

Many have argued that the increased international mobility of both capital and labor witnessed in recent years will force advanced capitalist democracies to cut taxes and, thus, ultimately roll back their welfare states. This analysis tests this hypothesis through an examination of policy developments in Sweden, the country with the world's heaviest tax burden and largest social welfare state. The analysis focuses on the history and structure of taxation policy (the policy arena predicted to be most directly affected by globalization). The findings reveal that there have been very important changes in the Swedish welfare state: The tax and spending regimes have been changed less than the globalization thesis predicts. This analysis argues that Sweden has indeed adapted and changed in recent years but finds little support for the more dire thesis that countries like Sweden must abandon their high-tax regimes and/or their generous social welfare systems.

GLOBALIZATION AND TAXATION Challenges to the Swedish Welfare State

SVEN STEINMO
University of Colorado, Boulder

One of the most widely debated issues in comparative political economy today is the globalization thesis. Taxation is at the center of this debate. According to this thesis, internationalization increases the availability of the exit option accorded mobile asset holders and this, in turn, forces policy makers to compete for transnationally fluid investment via tax reductions. The result, proponents of this view argue, is that all nation-states must redesign their tax systems—and most probably reduce tax burdens—to effectively compete in the new world economy. The result, many argue, will be an erosion of the fiscal capacity of the state that will ultimately undermine the welfare state. As Schjelderup (1993) has written, “The fear is that capital mobility may lead to capital flight from high to low tax countries in such large amounts that it deprives a nation of its tax base and, as a consequence, its welfare system” (p. 377).¹

1. This debate and these arguments have become quite common in the public literature and are thus sometimes discounted (Korten, 1995; Wriston, 1992). But various versions of these arguments have been offered and are taken very seriously by some of the world's leading politi-

Not all analysts agree, however. On the other side of the globalization argument is a group of political economists who emphasize the institutional and political constraints countervailing the international competitive pressures that presumably push all countries toward the bottom. Garrett and Lange (1995, pp. 628-629), for example, have argued that domestic institutions as well as demands for increased social protection in the face of international economic competition mitigate against the pressures to reduce the size of the welfare state. Similarly, Scharpf (2000) has written,

National welfare states differ greatly in their vulnerability to international economic pressures, and in the specific problems which they need most urgently address—and they differ also in the policy options that they could reach under the path-dependent constraints of existing policy legacies, and under the institutional constraints of existing veto positions. (p. 224)²

The following analysis aims to enter this debate through an examination of the political economy of taxation in Sweden. Sweden provides an excellent case for studying the new political economy of taxation for several reasons. First, Sweden is one of the most heavily taxed countries in the world. Second, Sweden has long had a relatively open economy. Third, Swedes have long been noted for (and proud of) their commitment to a broadly redistributive welfare state.³ Finally, in 1991, Sweden introduced a massive tax reform that it dubbed the “tax reform of the century,” which was widely held up to be “the most far-reaching tax reform in any western industrialized country” (Agell, Englund, & Södersten, 1996, p. 643). This reform not only followed the general pattern of tax reform witnessed in a wide variety of countries in the 1980s and 1990s (see Pechman, 1988; Sandford, 1993; Tanzi, 1995) but actually went further in reducing marginal tax rates and broadening the tax base than did similar reforms in many other countries.

This case study, then, offers a test of the globalization thesis in terms of its expectations for what should happen to tax policy in the face of globalization and provides a more subtle analysis of the actual changes in tax policy that have been implemented in recent years.

cal scientists and economists as well. See, for example, Genschel (1999), Giovannini (1990), Lee and McKenzie (1989), Organization for Economic Development (OECD) (1997), Pechman (1988), Rodrik (1997), Sandford (1993), and Tanzi (1995).

2. See, for example, Garrett and Mitchell (1996), Korten (1995), Lash (1985), Lee and McKenzie (1989), Owens (1993), Pontusson (1991), Radaelli (1997), Rodrick (1997), Swank (1998, in press), and Wriston (1992).

3. Public opinion polls indicate a continued commitment to specifically redistributive policies that has remained largely constant over the past two decades (Svallfors, 1989, 1997). Even attitudes specifically focused on taxation have not changed appreciably in recent years (Edlund, 1999).

To preview my findings a bit: First, I find on one hand that the fear that globalization should create an “end of the state” to be grossly overstated. This does not mean, however, that we find no changes in tax policies in Sweden. Indeed, the evidence suggests that Sweden and, even more broadly, the Swedish model, has changed quite dramatically since it was first heralded as “the middle way” (Childs, 1974) between free-market capitalism and state-dominated socialism. Tax policy is most certainly adapting to the new political economic realities at the century’s end. Interestingly, however, this case study evidence suggests neither “the end of redistribution” (Steinmo, 1994) nor that “there is no alternative” (TINA), as Margaret Thatcher was so fond of saying. Instead, it appears that the Swedes are continuing their historical pattern of manipulating some kind of middle ground between the rampant liberalism of free markets and controlled markets in the hands of a large and powerful state. Swedish tax policy is adapting to the realities of the new political economy, but the Swedish welfare state is not dying because of it.

THE “OLD” POLITICAL ECONOMY OF TAXATION IN SWEDEN

Sweden has long been noted, admired, and loathed as the premier example of a high-tax-high-spend social-democratic state. With a socialist party in office for all but 9 years since 1932, this country has developed a highly redistributive and very expensive social welfare system that, to the surprise of many, has been remarkably economically effective for most of this period.⁴ This Swedish model depended rather fundamentally on a particular tax regime that on one hand taxed personal income, consumption, and wealth very heavily. On the other hand, capital and corporate income were taxed remarkably little in comparative perspective. This seemingly curious outcome (a Left-dominated polity with highly redistributive policy ambitions constructing a tax system that taxed labor income more heavily than capital and corporate income) can be explained in two different ways. First, there was a specific historic compromise over tax policy between the Social Democrats and big employers regarding how far labor would press its anticapitalist ambitions. Second, throughout the postwar period, a huge number of specific tax incentives were introduced that slashed effective tax rates paid by corporations that invested in the Swedish economy (Norr, Duffy, & Sterner, 1959; Steinmo, 1988).

4. There is today a large debate over whether Sweden actually has had a successful economic performance for the past several decades. See footnote 13.

Though marginal tax rates were quite high, Swedish Ministry of Finance officials had become very accomplished at creating tax expenditures designed to direct investment to particular sectors of the economy, promote employment, and/or encourage investment (or build up stock reserves) during economic downturns (Hansen, 1969).⁵ The effect of these multiple and very deep tax incentives was that large Swedish corporations paid only nominal taxes on corporate profits.⁶

Whereas large corporations and wealthy capitalists paid relatively low taxes (as long as they kept their capital in productive assets in Sweden), smaller, privately held firms and ordinary workers paid extraordinarily heavy tax burdens.⁷ Though rarely publicly stated, the explicit corporate tax policy goal of the Social Democratic governments in the postwar years was to squeeze capital into the large, internationally competitive manufacturing industries. At the same time, Sweden maintained an open international trade policy explicitly aimed at forcing Swedish firms to maintain international competitiveness. These firms were, of course, precisely the firms dominated by Sweden's large centralized union organization, the Landsorganisationen (LO) and were also the same firms that had by now developed a "working relationship" with Social Democrats in classic corporatist arrangements.

Tax policy was thus fundamentally intertwined with what was widely known as the Swedish model. In this model, personal income and consumption were very heavily taxed, whereas capital income and profits were taxed quite lightly. This system was specifically designed to help concentrate capital and labor resources into Sweden's large, internationally competitive, manufacturing sector (Elvander, 1972; Rodriguez, 1980; Steinmo, 1993). These industries, it should be noted, were also those most heavily represented at the elite levels of both the Swedish Employer's Federation (SAF) and Sweden's largest union confederation, the LO (Pontusson & Swenson, 1996; Rothstein & Bergström, 1999, pp. 101-109; Swenson, 1989).

5. A Harvard report on tax policy in Sweden in the late 1950s, for example, glowingly reported that this country had "an arsenal of revenue devices unmatched elsewhere in the world" (Norr, Duffy, & Sterner, 1959).

6. It was widely understood that companies had many more tax write-offs available to them than they generally took advantage of. However, due to their need to report at least some profits and pay some dividends to stockholders, corporations rarely took advantage of what was available to them. Knowing this, tax authorities almost never audited corporations, for they too understood that the companies were paying higher taxes than they "had to". See Steinmo (1993, pp. 120-126).

7. For small, privately held firms and self-employed individuals, the intersection of income tax rates higher than 80%, steep wealth taxes, and heavy mandatory social insurance charges meant that total taxes could exceed 100% of annual income.

The postwar compromise in Sweden can be represented as a “deal” between labor, capital, and the Social Democratic government in which not only would capital be allowed to coexist, even while Socialists were in power (Pontusson, 1986), but the Socialists and their labor union allies would conduct wage strategies⁸ and tax policies that would explicitly favor corporate capital (Steinmo, 1988). The other side of this corporatist deal was that big unions and a big state would also be tolerated; employment would be held at very high levels;⁹ and when economic change was called for, the individual worker and his or her family would be fully compensated for the economic costs of structural transformation (Swenson, 1989).¹⁰ Specific policies favoring unions were also introduced,¹¹ and a wide variety of public insurance, education, and welfare programs were established and expanded (Rothstein, 1988).

It is in this context that one must appreciate the extent to which Swedish economic and policy elites became increasingly confident in their ability to manage the economy toward high growth, high per capita gross domestic product (GDP), and a relatively egalitarian distribution of income. They were, perhaps quite justifiably, very proud of themselves and very confident of their abilities to manage capitalist development.¹² By virtually all accounts, the system worked. By the 1970s, Sweden had become one of the richest countries in the world and had done this while building one of the most egalitarian societies in the Western world (Atkinson & Smeeding, 1995; Gottschalk & Joyce, 1995). Swedes were unmistakably proud of this fact and admired themselves for having achieved very high levels of economic growth *and* high levels of economic justice (Heclø & Madsen, 1987, pp. 324-332; Svallfors, 1989, pp. 135-153).¹³

8. This was called the “solidaristic wage policy,” in which Landsorganisationen (LO) unions would hold down wages in the most productive/profitable sectors (large firms, manufacturing, mining, etc.) and push up relative wages in the less productive/profitable sectors (textiles, farming, small firms). The idea was to encourage structural modernization and change in the economy by increasing profits in some sectors while driving other companies and sectors out of business.

9. Unemployment was never allowed to exceed 3% until the 1980s.

10. This was called the “active labor market policy,” which would pay workers to be retrained and relocated without suffering personal economic costs.

11. Most important, the Ghent unemployment insurance was established. This effectively gave the unions control over unemployment insurance (see Rothstein, 1992). But other pro-union public policies were also set up, and certainly anti-union incentives common throughout the capitalist world were eliminated.

12. Optimal fiscal policy was commonly taught in economics departments in Sweden and throughout the world.

13. In recent years, there has been a very large debate among political economists and economists in Sweden over whether Sweden actually did so well in the postwar years. It is outside the

In sum, by many accounts, Sweden had achieved the best of many worlds by the mid-1970s: This small country in northern Europe had one of the most egalitarian systems in the world, had essentially eliminated poverty, and had educated one of the most dynamic and flexible workforces found in any capitalist economy. At the same time, the economy was quite productive, efficient, and dynamic and was dominated by major, internationally competitive firms such as Volvo, ASEA, and Eriksson. Finally, the government was democratic; highly stable; and efficiently run by a well-trained and well-insulated technocratically oriented elite that possessed an arsenal of policy devices designed to keep the Swedish economy open, competitive, and dynamic.

As we shall see below, however, changes in both the international and domestic political economies were soon to bring about a rethinking of tax policy.

THE NEW POLITICAL ECONOMY OF TAXATION IN SWEDEN

STRUCTURAL CHANGES IN THE ECONOMY

In the 1970s, the Swedish economy began a series of important structural changes. Ironically, some of these changes were the direct consequence of the public policies introduced in the previous decade. For example, pro-union policies dramatically increased union density in Sweden (Rothstein, 1992). Many of these workers were not traditionally organized by LO unions (which generally represented classical workers) but instead by either the Central Organization for Salaried Employees (TCO) or by the Swedish Confederation of Professional Associations (SACO). The significance of this change is that Sweden—which had once been noted for its highly centralized wage negotiation system and its unified and disciplined union structure—by the mid-1980s began to see conflicts between export-oriented unions and those less subject to market discipline (Notermans, 2000, pp. 24-26). It is far easier to find a common front between the interests of miners and auto workers, for example, than it is to find a common interest between medical doctors and

scope of this article to evaluate the conflicting claims made in these various econometric arguments. For our purposes, two points are necessary. First, at the time (up to the mid-1970s, at least), there was a broad consensus among political and economic elites that the Swedish economy had done remarkably well in the postwar years. Second, even the most critical analysts engaged in the current debate do not suggest that Sweden did poorly in the 1950s and 1960s; instead, they argue that Sweden began to lag in the 1970s and 1980s (see Agell, Lindh, & Ohlsson, 1995; Dowrick, 1996; Henrekson, 1996; Korpi, 1996).

Table 1
Government Employment, 1870-1994 (percentage of total employment)

	About 1870	1913	1937	1960	1980	1994
France	2.5	3.0	4.4	—	20.0	24.8
Germany	1.2	2.4	4.3	9.2	14.6	15.1
Japan	1.0	3.1	5.0	—	6.7	6.9
Sweden	2.2	3.5	4.7	12.8	30.3	32.0
United Kingdom	4.9	4.1	6.5	14.8	21.1	15.0
United States	2.9	3.7	6.8	14.7	15.4	14.5
Organization for Economic Cooperation and Development average	2.4	3.7	5.2	12.3	17.5	18.4

Source: Tanzi and Schuknecht (2000, Table 11.2).

daycare employees. At the same time, the expansion of public employment dramatically increased the feminization of the workforce. As Sainsbury (1996) points out, the increased participation of women in the workforce (mostly in public sector jobs) dramatically increased opportunity structures for women, but the political interests of women were not always coincident with those of men.¹⁴

As Table 1 indicates, public employment in Sweden expanded very rapidly in the period from 1960 to 1980. Whereas public employment in Sweden was quite close to the Organization for Economic Cooperation and Development (OECD) average in 1960, it was nearly double the average in 1980. Ironically, a consequence of many of these changes was the erosion of worker solidarity in Sweden. The growing diversity of interests (and the consequent splits in political demands on the part of workers generally) had direct consequences for both wage demands and public spending in Sweden. In the old Swedish model, union wage demands could be tempered by the economic realities of the international marketplace, and decisions once reached at the elite level could be implemented at the local shop-floor level due to the high degree of power of the central union organization (Swenson, 1991). But by the late 1970s and early 1980s, the Swedish political economy was quite different. The SAF had abandoned the commitment to national wage deals, in part so that its members could pay higher paid workers more and hold down wages of lower paid workers (Moses, 2000; Notermans, 2000). Public employees (who have no international market discipline to temper their demands) were also increasingly dominating the wage demand picture. Finally, the union organizations themselves were less able (and probably less

14. See also Laatikainen (2000, pp. 154-157).

willing) to hold wages back so that profits could be maintained (or so that public spending could be held in check). Given these basic facts, Sweden quickly developed strong inflationary proclivities. The government, desperately trying to maintain Swedish international competitiveness in light of these inflationary pressures, felt that its only alternative was to periodically devalue the Swedish kronor (Jonung, 1999).

Concomitant with the changes in the domestic political economy, the world economy was also undergoing changes that potentially had negative implications for traditional Swedish industries. Mining, steel, shipbuilding, and autos were each stung by growing competition—especially from lower wage Asian economies. It is of course extremely difficult to disaggregate the inflationary wage pressures specifically facing these industries in Sweden from the more general worldwide trend in these industries to lower wage economies. Economists in Sweden came to believe that wage pressures, in combination with the growing rigidity of the Swedish labor market resulting from the various Social Democratic policies introduced in the 1970s, did not help (Calmfors & Wadner, 1980; Lindbeck, 1997; Sverenius, 1999, pp. 217-224).¹⁵ For example, it is also widely recognized that though the increasingly frequent (and sometimes quite dramatic) devaluations could temporarily improve Swedish industries' international price competitive position, these policies did little to nothing to increase the long-term competitiveness of the Swedish economy in anything like the way that the traditional Swedish model might have done.

IMPLICATIONS FOR TAX POLICY

The political and structural changes discussed above had direct implications for the Swedish tax system. First, increasing demands for public programs and increasing wage demands from public employees directly led to the need for higher taxes. The result was that taxes eventually spiraled to more than 60% of GDP by 1990.¹⁶ Second, the combination of this tax pressure and the related inflationary tendencies in the Swedish economy meant that ever more Swedish citizens were being pushed up into personal income tax brackets that were originally intended to affect only the very richest

15. Moen and Wallerstein (1999, p. 259) assert that these arguments were probably overstated.

16. These taxes, moreover, were widely spread across the various revenue categories: A majority of income earners paid marginal income tax rates higher than 50%, social insurance charges (employers paid) reached more than 35%, and the Value Added Tax was quite broadly distributed at a flat rate of 25% on most goods and services. The curious result was a tax system that produced enormous revenues but was not in itself particularly progressive (Steinmo, 1993, p. 2).

Table 2
Percentage Change in Labor Costs (per Hour, Including Payroll Taxes) From Previous Year

Year	Change	Year	Change
1970	10.2	1983	9
1971	13.6	1984	10
1972	10.2	1985	7.7
1973	11.5	1986	7.8
1974	17	1987	7.8
1975	22.2	1988	8
1976	16.9	1989	11.2
1977	12.1	1990	9.1
1978	9.2	1991	8
1979	8.7	1992	2.4
1980	11.8	1993	-2.1
1981	9.6	1994	3.3
1982	6.1	1995	5

Source: Lindbeck (1997, p. 92).

Swedish taxpayers.¹⁷ In the short run, of course, the treasury needed this “bracket creep” because it automatically increased revenues.¹⁸ In the longer run, officials understood quite clearly that tax rates of this magnitude contributed directly to the inflationary cycle gripping Sweden in these years. In simple terms, workers (even public sector workers) discounted the extra costs of taxes into their wage demands. As the noted Swedish economist Lars Calmfors noted in 1977,

Large groups of wage earners have moved up into the tax brackets where the progressiveness is so high that it is, in fact impossible to obtain increases in real disposable incomes through increases in nominal wages. . . . Such a tax scheme could also decouple internal wage and external price trends. (As quoted in Moses, 2000, p. 68)

Table 2 shows the consequence for the costs of Swedish labor.

17. Moreover, these high tax rates had been used by finance officials in their micromanagement objectives. It was widely understood that in all but a few isolated cases (i.e., tennis stars and movie directors), the very rich very rarely paid these superhigh marginal rates. The tax expenditure system had been designed to allow the “big capitalists” to retain their wealth holdings as long as they left them in the corporate sector inside Sweden. By the mid-1980s, however, average industrial workers were paying marginal tax rates in excess of 50% of income.

18. Note that in countries with smaller spending needs such as the United States, Japan, and the United Kingdom, revenues generated from bracket creep could be distributed back to taxpayers and/or important interest groups (Howard, 1997; Steinmo, 1993; Witte, 1983). In Sweden, however, the revenue needs of the state were so high that little could in fact be turned back, no matter how politically attractive this may have been.

The Swedish economic elites in the Ministry of Finance and in the economic profession more generally saw these developments as a crisis. Whereas in the past, these elites believed they could manage their economy quite effectively, now they were increasingly convinced that such management was no longer possible. What were once thought of as labor market partners were becoming simply interest groups (Ruin, 1981, pp. 149-151). In addition, whereas the political system in the earlier era insulated the fiscal elites and gave them enormous policy autonomy, now political demands on both the tax and spending side were increasingly difficult to shut out. In the words of one senior Ministry of Finance official,

I was taught in college that we could manage the economy via fiscal manipulations. But now in Sweden, and other countries too, we have less faith in politicians. We now realize that political asymmetries are so large that you have to be careful about what you recommend. Politicians don't only do what their economic advisors recommend, they also have to listen to interest groups. . . . If economists think that political decisions are symmetric, then they use false assumptions. Politicians have short time horizons. (Interview by the author, April 6, 2000, in Stockholm)

Finally, the interests of capital itself began to change: As the Swedish economy moved more toward services and the production of highly specialized and sophisticated production strategies, Swedish companies required more flexibility in terms of their investment strategies. The traditional Swedish tax regime dramatically tax advantaged domestic investment and openly discouraged foreign investment (but not, of course, foreign trade). By the 1970s, Swedish capitalists were already complaining that this incentive system made it difficult for them to invest in lower end skill technology abroad, and this in turn made it difficult for them to focus their Swedish investment where Sweden had a comparative advantage (i.e., where highly specialized skills were needed).

The sense of crisis was not necessarily shared by either politicians or average citizens in Sweden in the 1980s. To the extent that there were problems with the tax system, for example, it was generally believed that this was because it was not progressive enough (Hadenius, 1984; Svallfors, 1989). To the extent that there was a problem with Swedish democracy, public opinion polls demonstrate that citizens increasingly believed that political elites were not responsive enough. There has been a steep and steady increase in the distrust of politicians and political leadership in Sweden since the late 1960s.

TAX REFORM, SWEDISH STYLE

Beginning in the late 1970s, Swedish economists as well as officials in the Ministry of Finance began to seriously question the long-term viability of the tax system that was evolving. Again, there were several interrelated issues. Most important, (a) Taxes were driving up wages and thus contributing to the inflationary pressures and thus economic imbalances. (b) Elites came to believe that tax rates were being pushed so high that even ordinary taxpayers were engaging in a variety of nonproductive behaviors and/or working in the underground economy simply for the purposes of evading taxes (Agell, Berg, & Edin, 1995; Myrdal, 1982). The ministry had a substantial problem, however: The majority of Social Democrats in the Riksdag (Parliament) as well as the leadership of the LO did not agree that these were the central issues. Quite to the contrary, they, like most Swedish voters, believed that the problem with the Swedish tax system was, quite bluntly, that the rich and the corporations paid too little in taxes, whereas the lower and middle classes paid too much (Edlund, 1999; Hadenius, 1986; Svallfors, 1989).

In a recent interview, Minister of Finance Kjell Olaf Feldt¹⁹ recalled,

One of the most important issues I began to work on in the early 70's was to change the Social Democrat's perspective on how we get a just income distribution in society. The negative inheritance I received from my predecessor Gunnar Sträng was a strongly progressive tax system with high marginal taxes. This was supposed to bring about a just and equal society. But I eventually came to the opinion that it simply didn't work out that way. These taxes created instead a society of wranglers, cheaters, peculiar manipulations, false ambitions and new injustices. It took me at least a decade to get a part of the party to see this. That was a big deal, to change the outlook that had been built up since the 1940's. That I burned for. (As quoted in Sjöberg, 1999, p. 40)²⁰

In pursuit of its ambitions to achieve tax reform, the Ministry of Finance began to commission a series of reports and analyses examining the effects of taxation on the economy, workers' willingness to work, leisure time, tax wedges, capital formation, and a wide variety of other economic effects.²¹ By the end of the decade, the Socialists had passed a series of reforms that sim-

19. Feldt was minister of finance from 1974 to 1976 and 1980 to 1990.

20. Actually, the question was, "What does your heart burn for?" ("*Vad brinner din hjärte för?*").

21. Some of the more important of these were included in the official public research reports Statens Offentliga Utredningar (1982, 1983a, 1983b, 1984, 1986, 1987, 1989a, 1989b, 1989c). There were, however, a great deal of other economic analyses conducted by economists in Sweden that contributed to the reform agenda. Some of these include Englund (1982), Jonung (1982), Lodin (1982), Bertmar (1983), Södersten (1983), Eklund (1984), Agell (1986), and Hansson and Charles (1990).

plified the tax code, increased consumption taxes, and scaled back a series of tax expenditures.²² But it was not until 1991 (after the Socialists had been pushed out of office by the voters) that the government was able to pass the “tax reform of the century.”²³ With this reform, Sweden took a huge step from a tax system that relied on very high marginal rates softened with very deep tax loopholes to a broader based tax system in which tax rates were reduced substantially for all taxpayers and tax expenditures were radically scaled back. Not only was the top tax rate on income reduced from more than 80% to 50%,²⁴ but the tax system was simplified to the point where more than 85% of taxpayers no longer submitted a tax return at all. After this reform, the tax code possessed so few write-offs that the government would simply send a letter to the taxpayer showing the amount of income he or she had earned in the year and asking the taxpayer to confirm that she or he had no extra (not already taxed) income. Because there were so few exemptions left in the system, the taxpayer could simply sign the slip and send it back to the authorities; no further taxes would be due, and no tax refund would usually be issued. Corporate and capital taxation were also radically reformed. Now all capital income faced a flat 30% rate and deductions were substantially rolled back.²⁵ The Corporate Profits Tax was also reformed. The marginal tax rate was reduced from 57% to 30% at the same time that many of the most generous tax expenditures available in the code were eliminated.

When the Swedish tax reform of 1991 was finally introduced by the bourgeois coalition government, many analysts saw it as the beginning of the end of the Swedish welfare state. Although, to be sure, tax levels were still quite

22. See Steinmo (1993, p. 187) for a list of some of the reforms introduced in the 1980s. Overall, the tax system witnessed several hundred specific changes in this period.

23. Though actually introduced by a bourgeois coalition government in 1991, this tax reform represented the culmination of more than a decade’s work on the part of the Social Democratic minister of finance, Kjell Olof Feldt. The background research, justifications for the need for reform, and econometric analysis of the economic and distributive effects of the reform were for the most part completed in 1989. See *Statens Offentliga Utredningar* (1987, 1989a, 1989b, 1989c).

24. Essentially, a two-rate personal income tax system was created. All taxpayers paid a flat-rate local income tax (30% in most districts). Income greater than 74,824 kronor (approximately \$9,500) per year was also subject to the flat rate national income tax of 20%.

25. There were a large number of income-tax-base broadening measures; certainly the most important of these was the elimination of the deductibility of all interest payments from personal income tax. Before the reform, this write-off was so tax favorable that a large number of Swedes borrowed money for investment (particularly in real estate) and then deducted the interest. Given that almost all Swedes at that time had marginal income tax rates between 50% and 80%, this meant that the government effectively paid at least half of the cost of the investment. This cash machine resulted in a net loss in capital income tax revenue to the government (Agell, Berg, & Edin, 1995).

high, gone was the public commitment to maintaining a progressive tax system. Moreover, because the tax reform was underfinanced,²⁶ many analysts assumed that the lost revenues would eventually have to be made up with increases in taxes on lower income earners, cuts in benefits for lower income earners, or both (see Steinmo, 1994). These predictions, of course, fit very well with the “end of the welfare state” analyses that became so popular in the mid-1990s. Certainly Sweden, the most glaring example of a large and redistributive welfare state, should have to fall considerably in the face of the global pressures for international policy convergence.

The tax reform also contributed to the massive economic crisis that struck Sweden in the early 1990s. Once again, it was the bourgeois coalition government’s ill fortune to come to office at the beginning of a recession (as it had in 1976), but there can be no gainsaying that the policies pursued by these governments (i.e., with each party’s trying to pay off its particular constituency) substantially worsened Sweden’s economic situation. The tax reform, for example, was underfinanced, in no small part to make it easier for the coalition to pass. At the same time, the tax reform dramatically increased a collapse in the real property market.²⁷ Unemployment increased to double digits, although it had never before gone higher than 4% in postwar history.

These factors, then, contributed to a massive increase in public spending despite the fact that the bourgeois government was at the helm. This government found itself incapable of cutting housing support, child payments, social welfare payments, sickness benefits, or any other major social program in the context of an economic decline of this magnitude.²⁸ The result was that the budget deficit increased to 13% of GDP. At one point, international confidence in the kronor sank so low that the central bank was forced to increase the overnight lending rate to 500% in a vain effort to protect the currency. By 1992, it was widely predicted that both the Swedish model and the Swedish economy were on their deathbeds.

Of course, the most dire predictions have not come to fruition (at least not yet). The Social Democratic Party returned to office in 1994. Sweden’s unofficial Party of Government quickly set about restabilizing the country’s financial picture. At first, it appeared that the Socialists had accepted the

26. Sweden was in the midst of the most serious recession in postwar history at the time. Thus, it is difficult to specifically evaluate the exact costs of the tax reform. Subsequent analyses, however, suggest that the reform cost the treasury approximately 3% of GDP (Agell, Englund, & Södersten, 1996).

27. By substantially eliminating the deductibility of interest even on owner-occupied homes, those who had borrowed to finance purchases now found they could not afford their loans. Given that this occurred in a general recession, the result was a collapse of the market.

28. GPD actually decreased in 1992 and 1993.

Table 3
Revenue Effects of Tax Changes in 1990s

	1991	1992	1993	1994	1995	1996	1997	1998
Earned income	—	1.5	7.3	6.3	6.4	—	—	—
Personal charges	—	—	3.8	4.2	9	4.7	4.7	4.7
Payroll charges	—	-1.3	-10.6	0.7	5.7	0.1	—	—
Indirect taxes	—	-2	8.7	1.3	2.6	2.4	1.3	1.3
Corporate taxes	—	-0.2	0.1	0.5	0.2	-1	-1	—
Capital taxes	-3.4	-4.9	-3.7	-6.3	10.9	6	—	—
Total	-3.4	-4.9	5.6	6.7	34.8	12.2	5	6

Source: Ministry of Finance (1995, p. 402).

Note: Approved and proposed tax changes, 1991-1998, by initial year, in billions of kronor.

basic TINA logic as they began cutting back several social welfare policies. But careful analysis of these policies suggests that rather than slashing programs wholesale, most of these reductions were in fact designed to make them a bit more fiscally reasonable and remove some of the opportunities for abuse that had been created earlier by the stunning generosity of these policies.²⁹

But the new government did not appear to accept the idea that it must only cut welfare for the poor. Following earlier commitments,³⁰ the government initiated several studies that tried to examine the distributive consequences of the 1991 tax reform once the behavioral changes it created had been considered. These studies revealed that the tax reform of the century was negatively redistributive. Armed with this evidence, the Social Democratic government that returned to office in 1995 increased the top marginal rate of tax on very-high-income earners by 5% and also reduced the Value Added Tax on food by 50%. Since then, the government has been trying to effectively hold the line and reestablish fiscal balance. The results of its efforts can be seen in Table 3 (taxes, particularly on capital income, have increased rather than declined in the 1990s). Not only has financial balance been returned (indeed, just as in the United States after Clinton's increase in taxes on the very wealthy), but Sweden now appears to be benefiting from a substantial eco-

29. Thus, for example, employees were no longer eligible for full pay for up to 3 days' sick leave even when they had no slip from a doctor. A number of similar reforms were introduced as well. Some, of course, caused considerable financial hardship in specific public bureaucracies. The health care sector appears to have been particularly hard hit (*Statens Offentliga Utredningar*, 2000, pp. 145-158).

30. One of the commitments made to the Landsorganisationen (LO) during the final negotiations for the reform was that an analysis would be made of the reform's redistributive effects after the reform was introduced. This report would then be used to guide future tax-spending policy.

Table 4
Public attitudes Toward Taxation and Spending in Sweden (in percentages)

	Increase	Keep as Is	Cut	Don't Know	Balance
Health and sickness benefits	47	45	3	4	44
Support for the elderly	37	55	3	4	33
Support for families with children	43	45	8	4	35
Housing support ^a	13	41	36	10	-23
Social help ^b	17	51	22	10	-5
Research and higher education	45	42	5	8	40
Primary and high school education	32	61	2	5	30
Employment policies	56	29	10	5	46
State and commune administration	2	32	55	11	-56

Source: Svallfors (1989, p. 53).

Note: Question wording was as follows: "Taxes go to different purposes. Do you think that the taxes that go to the following items should be increased, decreased or held the same?"

a. Housing support (*bostadsbidrag*) is a direct support to people of lower incomes to help them pay their housing costs in private residences.

b. Social help (*Socialbidrag*) is a direct payment to low-income individuals.

conomic resurgence at the same time that it is generating quite substantial budget surpluses.

CONTINUED SUPPORT FOR THE WELFARE STATE

Most non-Swedes find it surprising that Swedes did not revolt against their tax burden long before it reached 60% of GDP. Few Americans, in particular, can understand how and why a people could tolerate paying more than half of their income to the tax authorities. But what we (non-Swedes) fail to understand is that most Swedes clearly believe that they get a lot for the high taxes they pay. Survey after survey has shown that although Swedes (like virtually all citizens in modern welfare states) agree that taxes are too high, only a minority of citizens support tax cuts if they are forced to choose them in exchange for reductions in public spending (see Table 4).³¹

Swedes appear to understand that taxes finance what many believe to be the world's most comprehensive welfare state. In Sweden, as in most democratic countries, health care, education, pensions, and so forth are financed virtually completely through public funds. But by the mid-1980s, many ben-

31. Taxes have traditionally been one of the many issues that voters felt were important, but in surveys taken since 1979, taxes have never been shown to be the most important issue deciding people's votes. Indeed, the importance of taxes is generally dwarfed by specific issues like the environment, energy, or (in 1982) the wage earner funds. I thank Sören Holmberg for this insight.

Table 5
The Government's Predictions: High Taxes and Economic Growth in Sweden, 2000 and Beyond

	1999	2000	2001	2002	2003
Change in gross domestic product (GDP)	37	37	30	20	20
State revenue as percentage of GDP	602	581	567	566	566
Public spending as percentage of GDP	584	553	534	531	522

Source: Regeringskansliet (1999-2000, Appendix 1).

efits had become extraordinarily generous by any country's standards.³² Moreover, by the early 1990s, at least 65% of Swedes received a direct public subsidy from their government (Lindbeck, 1997).

As a consequence of this basic fact, Sweden seemed to defy Downs's (1960) prediction that government would be too small in a democracy.³³ In fact, clear majorities of Swedish citizens clearly believed that they got much for their tax dollar, and as a consequence, there was very little public pressure to cut taxes even though tax burdens were so high (Edlund, 1999; Hadenius, 1986; Svallfors, 1989).

2000 AND BEYOND

Sweden's economic and fiscal picture has improved markedly in recent years.³⁴ The first budget introduced in the 21st century predicted economic growth and budget surpluses extending for the next several years (see Table 5). Perhaps more important, it was heralded (and denounced by the Right) as a classic Social Democratic budget (Wettergren, 2000). To the surprise of many, the current budget surpluses have not been used to cut taxes on mobile capital as has been demanded by the Right and by many business

32. For example, workers were given 18 months free from work when they had a child (this period could be divided between the man and the woman), workers could take up to 3 days off from work for illness at full pay without going to the doctor, and mothers received a substantial monthly payment for each child in their care. The list of public-financed benefits could go on and on. See Statens Offentliga Utredningar (2000).

33. Downs's (1960) logic was quite simple: Because people would not see the benefits of public spending as easily or directly as they see the costs of taxes, they would favor tax cuts (or restraint) over spending.

34. This case study evidence is thus very much in line with the multicountry statistical evidence offered by Garrett (1998), in which he tells us,

The performance of social democratic corporatist regimes in the global economy with respect to real aggregates—economic growth and unemployment—was better than in countries where the balance of political power was tilted more to the right or where labor market institutions were weaker. (p. 133)

interests. Contrary to those who predicted that the end of the redistributive state was at hand just a few years ago, the government has chosen to *increase* public spending on child support yet again and to continue using the surplus to pay off Sweden's public debt. Clearly, the Social Democrats are not behaving in ways that neatly fit the convergence hypothesis.

In sum, it appears that the Social Democrats have not given up their progressive ambitions. Contrary to many predictions on the Left (and to the clear disappointment of others), the Social Democratic Party has decided not to use the budget surplus from which it now benefits to cut taxes on mobile capital. Instead, it has decided to use these revenues to add more aid to those at the bottom of the income scale. Future budget surpluses will most likely be used to reduce taxes on particularly dynamic sectors of the economy, to subsidize families, and to continue to pay down the Swedish debt. With the Social Democrats' coalition with the Left Party (and perhaps the Green Party as well) a virtual certainty into the next election, it seems extremely unlikely that they will propose that the very wealthy should capture the lion's share of the economic upturn. Moreover, given the potent economic performance Sweden is now posting, combined with the daily discussions of the herds of new Internet millionaires in the Swedish media, there appears to be little political incentive to cut these people's taxes. Instead, the current debate appears to focus on how to use the new wealth to spread Internet access (broadband) to even the furthest reaches of the Swedish hinterland.

TAXATION IN THE NEW POLITICAL ECONOMY

In the crisis period of the 1930s and 1940s, it was quite common to hear from both pundits and scholars that capitalism had come to a crossroads: Either economic change or political demands (or both) had brought about a transformation of capitalism as it had been known. Looking back, however, one could instead argue that it was the very policies developed in these decades that effectively "saved" capitalism. Instead of destroying capitalism, the very welfare state that many believed would undermine its key mechanisms had the opposite effects: By redistributing wealth and dampening the vicious swings of the free market, state policy effectively increased aggregate demand and reduced uncertainty. The result—contra the predictions of the ideological Right—was that Sweden experienced a virtuous cycle of growth, productivity, and increasing prosperity.

But globalization, it was widely predicted, would put an end to the Swedish miracle. Now that the exit option is far more readily available, surely capital and high-end labor will exit not only Sweden but all high-tax political

Table 6
Taxes and Benefits, Redistributive Effects by Income Class, Sweden, 1997
 (mean values in thousands of kronor)

Income Group	Factor Income ^a	Taxed Benefits	Tax-Free Benefits	Tax	Total Redistribution	Disposable Income
1-50	16.3	58.6	27.1	21.8	63.9	80.2
100-150	125.8	54.1	14.8	57.2	11.6	137.4
200-250	223.7	35	8.1	86.5	-43.5	180.3
300-350	273.7	35	9.4	122.6	-76	249
400-450	424.3	17.1	7.8	153.7	-128.9	295.4
500-550	522.5	19.9	7.2	199.6	-172.5	349.9
600+	995.6	18.2	7.8	393.1	-367.1	628.6

Source: Riksskatteverket (1999, Table 7.7).

a. Factor income includes income from wages, business, and capital.

Table 7
Gini Coefficients and Redistribution, Selected Countries, 1995

	Before Taxes and Transfers	After Taxes and Transfers	Percentage Change due to Taxes and Transfers
Sweden	48.7	23.0	-52.9
France	39.2	23.1	-41.0
Germany	43.6	28.2	-35.3
Japan	34.0	26.5	-22.0
United States	45.5	34.4	-24.5

Source: Organization for Economic Cooperation and Development (1999, Table 13).

economies (Lee & McKenzie, 1989; Schjelderup, 1993, pp. 377; Tanzi, 1995, pp. 65-66). The consequence was to be a hollowing out of the welfare state and/or a massive retreat from the redistributive goals of (especially) social-democratic nations.

The evidence presented here suggests that these predictions are wrong. The multiple changes we are seeing in the continued evolution of modern capitalism do affect tax policy makers, just as the continued evolution of the welfare state programs has enormous implications for policy makers in each of these specific arenas. These changes, however, do not spell the end of the welfare state any more than changes earlier in the century spelled the end of capitalism. This study reveals that a country like Sweden (again, one that was supposed to be the most vulnerable to these global competitive pressures) can prosper in a global economy and maintain its basic commitments to a relatively egalitarian community (see Tables 6 and 7).

In short, the multiple equilibria observed in the latter part of the 20th century have been upset. This does not suggest, however, that a new single equilibrium is imminent. Quite to the contrary, institutional variation will once again structure how different nations respond to economic changes, and as a result, new, yet still multiple, equilibria should continue to be the most likely result.

TAXATION AND THE GLOBALIZATION THESIS REVISITED

The keystone of the globalization thesis is the argument that capital will leave countries with higher tax rates simply because they can get a better rate of return on their invested capital in countries with lower tax rates. This argument does indeed make intuitive sense: After all, even political economists can be smart enough to shop around for CDs that offer higher rates of return. Surely, as the transaction costs of international investment decline, so will investors' propensity to shop around. But as the example noted here is meant to illustrate, investments in CDs are not the same as investments in countries. There are a huge number of factors that influence the rate of return on investments in country x or country y that can be far more important to the investor than tax rates. It would be wrong to suggest that investors and potential employers are unconcerned with taxes, but survey evidence as well as more than 50 interviews conducted by the author with corporate executives in the United States and Europe all suggest that wage rates, quality of workforce, access to markets, quality of infrastructure, political stability, and a host of other factors are generally *more important* factors when deciding where to invest new capital (i.e., whether to exit or enter). As several students who have examined location decisions within the United States have discovered, there can be advantages to being near competitors, sources of highly educated labor, and suppliers that far outweigh the costs of being in high-cost areas (Devereaux & Griffith, 1998; Hines, 1993). Moreover, these factors can be positively affected by high taxes. Sweden currently appears to offer an example of some of the advantages of a high-tax system, one in which the costs extracted by the state from employers, workers, and consumers alike are indeed higher than in other competitive nations—but one in which the advantages may still outweigh the costs.

REFERENCES

- Agell, J. (1986). *The effects of capital taxation: An equilibrium asset market approach*. Uppsala, Sweden: University of Uppsala.
- Agell, J., Berg, L., & Edin, P.-A. (1995). *Tax reform, consumption and asset structure*. Stockholm, Sweden: National Institute of Economic Research.
- Agell, J., Englund, P., & Södersten, J. (1996). Tax reform of the century—The Swedish experiment. *National Tax Journal*, 49(4), 643-664.
- Agell, J., Lindh, T., & Ohlsson, H. (1995). *Growth and the public sector: A critical review essay* (Working Paper). Uppsala, Sweden: University of Uppsala.
- Atkinson, A., & Smeeding, T. (1995). *Income distribution in OECD countries*. Paris: Organization for Economic Cooperation and Development.
- Bertmar, L. (1983). Företagsbeskattning—behovs den? [Capital taxation: Do we need it?]. In A. Lindquist & S. Stigmark (Eds.), *Hur Klarar Vi 1990?* [How do we make it in 1990?]. Stockholm, Sweden: Riksbankens Jubileumsfond.
- Calmfors, L., & Wadner, G. (Eds.). (1980). *Sverige's ekonomiska kris* [Sweden's economic crisis]. Stockholm, Sweden: Natur och Kultur.
- Childs, M. (1974). *Sweden: The middle way*. New Haven, CT: Yale University Press.
- Devereaux, M., & Griffith, R. (1998). *Taxes and the location of production: Evidence from a panel of multi-nationals* (Working Paper 96/14). London: Institute for Fiscal Studies.
- Downs, A. (1960). Why government's budget is too small in a democracy. *World Politics*, 12, 541-563.
- Dowrick, S. (1996). Swedish economic performance and Swedish economic debate: A view from outside. *Economic Journal*, 106, 1772-1779.
- Edlund, J. (1999). *Citizens and taxation: Sweden in comparative perspective*. Umeå, Sweden: Umeå University Press.
- Eklund, K. (1984). Vad göra med skatterna? [What should we do with taxes?]. *Affärsvärlden*, 29(2), 7-17.
- Elvander, N. (1972). *Svensk skattepolitik 1945-1970* [Swedish tax politics 1945-1970]. Stockholm, Sweden: Raben and Sjögren.
- Englund, G. (1982). *Beskattning av arv och gåva* [The taxation of inheritance and gifts]. Stockholm, Sweden: Norstedts.
- Garrett, G., & Lange, P. (1995). Internationalization, institutions and political change. *International Organization*, 49(4), 627-655.
- Garrett, G., & Mitchell, D. (1996, August-September). *Globalization and the welfare state: Income transfers in the industrial democracies*. Paper presented at the Annual Meetings of the American Political Science Association, San Francisco.
- Genschel, P. (1999). *Tax competition and the welfare state*. Cologne, Germany: Max Planck Institute.
- Giovannini, A. (1990). International capital mobility and capital-income taxation. *European Economic Review*, 34(2/3), 480-488.
- Gottschalk, P., & Joyce, M. (1995). The impact of technological change, deindustrialization, and internationalization of trade on earnings inequality: An international perspective. In K. McFate, R. Lawson, & W. J. Wilson (Eds.), *Poverty, inequality, and the future of social policy: Western states in the new world order*. New York: Russell Sage.
- Hadenius, A. (1984, April 13-18). *Discontent with the taxes?* Paper presented at the European Consortium for Political Research, Joint Session of Workshops, Salzburg, Austria.

- Hadenius, A. (1986). *A crisis of the welfare state? Opinions about taxes and public expenditure in Sweden*. Stockholm, Sweden: MiniMedia AB.
- Hansen, B. (1969). *Fiscal policies in seven countries*. Paris: Organization for Economic Cooperation and Development.
- Hansson, I., & Charles, S. (1990). Sweden: Tax reform in a high-tax environment. In M. J. Boskin & C. E. McLure Jr. (Eds.), *World tax reform* (pp. 127-148). San Francisco: ICS Press.
- Hecló, H., & Madsen, H. (1987). *Policy and politics in Sweden*. Philadelphia: Temple University Press.
- Henrekson, M. (1996). Sweden's relative economic performance: Lagging behind or staying on top? *Economic Journal*, 106, 1747-1759.
- Hines, J. R. (1993). *Altered states: Taxes and the location of foreign direct investment in America* (Working Paper 4397). Cambridge, MA: National Bureau of Economic Research.
- Howard, C. (1997). *The hidden welfare state*. Princeton, NJ: Princeton University Press.
- Jonung, L. (1982). *Skatter* [Taxes]. Malm, Sweden: Libertrykk.
- Jonung, L. (1999). *Med backspegeln som kompass: om stabiliseringspolitiken som läroprocess: rapport till ESO—Expertgruppen för studier i offentlig ekonomi* [With the rearview mirror as a compass: On stabilization policy as a learning process: Report to the ESO expert group for the study of the official economy]. Stockholm, Sweden: Fakta info direkt.
- Korpi, W. (1996). Euroclerosis and the sclerosis of objectivity: On the role of values among economic experts. *Economic Journal*, 106, 1727-1746.
- Korten, D. (1995). *When corporations rule the world*. West Hartford, CT: Kamarian Press.
- Laatikainen, K. V. (2000). Equality and Swedish social democracy. In R. Geyer, C. Ingebritsen, & J. Moses (Eds.), *Globalization, Europeanization, and the end of Scandinavian social democracy?* (pp. 139-165). London: Macmillan.
- Lash, S. (1985). The end of neo-corporatism? The breakdown of centralized bargaining in Sweden. *British Journal of Industrial Relations*, 23, 215-239.
- Lee, D. R., & McKenzie, R. B. (1989). The international political economy of declining tax rates. *National Tax Journal*, 42, 79-83.
- Lindbeck, A. (1997). *The Swedish experiment*. Stockholm, Sweden: Studieförbundet Näringsliv och samhälle.
- Lodin, S.-O. (1982). *Skatter i kris* [Taxes in crisis]. Lund, Sweden: Norstedt.
- Ministry of Finance. (1995). *Medium term survey*. Stockholm, Sweden: Author.
- Moen, K. O., & Wallerstein, M. (1999). Social democratic labor market institutions: A retrospective analysis. In H. Kitchelt, P. Lange, G. Marks, & J. Stephens (Eds.), *Continuity and change in contemporary capitalism* (pp. 231-260). New York: Cambridge University Press.
- Moses, J. (2000). Floating fortunes: Scandinavian full employment in the tumultuous 1970s-1980s. In R. Geyer, C. Ingebritsen, & J. Moses (Eds.), *Globalization, Europeanization and the end of Scandinavian social democracy?* (pp. 62-84). London: Macmillan.
- Myrdal, G. (1982). Dags för ett bättre skattesystem [Time for a better tax system]. In L. Jonung (Ed.), *Skatter* [Taxes]. Malmö, Sweden: Liberforlag.
- Norr, M., Duffy, F., & Sterner, H. (1959). *Taxation in Sweden*. Boston: Little, Brown.
- Notermans, T. (2000). Europeanization and the crisis of Scandinavian social democracy. In R. Geyer, C. Ingebritsen, & J. Moses (Eds.), *Globalization, Europeanization and the end of Scandinavian social democracy?* (pp. 23-44). London: Macmillan.
- Organization for Economic Cooperation and Development. (1997). *Taxing international business: Emerging trends in APEC and OECD countries*. Paris: Author.
- Organization for Economic Cooperation and Development. (1999). *Economic surveys, Sweden*. Paris: Author.

- Owens, J. (1993). Globalization: The implications for tax policies. *Fiscal Studies*, 14(3), 21-44.
- Pechman, J. A. (Ed.). (1988). *World tax reform: A progress report*. Washington, DC: Brookings Institution.
- Pontusson, J. (1986). *Labor reformism and the politics of capital formation in Sweden*. Unpublished Ph.D. dissertation, University of California, Berkeley.
- Pontusson, J. G. (1991). *At the end of the third road: Swedish social democracy in crisis*. Seminar at the Graduate Faculty of the New School for Social Research. New York: New School of Social Research.
- Pontusson, J., & Swenson, P. (1996). Labor markets, production strategies, and wage bargaining institutions: The Swedish employer offensive in comparative perspective. *Comparative Political Studies*, 29, 223-250.
- Radaelli, C. (1997). *The politics of corporate taxation in the European Union: Knowledge and international policy agendas*. New York: Routledge.
- Regeringskansliet [The government office]. (1999-2000). *Government budget proposition, PROP*. Stockholm, Sweden: Author.
- Riksskatteverket. (1999). *Skattestatistisk årsbok 1999* [Statistical yearbook 1999]. Stockholm, Sweden: Author.
- Rodriguez, E. (1980). *Offentlig inkomstexpansion: En analys av drivkrafterna bakom de offentliga inkomsternas utveckling i Sverige under 1900-talet* [Public revenue growth: An analysis of the forces behind the expansion of public revenues in Sweden in the 1900s]. Uppsala, Sweden: CWK Gleerup.
- Rodrik, D. (1997). *Has globalization gone too far?* Washington, DC: Institute for International Economics.
- Rothstein, B. (1988). State and capital in Sweden: The importance of corporatist arrangements. *Scandinavian Political Studies*, 11(3), 235-260.
- Rothstein, B. (1992). Labor market institutions and working class strength. In S. Steinmo, K. Thelen, & F. Longstreth (Eds.), *Structuring politics: Historical institutionalism in comparative politics* (pp. 33-56). New York: Cambridge University Press.
- Rothstein, B., & Bergström, J. (1999). *Korporatismens fall: och den svenska modellens kris* [Corporatism's fall: And the Swedish model's crisis]. Stockholm, Sweden: SNS Forlag.
- Ruin, O. (1981). Sweden in the 1970's: Policy-making (sic) becomes more difficult. In J. Richardson (Ed.), *Policy styles in Western Europe* (pp. 141-167). London: Allen and Unwin.
- Sandford, C. (1993). *Successful tax reform: Lessons from an analysis of tax reform in six countries*. Bath, UK: Fiscal Publications.
- Scharpf, F. (2000). The viability of advanced welfare states in the international economy: Vulnerabilities and options. *Journal of European Public Policy*, 7(2), 190-228.
- Schjelderup, G. (1993). Optimal taxation, capital mobility, and tax evasion. *Scandinavian Journal of Economics*, 95(3), 377-386.
- Sjöberg, T. (1999). Intervjun: Kjell-Olof Feldt [Interview: Kjell-Olof Feldt]. *Playboy Skandinavien*, 5, 37-44.
- Södersten, J. (1983). *Skatt på Bolagskapital* [The taxation of corporate capital]. Stockholm, Sweden: Thomas Lindberg.
- Statens Offentliga Utredningar. (1982). *Utredning om taxeringsförfarandet och skatteprocessen* [Proposition for assessment process and the taxation process] (24th ed.). Stockholm, Sweden: Author.
- Statens Offentliga Utredningar. (1983a). *Skall Moms Slopas?* [Should VAT be graduated?]. Stockholm, Sweden: Author.
- Statens Offentliga Utredningar. (1983b). *Statistiska Meddelanden* [Statistical information]. Stockholm, Sweden: Author.

- Statens Offentliga Utredningar. (1984). *Forenklaad själv deklaraation* [Simplified self-declaration]. Stockholm, Sweden: Author.
- Statens Offentliga Utredningar. (1986). *Reavinst Aktier Obligationer* [The real taxation of stocks and bonds] (Vol. 37). Stockholm, Sweden: Author.
- Statens Offentliga Utredningar. (1987). *Utredning om reformerad inkomst beskattning* [Proposition to reform income taxation]. Stockholm, Sweden: Author.
- Statens Offentliga Utredningar. (1989a). *Reformerad företagsbeskattning* [Reformed corporate taxation] (Vol. 34). Stockholm, Sweden: Author.
- Statens Offentliga Utredningar. (1989b). *Reformerad Inkomstbeskattning* [Reformed income taxation] (Vol. 33). Stockholm, Sweden: Author.
- Statens Offentliga Utredningar. (1989c). *Reformerad Mervärdesskatte* [Reformed VAT] (Vol. 35). Stockholm, Sweden: Author.
- Statens Offentliga Utredningar. (2000). *Välfärd vid Vägskäl* [Welfare at the crossroads]. Stockholm, Sweden: Author.
- Steinmo, S. (1988). Social democracy vs. socialism: Goal adaptation in social democratic Sweden. *Politics and Society*, 16, 403-446.
- Steinmo, S. (1993). *Taxation and democracy: Swedish, British and American approaches to financing the modern state*. New Haven, CT: Yale University Press.
- Steinmo, S. (1994, November/December). An end to redistribution? Tax reform and the globalization of the world economy. *Challenge*, pp. 1-9.
- Svallfors, S. (1989). *Vem älskar välfärdsstaten?: attityder, organiserade intressen och svensk välfärdspolitik* [Who loves the welfare state? Attitudes, organized interests and Swedish welfare policy]. Lund, Sweden: Arkiv.
- Svallfors, S. (1997). Worlds of welfare and attitudes to redistribution: A comparison of eight Western nations. *European Journal of Sociology*, 13, 283-304.
- Sverenius, T. (1999). *Vad hände med Sveriges ekonomi efter 1970?* [What happened with the Swedish economy after 1970?] (Vol. 31). Stockholm, Sweden: Statens Offentliga Utredningar.
- Swank, D. (1998). Funding the welfare state: Globalization and the taxation of business in advanced market economies. *Political Studies*, 46(4), 671-692.
- Swank, D. (in press). *Diminished democracy: Globalization, political institutions, and policy change in developed welfare states*. New York: Cambridge University Press.
- Swenson, P. (1989). *Fair shares: Unions, pay and politics in Sweden and West Germany*. Ithaca, NY: Cornell University Press.
- Swenson, P. (1991). Labor and the limits of the welfare state. *Comparative Politics*, 23(4), 379-399.
- Tanzi, V. (1995). *Taxation in an integrating world*. Washington, DC: Brookings Institution.
- Tanzi, V., & Schuknecht, L. (2000). *Public spending in the 20th century: A global perspective*. Cambridge, UK: Cambridge University Press.
- Wettergren, A. (2000, May 30). En traditionell socialdemokrat [A traditional social democrat]. *Göteborgs-Posten*, p. 2.
- Witte, J. (1983). The distribution of federal tax expenditures. *Policy Studies Journal*, 12, 131-146.
- Wriston, W. (1992). *The twilight of sovereignty*. New York: Scribner.

Sven Steinmo is an associate professor of political science at the University of Colorado, Boulder. Steinmo's research, writing, and teaching range broadly in the fields of political

economy, comparative politics and polity, and American government. He is the coeditor of Structuring Politics (Cambridge University Press, 1992), the author of Taxation and Democracy (Yale University Press, 1993), and the editor of Tax Policy (Elgar Press, 1998). He is currently working on two books: The Land of Milk and Honey: A Short History of America and the People It Created and The Evolution of the Modern State.