, p. 10). Most obviously, pre-emptive measures were taken when a hike in the inheritance tax could be foreseen.

There are also some more qualitative, and partly anecdotal, pieces of evidence indicating that tax avoidance, and to some extent tax evasion, grew important along with the increased effective inheritance taxation in the postwar period in Sweden. The most spectacular case is the explosion of gifts in 1947, the year before the estate tax was introduced (Ohlsson 2011). Another well-known measure to avoid the estate tax during 1948–1959 was the establishment of tax-exempt family foundations, holding companies and limited partnerships (SOU 1957:48, p. 10).[17] These measures also often led to reliefs of income and wealth tax. In particular, three of the leading business dynasties created family foundations in order to avoid taxation and to secure control of their ownership spheres. The Wallenbergs created three foundations, the first and largest one in 1917 and two more in 1960 and 1963, respectively. The Axel and Margaret Ax:son Johnson Foundation was founded in 1947 and the Söderberg family founded two foundations in 1960.

Purchasing life insurance policies with a designated beneficiary was another response to the inheritance tax. Disbursements from such insurances were exempted from inheritance (and estate) taxation and if the insurance premia were not deducted from current income, disbursements were tax-exempt for the beneficiary.[18] Debt expansion was used by wealthy business owners to avoid taxes, benefitting from the fact that any debt was fully deductible from the (tax-assessed) value of the assets. Especially diversification into real-estate offered an

[17] Feldt (2012) documents in some detail the drastic plans considered and measures eventually taken in the Johnson dynasty in order to avoid being too hard hit by the combined effect of the estate and inheritance tax, in case of the decease of Axel Ax:son Johnson (1876–1958), the patriarch and sole owner of the industry group.

[18] Johansson (1963) and Johansson and Werding (1970) calculate the required rate of return under conservative assumptions for business owners. The required rate of return becomes unrealistically high relative to industry returns at the time (typically 20 percent in 1970, compared to average actual returns of 6 percent).

often used way to lower the inheritance tax.[19] Following the deregulation of credit markets in the 1980s, opportunities for elimination of the inheritance tax by means of acquiring highly leveraged assets with a reduced tax-assessed value increased greatly. Although we have not managed to come by systematic evidence regarding the use of this and similar avoidance strategies, there are numerous reports in the business press, in particular during the 1970s and 1980s, to this effect.

An extreme way to avoid paying taxes was to move either your wealth or yourself (with capital) out of the country. There are many examples of how the wealthiest and most successful entrepreneurs and business owners chose to emigrate. Ruben Rausing, the founder of Tetra Pak emigrated in 1969 and his two sons followed suit in 1982. Two other spectacular cases are Ingvar Kamprad (founder of IKEA) and Erling Persson (founder of H&M), who emigrated (in 1973 and 1982, respectively) to avoid Swedish taxes during a critical stage in the development of their firms. A more recent example is Fredrik Lundberg who moved to Switzerland in 1985, where he lived until 1993.[20]

More systematic evidence is provided by Lindkvist (1990), who examined all permissions granted by the Riksbank to transfer assets abroad in connection with emigration in the period 1965–1984. Such permissions were granted to some 30,000 emigrants during this period. 1,347 persons were granted permission to export assets having a value exceeding 1 million.[21] Emigration of capital owners exporting more than 1 million peaked in 1969–1973, averaging 92 person per year in that five-year period (with a peak in 1970). Lindkvist made systematic and extensive interviews with people emigrating in 1975–1984. His interviewees made up roughly half of the total value of the permissions granted by the Riksbank during those years. Lindkvist finds that Swedish taxation, including the taxation of inheritances, loomed large in the emigration decision for most respondents.

When Sweden lifted all foreign exchange controls in 1989, effectively allowing anyone to transfer assets to tax havens, either illicitly or when taking residence in another country. It remains an open question whether capital began to flow out of the country after that year and, if it did, how important the flows were in relative terms. Roine and Waldenström (2009) made

[19] And, which was arguably even more important, the wealth tax (Du Rietz and Henrekson 2014).
[20] Wealthy entrepreneurs could emigrate but continue to run firms in Sweden as long as they did not spend more than 182 days per year in Sweden.
[21] In the late 1960s, SEK 1 million corresponded to roughly 40 average annual incomes for workers.

an attempt to estimate their size by accumulating statistical errors and omissions in the balance-of-payments statistics, finding that these errors regularly pointed towards increased outflows during the 1990s and also the 2000s, landing at a number around one fifth of one year's national income.[22]

Altogether, there are both some quantitative and some qualitative pieces of evidence indicating that tax avoidance and evasion became an inherent part of the Swedish inheritance tax system. Available observations of the difference between tax-reported and economically estimated inheritance flows, a fairly relevant (but definitely not problem-free) metric of actual avoidance, suggest that it increased along with the effective inheritance tax rates paid by different categories of heirs.

4.3 Overshooting and loss of legitimacy

We have seen that before 1934 effective inheritance tax rates were low. Figure 5 shows the evolution of the exemption level (the taxable limit in some periods). Generally, exemption levels were low. Inheritance tax was invariably paid on inheritances amounting to one average annual income of a production worker or less and on average the exemptions were hovering around half of a production worker's annual income. On the other hand, the wealth level required to be subject to the top rate was very high at the point when rates were sharply increased, but over time the lower limit of the top bracket fell, mostly as the result of bracket creep. But from 1992 also fortunes of modest size were hit by the highest inheritance tax rate. In the last year of the tax, the exemption level was a mere one quarter of an annual production worker's income (SEK 70,000) and the top marginal rate was reached at an inherited amount of just over two production worker's income. The basic exemption level of SEK 70,000 in Sweden in 2004 can be compared to the basic exemptions in other countries: In the U.S. it was 150 times larger at USD 1.5 million (SEK 10.5 million) with only the top two percentiles in the estate distribution paying any tax, compared to about a quarter of all heirs in Sweden (SOU 2004:66, table 2.3). In France the basic exemption was EUR 300,000 (SEK 2.7 million) and in the U.K. GBP 263,000 (SEK 3.4 million), both countries thus having exemption levels more than an order of magnitude larger than Sweden (38 and 48 times larger, respectively).

[Figure 5 about here]

[22] An alternative approach, suggested by Zucman (2013), is to estimate evaded private wealth is to look at balance sheet mismatches across countries.

Figure 6 makes clear that also fairly modest inheritances came to be hit by a high wealth tax rate. The figure shows that the threshold for paying a 30 percent inheritance tax at the margin more or less continuously declined from 1959 until the repeal of the tax. For the last three decades of the tax the threshold was consistently below four times, and in some years even below two times, an annual production worker income. Thus, over time exemptions were lowered and the inheritances that were hit by high effective inheritance taxation became small. As a result, members of the broad middle class, who by no means considered themselves wealthy, were increasingly eligible for paying inheritance tax.

[Figure 6 about here]

While the salaried middle-class households were increasingly drawn into the inheritance tax system, other groups were able to benefit from the increasing number of safety valves built into the system aimed at mitigating, or even totally eliminating, the inheritance tax on very large fortunes. From 1978 owners of unlisted business equity got a rebate of 70 percent on book value, and when the top marginal tax rate was lowered to 30 percent in 1992 the effective tax rate for somebody inheriting a family business regardless of its size never exceeded nine percent ($0.3 \cdot 30$). Furthermore, the deregulation of credit markets, the removal of foreign exchange controls in 1989 and the EU membership in the mid-1990s opened up virtually unlimited opportunities for the super-wealthy to avoid inheritance taxation. The situation for the middle class was very different. Deregulation had increased the price of real-estate and resulted in a booming stock market. As a result, a growing percentage of middle class heirs had to pay inheritance tax. For instance, in the mid-1980s the marginal inheritance tax rate was 18 percent on an inheritance amounting to one average worker's annual income.

At the same time, the penalty was large for somebody with sizeable wealth who had not taken any pre-emptive measures to reduce inheritance taxation. The most publicized example is the estate of Sally Kistner, the widow of the founder of the pharmaceutical company Astra (after reconstruction in 1924). At the time of her death in early 1984 Sally Kistner was the largest individual shareholder of Astra, by many considered to be Sweden's foremost company at the time. When she died the market value of her shares was SEK 300 million.[23] According to the law the inheritance tax of listed stock was based on 100 percent of the market value on the

[23] This corresponded to 3,100 annual worker incomes in 1984.

day of death. Moreover, no deduction was allowed for any capital gains tax incurred. The capital gains tax was roughly 25 percent,[24] and the top inheritance tax rate of 65 percent applied to almost the entire estate. In theory, the capital gains and inheritance taxes combined amounted to 90 percent. However, before the estate could be shifted the stock market fell. The value of the assets now fell short of the tax obligations and the estate filed for bankruptcy.[25]

Most likely, this highly publicized case contributed to the loss of legitimacy of inheritance taxation. When Fredrik Lundberg – now one of Sweden's wealthiest and most powerful industrial owners – emigrated to Switzerland in 1985, he used the Kistner case to motivate his move. In a 1985 interview he said: "Even though I am only 33 years old I may be hit by a falling brick or die in a car accident. In that case there will be a 'Kistner effect' of an unprecedented scale in Swedish industry."[26]

The many opportunities for tax planning that were opened up, and the new opportunities to transfer assets abroad, were said for people having great wealth to in effect make both the wealth tax and the inheritance tax largely "voluntary".[27] By contrast, it was deemed to be much more difficult for people with moderately high income and wealth to evade such taxation.

Looking back, it is clear that the government did not try to argue and explain to the electorate why it would be favorable to substantially reduce the inheritance tax rate and apply it to a broader asset base with larger exemptions. Instead, while the suspected distortionary effects resulting from evasive behavior were growing, the system remained unreformed. At the end of the day, the inheritance tax lost its legitimacy among people as it became regarded as a voluntary tax for the really wealthy, while hitting a large share of middle-class heirs (through low basic exemption levels) who also soon reached the top marginal tax rate (recall Figure 1). Popular support for the inheritance tax was also weak. In a Swedish population survey made in 2004, close to two thirds of the respondents, including a majority also among left-leaning persons, wanted to see inheritance and gift taxes either lowered or removed altogether (Hammar, Jagers and Nordblom 2008).

[24] 40 percent of the gains were taxed at the labor income tax schedule. Here the top rate of 80 percent applied. In this case an acquisition cost of 20 percent of the sales price could be used. Hence, the capital gains tax was $0.4 \cdot (1 - 0.2) \cdot 0.8 = 25.6$ percent.
[25] Tulin (1984).
[26] Cited from Engman (2013), who in turn cites a 1985 interview with Lundberg in *Veckans Affärer*.
[27] See, e.g., Eklund (1998, p. 40–49) and SOU 2004:36, p. 458.

Exactly what factors that can explain the removal of the inheritance tax in 2004 have not been analyzed systematically by researchers. According to Lodin (2011), the tax was abolished as part of a logrolling scheme between the Social Democrats and the Left Party, but whether there were other, more structural, determinants related to taxpayers' avoidance or to the public opinion remains to be established by future research.

5. Summary and conclusions

This paper presents new facts about and interprets the long-run evolution of inheritance, gift and estate taxation in Sweden. The analysis begins with the introduction of modern inheritance taxation in 1885 and ends with the repeal of the inheritance tax in 2004.

Our contribution is twofold. First, we make use of all relevant rules governing valuation, deductions and tax schedules to compute a set of effective inheritance tax rates annually for differently sized estates and two distinct types of inherited assets: personal net wealth and family firm equity. In Sweden, during the 1970s a number of specific valuation rules were enacted in order to facilitate the succession of family firms. Disregarding such institutional specificities has large consequences for the assessment of inheritance tax levels and trends.

Looking at the long run evolution of effective inheritance tax rates, it exhibits an inverse-U shape over what can be characterized as four broad phases. Following an initial low-tax phase beginning in the 1880s, a second phase began in 1934 when the newly appointed Social-Democratic government raised the tax rate more than fourfold for large bequests. A long third phase was started in 1948 with the introduction of an estate tax on top of the inheritance tax, and when the estate tax was abolished a decade later inheritance tax rates were raised commensurately. At this point Swedish inheritance taxation reached an international high, with top marginal tax rates at 70 percent, and average effective tax rates hovering between 50 and 60 percent for large estates. Tax levels remained this high until the early 1990s, with the exception of the drastic tax cuts in the 1970s for inherited family firms. The fourth and final phase of the Swedish inheritance tax began with its overhaul in 1992 when the taxation of large inheritances was slashed from 60 to 30 percent (while not changing, or even slightly raising, the tax on small, middle-class bequests). The final phase lasted until the tax was repealed in 2004.

Our second contribution is an attempt to account for the changes in inheritance taxation, drawing on a combination of quantitative and qualitative pieces of evidence. We propose three major factors that appear to have played a role in this process. First, in contrast to the mass-mobilization effect identified by Scheve and Stasavage (2012) in many Western countries during the 20th century, Sweden was not a belligerent country in the world wars. Instead we trace the expansion of the inheritance taxation to the ideological momentum of the Social Democrats governing the country continuously from the early1930s until the mid-1970s. Inheritance and gift taxes were never particularly important as a source of revenue for the government; with few exceptions less than two percent of total tax revenue was raised this way, and in the last forty years before abolishment the share was around one tenth of that level. These taxes were primarily motivated by distributional concerns, relating to an urge to even out large inequalities of opportunity arising from inherited wealth at the top of the wealth distribution. Society apparently accepted paying a price in terms of excess burden to secure a more even distribution of wealth, but the low revenue from this source in the postwar period casts serious doubt on the effectiveness of the inheritance and gift tax in this regard.

Second, tax avoidance, and possibly also tax evasion, appears to have increased in scope over time and also in the level of the inheritance tax. This indicates that the economic distortion generated by the tax grew over time and that it was possibly at its largest towards the end of the past century, right before the tax was ultimately repealed. However, our estimates of avoidance are quite preliminary due to the uncertain nature of inheritance flow data and should be interpreted with caution.

Finally, the Swedish inheritance tax affected a relatively large share of the population unlike the more exclusive regimes in, e.g., France, the U.K. and the U.S. While reducing top tax rates for heirs to family firms and other large fortunes in the last decades of the 20th century, the tax burden on middle-class bequests remained unchanged and even increased somewhat. The combination of broad taxpayer coverage and rapidly growing opportunities for the rich to reduce their effective tax undermined its legitimacy. This was also observed in tax attitude surveys. Ultimately, this loss of legitimacy could well explain why there was so little support for the tax and few protests when it was finally abolished in 2004 by a Social-Democratic minority government backed by the Left Party.

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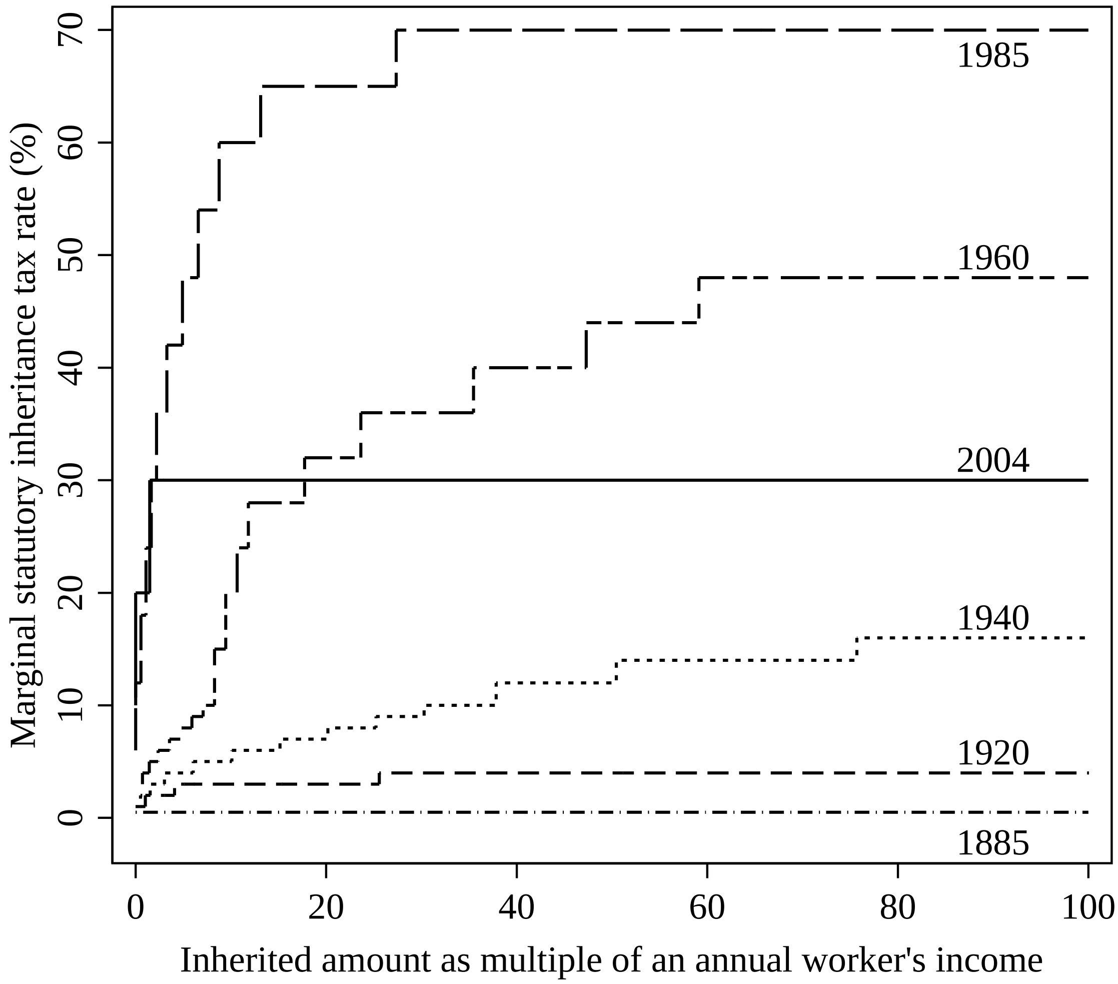
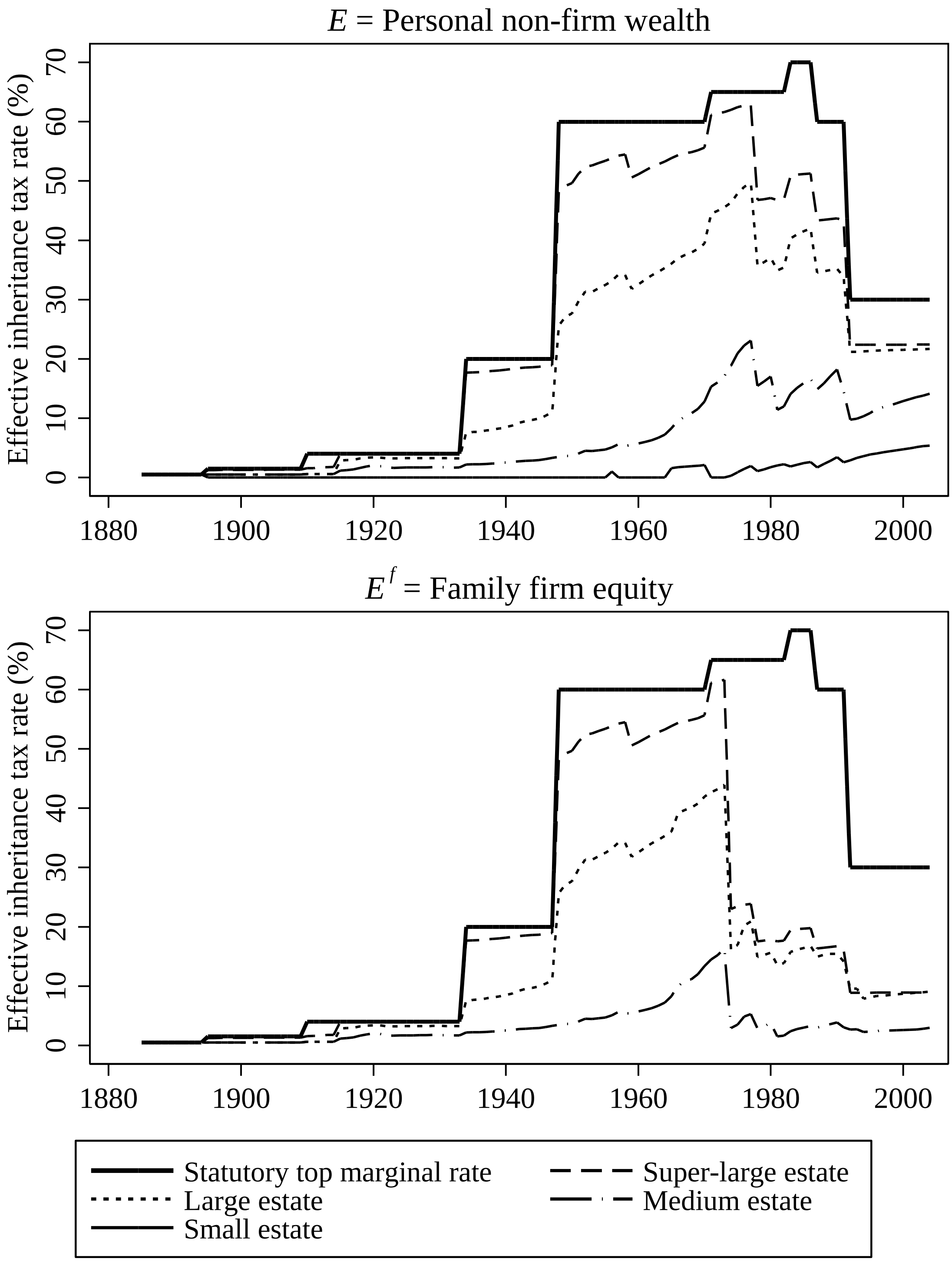
Figure 1: Marginal statutory inheritance tax rates paid by for spouses and children.



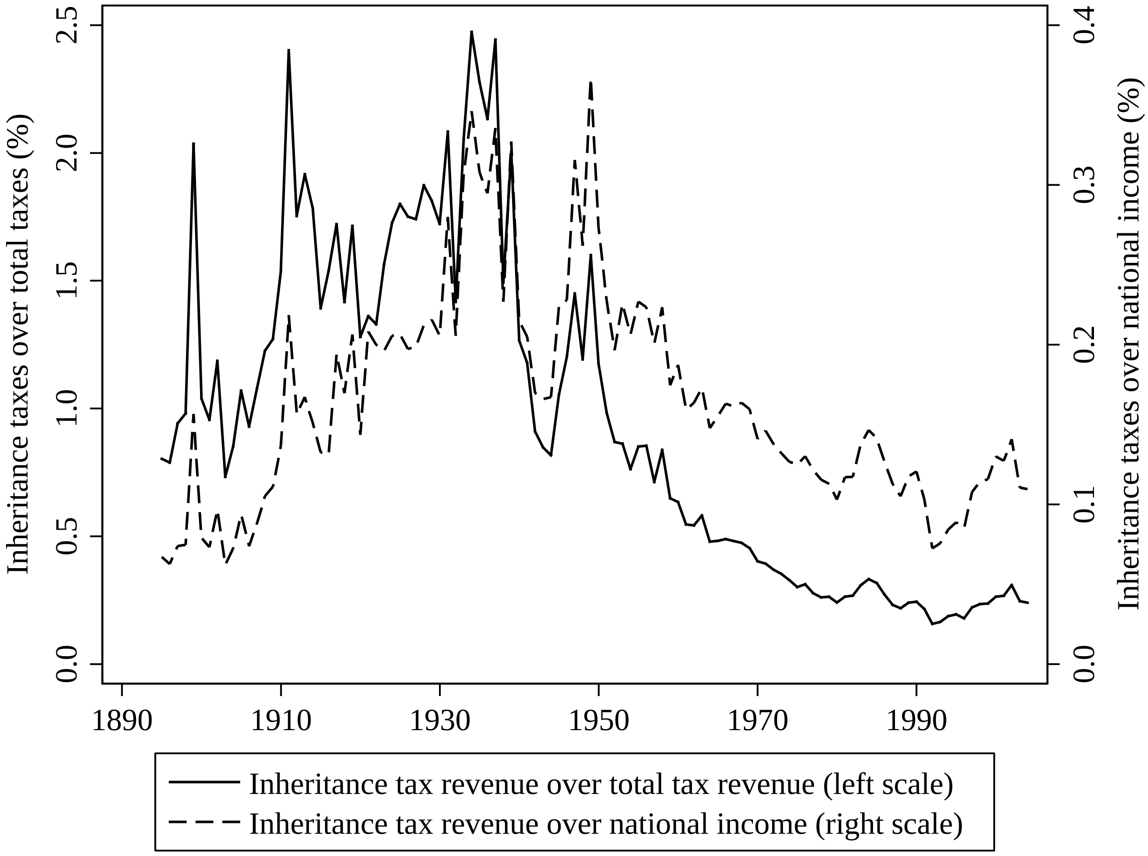
Note and source: Basic exemption levels are deducted for each schedule. Tax rates apply to spouses and children (Class I). Note that the figure bounds the size of the bequest on the x-axis and thus does not show the top marginal tax rate in 1940 (20 percent from 202 worker incomes) and in 1960 (60 percent from 591 worker incomes). For tax schedules and annual worker incomes, see Du Rietz, Henrekson and Waldenström (2014).

Figure 2: Effective inheritance tax rates on non-firm and family firm assets, 1885–2004.



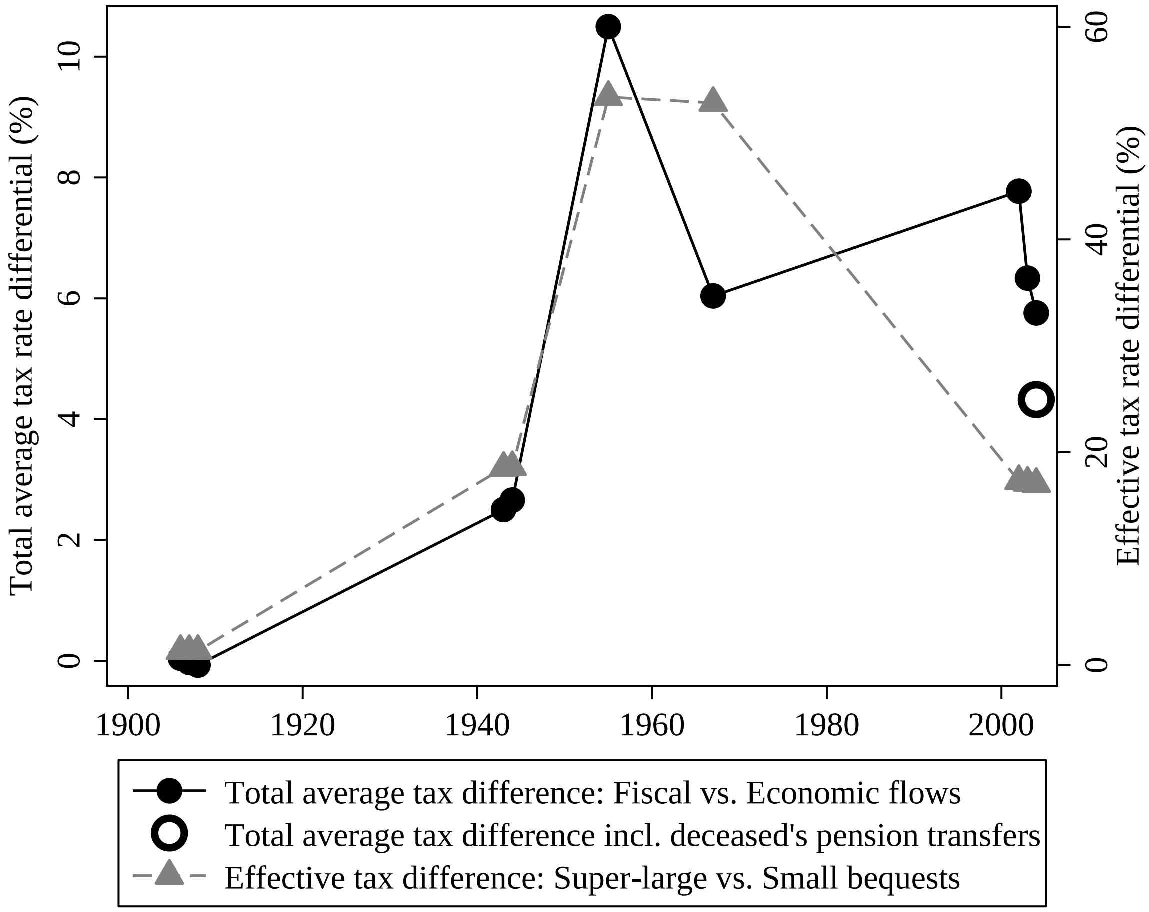
Source: Own calculations, see Table A2.

Figure 3: Revenues of Swedish inheritance and gift taxes, 1885–2004.



Note: Estate tax payments between 1948 and 1959 are classified as inheritance tax payments. Due to lags in estate inventories and in tax payments, the taxes still generated revenue for a few more years even though tax liability ceased for deaths after 16 December 2004.
Source: Data on inheritance and gift taxes are from Ohlsson (2011) and data on total tax revenue are from Gårestad (1985), Rodriguez (1980) and Statistics Sweden. See Table A1.

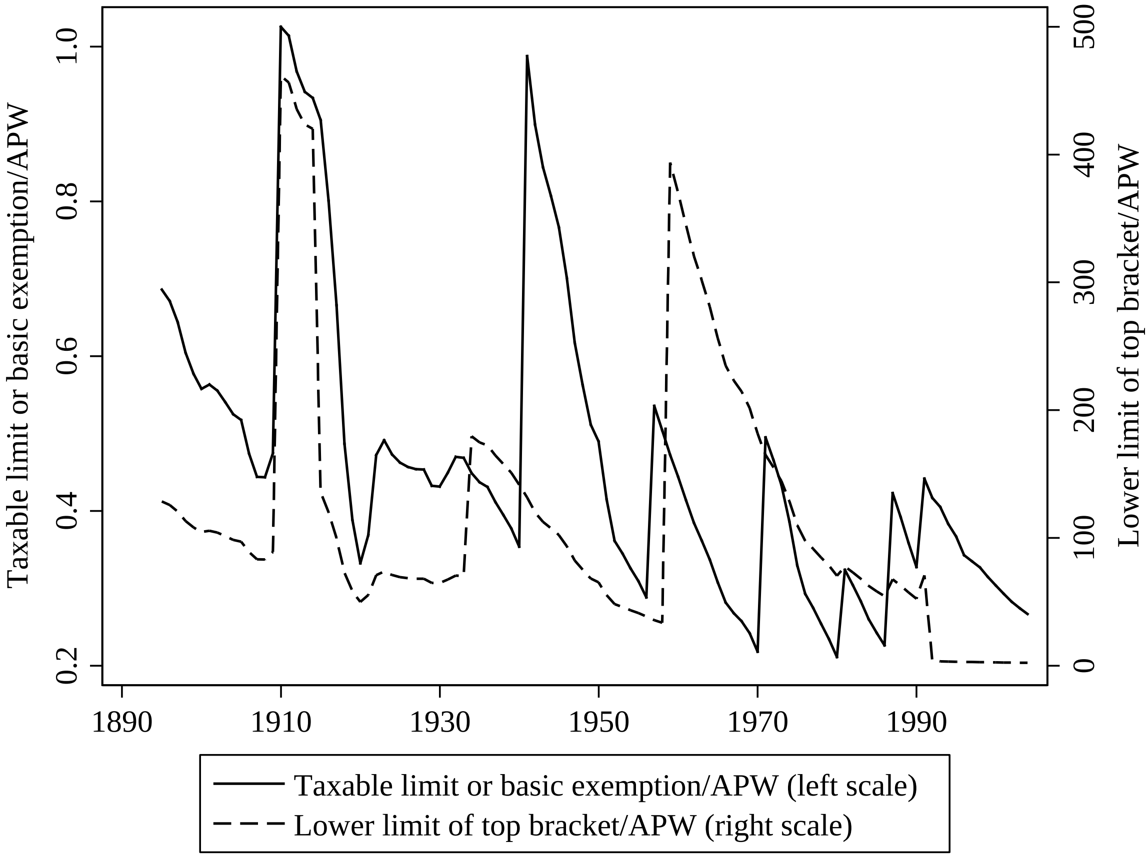
Figure 4: Assessing the role of tax avoidance: Difference between tax-reported ("fiscal flow") and estimated ("economic flow") inheritance flows.



Note: The series "Total average tax differential: Fiscal vs. Economic flows" shows the difference between the average tax rates computed by dividing the revenues from inheritance, gift and estate taxes by either tax-reported ("fiscal flow") inheritance flows or estimated ("economic flow") inheritance flows. Adjusting for the deceased's pension transfers implies that unpaid pension assets are treated as intergenerational transfers, i.e., inheritances. The series "Effective tax differential: Super-large vs. Small bequests" shows the difference in the actual years between $\tau_{B=Super-large}$ and $\tau_{B=Small}$.

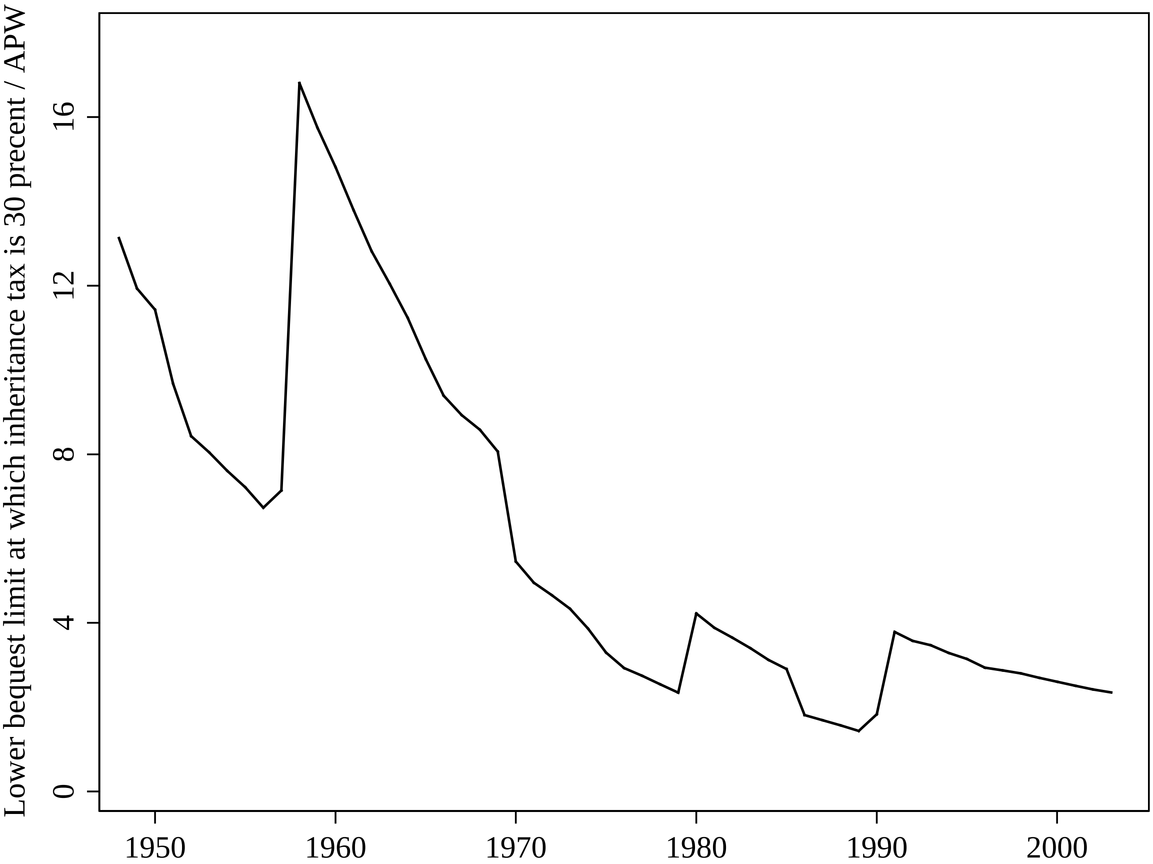
Source: Data on inheritance flows from Ohlsson, Roine and Waldenström (2014). Data on inheritance tax revenue, see Figure 3 (from Table A1). See Table A3.

Figure 5: Taxable limit/basic exemptions and the lower limit of the top bracket for descendants as a share of the average annual wage of a production worker.



Note: APW = average annual income of production worker.
Source: See Figure 3.

Figure 6: Lower limit at which the inheritance tax rate reaches 30 percent 1948–2004.



Source: See Figure 3.

Table 1: Effective average inheritance tax rates in Sweden, 1885–2004.

Tax rates	1885	1910	1930	1950	1970	1990	2004
Super-large estate							
Personal wealth, τ_B	0.5	1.6	4.0	49.7	55.7	43.7	22.4
Family business, τ_{Bf}	0.5	1.6	4.0	49.7	55.7	16.7	8.9
Estate tax, τ_E	–	–	–	38.1	–	–	–
Capital gains tax, τ_{KG}	0.0	0.0	0.0	0.0	3.5	3.6	1.0
Large estate							
Personal wealth, τ_B	0.5	0.6	3.3	27.7	39.5	35.2	21.7
Family business, τ_{Bf}	0.5	0.6	3.3	27.7	39.5	12.7	8.2
Estate tax, τ_E	–	–	–	18.6	–	–	–
Capital gains tax, τ_{KG}	0.0	0.0	0.0	0.0	2.5	2.7	0.9
Medium estate							
Personal wealth, τ_B	0.5	0.6	1.8	3.7	12.8	18.2	14.1
Family business, τ_{Bf}	0.0	0.0	0.2	1.1	17.6	25.8	35.7
Estate tax, τ_E	–	–	–	0.0	–	–	–
Capital gains tax, τ_{KG}	0.0	0.0	0.0	0.0	0.8	3.6	3.9
Small estate							
Personal wealth, τ_B	0.5	0.0	0.0	0.0	2.1	3.4	5.4
Estate tax, τ_E	–	–	–	0.0	–	–	–
Statutory top rate, τ_I^{top}	0.5	4.0	8.0	20.0	60.0	60.0	30.0

Note: The size of the different estates was the following in 2004: Super-large estate was worth SEK 266 million (EUR 30 million), the large estate was worth SEK 26.6 million (EUR 3 million), the medium estate SEK 2.66 million (EUR 0.3 million), and the small estate was worth SEK 0.67 million (EUR 74,000). See text for sources. The tax rates are τ_B, the effective inheritance tax rate on bequest E being either non-corporate personal wealth or family business equity. The effective capital gains tax rate is defined as $\tau_{KG} = \tau_Y KG/E$.

Table 2: Countries where the top inheritance tax rates exceeded 60 percent.

	From	Initial level (%)	Until	Peaked at (%)	Peak period
U.S.	1934	60	1983	77	1940–1976
U.K.	1940	60	1987	80	1950–1974
Japan	1950	90	2002	90	1950–1951
Sweden	1948	60	1991	65	1971–1982

Note: The top inheritance rate tax rate is either defined as the top estate tax rate, the top inheritance tax rate for direct descendants or the combined effect of the top estate tax and the top inheritance tax rate for direct descendants.
Source: Scheve and Stasavage (2012) and Table A2, this study.

Table A1: Inheritance and other tax revenues, thresholds, national income, in Sweden.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Revenue from inheritance, gift and estate taxes (thousand SEK)	Revenue from gift tax (million SEK)	Total tax revenue (million SEK)	National income (million SEK)	Average annual income of production worker, APW (SEK)	Tax threshold (basic exemption) (thousand SEK)	Bequest threshold for paying top tax rate (thousand SEK)	Bequest threshold for paying 30 percent tax rate (thousand SEK)
1885	330		111	1,440	499			
1886	397		109	1,349	484			
1887	285		105	1,276	493			
1888	415		114	1,383	512			
1889	349		119	1,456	544			
1890	415		122	1,526	561			
1891	375		119	1,604	565			
1892	445		120	1,581	560			
1893	404		124	1,565	565			
1894	513		133	1,543	573			
1895	1,108		138	1,650	583	0.4	75	
1896	1,097		139	1,750	596	0.4	75	
1897	1,392		148	1,884	621	0.4	75	
1898	1,517		155	2,032	662	0.4	75	
1899	3,446		169	2,201	693	0.4	75	
1900	1,780		171	2,252	717	0.4	75	
1901	1,584		166	2,163	710	0.4	75	
1902	2,076		175	2,149	720	0.4	75	
1903	1,451		198	2,337	740	0.4	75	
1904	1,731		203	2,384	762	0.4	75	
1905	2,282		213	2,437	773	0.4	75	
1906	2,013		217	2,729	844	0.4	75	
1907	2,602		241	2,950	901	0.4	75	
1908	3,124		255	2,971	902	0.4	75	
1909	3,253		256	2,929	843	0.4	75	
1910	4,322		281	3,166	975	1	450	
1911	7,054		294	3,229	986	1	450	
1912	5,393		308	3,448	1,033	1	450	
1913	6,228		325	3,724	1,062	1	450	
1914	5,786		324	3,829	1,071	1	450	
1915	5,902	0.086	424	4,449	1,105	1	150	
1916	7,386	0.395	480	5,635	1,249	1	150	
1917	12,548	2.127	729	6,457	1,502	1	150	
1918	14,794	2.855	1,044	8,724	2,054	1	150	
1919	21,553	4.786	1,257	10,448	2,574	1	150	
1920	16,930	1.223	1,323	11,799	3,008	1	150	
1921	17,632	0.896	1,295	8,471	2,711	1	150	
1922	14,596	0.676	1,098	7,302	2,118	1	150	
1923	14,419	1.926	920	7,342	2,035	1	150	
1924	15,573	0.577	902	7,574	2,114	1	150	
1925	16,178	0.839	898	7,835	2,162	1	150	
1926	15,548	0.665	888	7,880	2,189	1	150	
1927	15,980	1.017	918	8,040	2,202	1	150	

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1928	17,687	1.131	944	8,335	2,205	1	150	
1929	18,815	1.305	1,038	8,726	2,312	1	150	
1930	18,102	0.993	1,051	8,802	2,317	1	150	
1931	22,365	1.682	1,073	7,988	2,225	1	150	
1932	15,542	1.386	1,096	7,561	2,128	1	150	
1933	23,226	7.160	1,130	7,582	2,134	1	150	
1934	29,225	1.158	1,181	8,443	2,227	1	400	
1935	27,858	1.436	1,224	9,048	2,288	1	400	
1936	28,580	2.096	1,340	9,695	2,320	1	400	
1937	35,982	2.187	1,473	10,723	2,430	1	400	
1938	25,386	1.898	1,699	11,184	2,533	1	400	
1939	40,655	2.414	2,028	12,428	2,649	1	400	
1940	28,115	1.662	2,221	13,078	2,825	1	400	
1941	29,640	2.200	2,514	14,457	3,037	3	400	
1942	26,854	2.401	2,950	15,826	3,337	3	400	
1943	28,336	2.376	3,340	17,080	3,554	3	400	
1944	29,481	3.127	3,606	17,635	3,717	3	400	
1945	41,690	14.165	3,959	18,593	3,913	3	400	
1946	48,886	16.556	4,068	21,445	4,277	3	400	
1947	74,333	43.180	5,126	23,554	4,859	3	400	
1948	68,220	7.930	5,721	26,041	5,331	3	400	70
1949	98,610	2.490	6,161	26,861	5,865	3	400	70
1950	81,940	3.180	6,971	30,026	6,125	3	400	70
1951	84,930	2.770	8,641	37,277	7,235	3	400	70
1952	79,230	2.690	9,114	40,314	8,300	3	400	70
1953	93,660	2.290	10,866	41,518	8,700	3	400	70
1954	91,790	2.500	12,030	44,443	9,200	3	400	70
1955	108,350	2.670	12,722	47,756	9,700	3	400	70
1956	115,770	2.470	13,550	51,819	10,400	3	400	70
1957	110,850	3.420	15,555	55,203	11,200	6	400	70
1958	130,420	3.620	15,552	58,364	11,900	6	400	80
1959	108,830	5.930	16,766	62,348	12,700	6	5,000	200
1960	127,460	7.740	20,087	68,016	13,500	6	5,000	200
1961	118,400	7.050	21,650	74,322	14,500	6	5,000	200
1962	132,800	9.000	24,457	81,126	15,600	6	5,000	200
1963	152,300	10.00	26,200	88,111	16,600	6	5,000	200
1964	144,600	13.00	30,162	97,861	17,800	6	5,000	200
1965	167,400	11.70	34,728	107,922	19,500	6	5,000	200
1966	191,600	15.90	39,186	117,514	21,300	6	5,000	200
1967	206,100	14.70	42,805	127,695	22,400	6	5,000	200
1968	222,000	29.80	46,803	135,632	23,300	6	5,000	200
1969	236,600	44.50	52,185	148,328	24,800	6	5,000	200
1970	235,100	42.30	58,452	166,756	27,500	6	5,000	200
1971	262,100	28.90	66,605	179,294	30,300	15	5,000	150
1972	269,500	27.10	72,789	195,559	32,200	15	5,000	150
1973	286,500	26.10	81,177	217,001	34,600	15	5,000	150
1974	309,000	30.80	94,079	243,826	38,800	15	5,000	150
1975	357,200	46.20	118,326	285,768	45,500	15	5,000	150
1976	420,700	51.90	134,534	323,199	51,200	15	5,000	150
1977	423,500	45.30	152,645	348,561	54,600	15	5,000	150
1978	446,800	45.20	171,064	386,883	59,000	15	5,000	150
1979	494,200	48.00	187,698	437,674	64,000	15	5,000	150

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1980	518,258	51.40	215,059	503,239	71,000	15	5,000	150
1981	638,077	92.43	241,773	545,586	77,200	25	6,000	300
1982	694,263	134.54	258,865	591,848	82,200	25	6,000	300
1983	909,855	152.83	294,426	659,939	88,200	25	6,000	300
1984	1,089,397	197.75	327,450	743,532	96,100	25	6,000	300
1985	1,140,694	197.33	359,632	807,020	103,200	25	6,000	300
1986	1,122,565	125.27	412,371	888,248	110,400	25	6,000	300
1987	1,089,600	179.92	470,153	965,770	118,200	50	8,000	200
1988	1,106,940	257.76	506,548	1,053,249	127,400	50	8,000	200
1989	1,364,655	272.00	567,124	1,161,395	139,400	50	8,000	200
1990	1,532,832	393.09	627,177	1,270,797	152,700	50	8,000	200
1991	1,390,630	262.50	644,662	1,350,922	158,500	70	11,000	280
1992	961,600	157.58	610,058	1,326,552	167,900	70	600	600
1993	990,843	103.89	601,374	1,308,775	172,800	70	600	600
1994	1,211,931	152.87	645,374	1,439,297	182,600	70	600	600
1995	1,388,000	303.00	712,880	1,562,108	190,800	70	600	600
1996	1,363,000	198.00	759,332	1,599,669	204,100	70	600	600
1997	1,795,000	222.00	809,517	1,666,375	208,900	70	600	600
1998	2,005,000	250.00	852,156	1,755,139	214,100	70	600	600
1999	2,149,579	271.79	906,107	1,857,632	222,400	70	600	600
2000	2,548,000	460.00	966,769	1,959,361	230,500	70	600	600
2001	2,576,000	377.00	962,038	2,022,582	239,000	70	600	600
2002	2,975,355	332.12	962,146	2,112,221	247,600	70	600	600
2003	2,490,027	314.66	1,008,670	2,251,405	255,300	70	600	600
2004	2,551,291	477.69	1,060,935	2,329,737	262,200	70	600	600
2005	1,092,082	222.52	1,122,927	2,445,212				

Note and sources: Estate tax payments between 1948 and 1959 are classified as inheritance tax payments. Due to lags in estate inventories and in tax payments, the taxes still generated revenue for a few more years even though tax liability ceased for deaths after 16 December 2004. Data on inheritance and gift taxes are from Ohlsson (2011) and data on total tax revenue are from Gårestad (1985), Rodriguez (1980) and Statistics Sweden.

Table A2: Effective average tax rates (inheritance, estate, capital gains) on super-large, large, medium and small non-firm wealth (τ_B) and family-firm equity (τ_{Bf}) and statutory top marginal tax rates, percentage points, 1885–2004.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	Super-large estate				Large estate				Medium estate				Small estate	Top statutory rate on heirs:	
	τ_B	τ_{Bf}	τ_E	τ_{KG}	τ_B	τ_{Bf}	τ_E	τ_{KG}	τ_B	τ_{Bf}	τ_E	τ_{KG}	τ_B	Child	Any
1885	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.5	0.6
1886	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.5	0.6
1887	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.5	0.6
1888	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.5	0.6
1889	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.5	0.6
1890	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.5	0.6
1891	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.5	0.6
1892	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.5	0.6
1893	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.5	0.6
1894	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.50	0.5	0.6
1895	1.24	1.24		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1896	1.25	1.25		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1897	1.26	1.26		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1898	1.27	1.27		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1899	1.28	1.28		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1900	1.29	1.29		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1901	1.29	1.29		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1902	1.29	1.29		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1903	1.30	1.30		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1904	1.30	1.30		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1905	1.31	1.31		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1906	1.32	1.32		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1907	1.33	1.33		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1908	1.33	1.33		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1909	1.32	1.32		0.00	0.50	0.50		0.00	0.50	0.50		0.00	0.00	1.5	6
1910	1.55	1.55		0.00	0.60	0.60		0.00	0.60	0.60		0.00	0.00	4	16
1911	1.58	1.58		0.00	0.60	0.60		0.00	0.60	0.60		0.00	0.00	4	16
1912	1.69	1.69		0.00	0.60	0.60		0.00	0.60	0.60		0.00	0.00	4	16
1913	1.75	1.75		0.00	0.60	0.60		0.00	0.60	0.60		0.00	0.00	4	16
1914	1.77	1.77		0.00	0.60	0.60		0.00	0.60	0.60		0.00	0.00	4	16
1915	4.00	4.00		0.00	2.86	2.86		0.00	1.17	1.17		0.00	0.00	4	16
1916	4.00	4.00		0.00	2.92	2.92		0.00	1.23	1.23		0.00	0.00	4	16
1917	4.00	4.00		0.00	3.00	3.00		0.00	1.36	1.36		0.00	0.00	4	16
1918	4.00	4.00		0.00	3.22	3.22		0.00	1.63	1.63		0.00	0.00	4	16
1919	4.00	4.00		0.00	3.33	3.33		0.00	1.87	1.87		0.00	0.00	4	16
1920	4.00	4.00		0.00	3.40	3.40		0.00	2.00	2.00		0.00	0.00	4	16
1921	4.00	4.00		0.00	3.36	3.36		0.00	1.91	1.91		0.00	0.00	4	16
1922	4.00	4.00		0.00	3.23	3.23		0.00	1.67	1.67		0.00	0.00	4	16
1923	4.00	4.00		0.00	3.21	3.21		0.00	1.62	1.62		0.00	0.00	4	16
1924	4.00	4.00		0.00	3.23	3.23		0.00	1.66	1.66		0.00	0.00	4	16
1925	4.00	4.00		0.00	3.24	3.24		0.00	1.69	1.69		0.00	0.00	4	16
1926	4.00	4.00		0.00	3.25	3.25		0.00	1.70	1.70		0.00	0.00	4	16
1927	4.00	4.00		0.00	3.26	3.26		0.00	1.71	1.71		0.00	0.00	4	16
1928	4.00	4.00		0.00	3.26	3.26		0.00	1.71	1.71		0.00	0.00	4	16
1929	4.00	4.00		0.00	3.28	3.28		0.00	1.76	1.76		0.00	0.00	4	16

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1930	4.00	4.00		0.00	3.28	3.28		0.00	1.76	1.76		0.00	0.00	4	16
1931	4.00	4.00		0.00	3.26	3.26		0.00	1.72	1.72		0.00	0.00	4	16
1932	4.00	4.00		0.00	3.24	3.24		0.00	1.67	1.67		0.00	0.00	4	16
1933	4.00	4.00		0.00	3.24	3.24		0.00	1.68	1.68		0.00	0.00	4	16
1934	17.67	17.67		0.00	7.55	7.55		0.00	2.19	2.19		0.00	0.00	20	35
1935	17.73	17.73		0.00	7.66	7.66		0.00	2.21	2.21		0.00	0.00	20	35
1936	17.76	17.76		0.00	7.72	7.72		0.00	2.22	2.22		0.00	0.00	20	35
1937	17.86	17.86		0.00	7.92	7.92		0.00	2.27	2.27		0.00	0.00	20	35
1938	17.95	17.95		0.00	8.08	8.08		0.00	2.34	2.34		0.00	0.00	20	35
1939	18.04	18.04		0.00	8.26	8.26		0.00	2.41	2.41		0.00	0.00	20	35
1940	18.16	18.16		0.00	8.49	8.49		0.00	2.51	2.51		0.00	0.00	20	35
1941	18.29	18.29		0.00	8.76	8.76		0.00	2.62	2.62		0.00	0.00	20	35
1942	18.44	18.44		0.00	9.23	9.23		0.00	2.74	2.74		0.00	0.00	20	35
1943	18.54	18.54		0.00	9.52	9.52		0.00	2.82	2.82		0.00	0.00	20	35
1944	18.60	18.60		0.00	9.72	9.72		0.00	2.87	2.87		0.00	0.00	20	35
1945	18.67	18.67		0.00	9.93	9.93		0.00	2.93	2.93		0.00	0.00	20	35
1946	18.79	18.79		0.00	10.41	10.41		0.00	3.08	3.08		0.00	0.00	20	35
1947	18.93	18.93		0.00	11.08	11.08		0.00	3.31	3.31		0.00	0.00	20	35
1948	48.13	48.13	36.38	0.00	25.68	25.68	16.87	0.00	3.46	3.46	0.00	0.00	0.00	60	67.5
1949	49.21	49.21	37.62	0.00	27.10	27.10	18.06	0.00	3.60	3.60	0.00	0.00	0.00	60	67.5
1950	49.67	49.67	38.15	0.00	27.69	27.69	18.57	0.00	3.68	3.68	0.00	0.00	0.00	60	67.5
1951	51.25	51.25	39.97	0.00	29.77	29.77	20.32	0.00	4.04	4.04	0.00	0.00	0.00	60	67.5
1952	52.38	52.38	41.25	0.00	31.36	31.36	21.57	0.00	4.49	4.49	0.18	0.00	0.00	60	67.5
1953	52.64	52.64	41.54	0.00	31.31	31.31	21.26	0.00	4.45	4.45	0.00	0.00	0.00	60	67.5
1954	53.04	53.04	42.00	0.00	31.92	31.92	21.74	0.00	4.59	4.59	0.00	0.00	0.00	60	67.5
1955	53.39	53.39	42.41	0.00	32.47	32.47	22.16	0.00	4.71	4.71	0.00	0.00	0.00	60	67.5
1956	53.84	53.84	42.92	0.00	33.16	33.16	22.69	0.00	5.08	5.08	0.19	0.00	1.01	60	67.5
1957	54.28	54.28	43.43	0.00	34.19	34.19	23.53	0.00	5.62	5.62	0.54	0.00	0.00	60	67.5
1958	54.50	54.50	43.67	0.00	34.16	34.16	23.15	0.00	5.29	5.29	0.00	0.00	0.00	60	67.5
1959	50.59	50.59		0.00	31.81	31.81		0.00	5.52	5.52		0.00	0.00	60	65
1960	51.15	51.15		0.00	32.53	32.53		0.00	5.73	5.73		0.00	0.00	60	65
1961	51.76	51.76		0.00	33.32	33.32		0.00	5.99	5.99		0.00	0.00	60	65
1962	52.34	52.34		0.00	34.08	34.08		0.00	6.27	6.27		0.00	0.00	60	65
1963	52.80	52.80		0.00	34.67	34.67		0.00	6.67	6.67		0.00	0.00	60	65
1964	53.29	53.29		0.00	35.30	35.30		0.00	7.24	7.24		0.00	0.00	60	65
1965	53.87	53.87		0.00	36.06	36.06		0.00	8.30	8.30		0.00	1.57	60	65
1966	54.39	54.39		3.17	36.98	39.13		2.15	9.53	10.03		0.50	1.72	60	65
1967	54.67	54.67		3.20	37.52	39.71		2.19	10.24	10.79		0.55	1.83	60	65
1968	54.87	54.87		3.23	37.92	40.13		2.21	10.77	11.15		0.38	1.91	60	65
1969	55.18	55.18		3.27	38.53	40.79		2.26	11.57	12.02		0.45	1.97	60	65
1970	55.66	55.66		3.54	39.46	41.95		2.49	12.79	13.38		0.58	2.09	60	65
1971	61.17	61.17		4.07	44.49	42.68		2.64	15.33	14.49		0.70	0.00	65	72
1972	61.39	61.39		4.16	44.99	43.22		2.72	16.07	15.24		0.77	0.00	65	72
1973	61.64	61.64		4.49	45.55	43.96		2.97	17.13	16.33		0.91	0.00	65	72
1974	62.01	23.01		1.68	46.35	16.13		1.08	18.85	2.93		0.02	0.27	65	72
1975	62.45	23.45		1.81	47.90	16.91		1.20	20.93	3.49		0.09	0.88	65	72
1976	62.73	23.73		5.99	49.03	20.23		4.06	22.28	4.85		0.85	1.43	65	72
1977	62.87	23.87		6.44	49.59	20.91		4.43	23.09	5.30		1.00	1.93	65	72
1978	46.78	17.53		4.85	35.71	14.92		3.21	15.44	2.85		0.39	1.08	65	72
1979	46.94	17.69		4.93	36.32	15.24		3.30	16.17	3.25		0.50	1.37	65	72
1980	47.11	17.86		4.92	37.03	15.62		3.35	17.04	3.76		0.62	1.75	65	72
1981	46.80	17.55		4.84	34.92	13.54		2.88	11.41	1.51		-0.19	2.04	65	72

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1982	46.92	17.67		4.86	35.45	13.86		2.95	12.00	1.65		-0.13	2.24	65	72
1983	50.97	19.47		5.31	40.31	15.75		3.33	14.07	2.41		0.07	1.86	70	75
1984	51.10	19.60		5.06	41.00	16.16		3.28	15.14	2.76		0.17	2.16	70	75
1985	51.19	19.69		4.81	41.54	16.43		3.19	15.95	3.03		0.24	2.42	70	75
1986	51.28	19.78		4.80	42.01	16.79		3.25	16.67	3.26		0.31	2.60	70	75
1987	43.34	16.34		3.99	34.54	14.96		2.92	14.89	3.00		0.38	1.69	60	65
1988	43.46	16.46		4.07	34.75	15.26		3.00	15.87	3.33		0.47	2.27	60	65
1989	43.59	16.59		3.97	34.99	15.45		2.96	17.09	3.57		0.44	2.81	60	65
1990	43.72	16.72		3.63	35.21	15.44		2.73	18.21	3.85		0.47	3.44	60	65
1991	43.27	16.27		6.58	33.90	14.17		2.77	14.55	3.07		0.60	2.54	60	65
1992	22.37	8.87		2.15	21.18	9.54		1.86	9.76	2.69		0.53	2.89	30	30
1993	22.37	8.87		2.13	21.22	9.57		1.85	9.91	2.72		0.53	3.30	30	30
1994	22.38	8.88		0.09	21.28	7.86		0.08	10.34	2.26		0.02	3.59	30	30
1995	22.38	8.88		0.32	21.34	8.12		0.28	10.86	2.35		0.08	3.87	30	30
1996	22.39	8.89		0.47	21.41	8.33		0.42	11.62	2.44		0.12	4.07	30	30
1997	22.39	8.89		0.52	21.44	8.40		0.47	11.87	2.47		0.14	4.26	30	30
1998	22.40	8.90		0.58	21.46	8.48		0.52	12.13	2.50		0.15	4.43	30	30
1999	22.40	8.90		0.65	21.50	8.59		0.59	12.52	2.54		0.17	4.58	30	30
2000	22.40	8.90		0.73	21.54	8.69		0.65	12.87	2.59		0.19	4.75	30	30
2001	22.41	8.91		0.79	21.57	8.79		0.72	13.21	2.63		0.22	4.93	30	30
2002	22.41	8.91		0.86	21.60	8.89		0.78	13.53	2.68		0.24	5.12	30	30
2003	22.41	8.91		0.92	21.63	8.97		0.84	13.80	2.82		0.26	5.27	30	30
2004	22.42	8.92		0.99	21.66	9.07		0.90	14.15	2.99		0.30	5.39	30	30

Note: The size of the different estates was the following in 2004: Super-large estate was worth SEK 266 million (EUR 30 million), the large estate was worth SEK 26.6 million (EUR 3 million), the medium estate SEK 2.7 million (EUR 0.3 million), and the small estate was worth SEK 0.67 million (EUR 74,000). See text for sources. The tax rates are τ_B, the effective inheritance tax rate on bequest E being either non-corporate personal wealth or family business equity. The effective capital gains tax rate is defined as $\tau_{KG} = \tau_Y KG/E$. The top marginal inheritance tax rate for "Child" refers to the rate paid by heirs in Class I, i.e., spouse and children and for "Any" to any type of heirs or beneficiary.

Table A3: Average and effective tax rates in Sweden, single years 1906–2004.

	"Economic flow" of inheritance	"Fiscal flow" of inheritance	Inheritance tax revenue	Average tax of "Economic flow" inheritanc-es	Average tax of "Fiscal flow" inheritanc-es	Average tax differ-ential: "Fiscal flow" vs "Economic flow"	Effective tax on super-large estate ($\tau_{B=Slarge}$)	Effective tax on small estate ($\tau_{B=small}$)	Effective tax differ-ential: Super-large vs small
1906	288	270	2	0.70	0.75	0.05	1.32	0.00	1.32
1907	312	322	3	0.83	0.81	-0.02	1.33	0.00	1.33
1908	321	345	3	0.97	0.91	-0.07	1.33	0.00	1.33
1943	920	508	28	3.08	5.58	2.50	18.54	0.00	18.54
1944	1,066	543	29	2.77	5.43	2.66	18.60	0.00	18.60
1955	2,483	729	108	4.36	14.86	10.50	53.39	0.00	53.39
1967	4,540	2,241	152	3.35	6.80	6.04	54.67	1.83	52.84
2002	131,485	29,646	2,975	2.26	10.04	7.77	22.41	5.12	17.29
2003	134,483	30,414	2,490	1.85	8.19	6.34	22.41	5.27	17.14
2004	145,940	33,996	2,551	1.75	7.50	5.76	22.42	5.39	17.03
2004*		41,996	2,551	1.75	6.08	4.33			

Note and sources: The series "Total average tax differential: Fiscal vs. Economic flows" shows the difference between the average tax rates computed by dividing the revenues from inheritance, gift and estate taxes by either tax-reported ("fiscal flow") inheritance flows or estimated ("economic flow") inheritance flows. The series "Effective tax differential: Super-large vs. Small bequests" shows the difference in the actual years between $\tau_{B=Super-large}$ and $\tau_{B=Small}$. The year 2004* marks that we add an estimate of the deceased's unpaid pensions, SEK 8 billion according to Ohlsson, Roine and Waldenström (2014), to the fiscal flow inheritances. Data on inheritance flows from Ohlsson, Roine and Waldenström (2014). Data on inheritance tax revenue from Table A1.

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