

# HOW SWEDEN LEFT SOCIALISM BEHIND

Though the myths about the high-tax Scandinavian country persist, it is in many ways a more market-oriented economy than the UK, says **Rainer Zitelmann**

FOR decades, the production and sale of alcohol was heavily regulated by the state in Sweden. When it came to beer, for example, the state prescribed a maximum limit of around three per cent alcohol by volume – anyone who wanted to drink stronger beer had to buy it on prescription from a pharmacy and, even then, the beer's strength was limited by the state. These regulations were only abolished when Sweden joined the EU in 1995. In 2010, a now well-known brewery, Omnipollo, was founded, and it has gone on to become famous for its imaginative beer can designs, among other things.

I was invited to Stockholm by Anders Ydstedt. He is an entrepreneur and investor and, together with his wife Susanne, owns or co-owns several companies in industries as diverse as online services, cleantech investments, and public restrooms in train stations. He is also a board member of Godsinlösen Nordic, a listed company on Nasdaq First North in Stockholm.

If Sweden was once a socialist country, that was several decades ago. But just as people find it difficult to shrug off an established image long after it no longer holds true, so too do nations. We are generally very slow to adjust our familiar image of a nation.

To be clear: Sweden is not a socialist country today. In the Heritage Foundation's annual ranking of the world's most economically free countries, Sweden is one of the ten most market-oriented economies. In 9th place in the 2024 Index of Economic Freedom, Sweden is well

ahead of the UK (30th place).

My survey on the image of the market economy and capitalism, conducted by the opinion research institute Ipsos, confirmed that Sweden is among the countries with the most pronounced pro-market attitudes. Only in six out of a total of 35 countries is support for the market economy stronger. Another study I commissioned dealt with attitudes towards the rich.

Only 32 per cent of Swedes believe that the rich should pay very high taxes so that the state can ensure that inequality does not become too great. In contrast, 49 per cent of Swedes believe that taxes for the rich should not be excessively high because they have worked hard for their wealth and the state should not take too much of it away from them. In most other countries that have been surveyed (with the exception of Poland and Vietnam), the population takes a different view: the majority of respondents are in favor of extremely high taxes on the rich. The survey also showed that social envy in Sweden is much less pronounced today than in France or Germany, for example.

Nonetheless, anyone who looks for features of socialism in Sweden will find them. Swedish government spending is still high. While the tax burden in Sweden is nowhere near as high as it once was, it is still almost the highest in the world at 42.6 per cent of domestic income. The top tax rate for individuals is still high at 57 per cent and the top tax rate for businesses is 20.6 per cent. On the other hand, what many people don't know is that – unlike most countries

– Sweden no longer has inheritance, gift or wealth taxes, all of which have been abolished.

The abolition of these taxes in particular had a positive impact, as Anders explained to me: "The exodus of investment capital and entrepreneurs stopped. Ingvar Kamprad and many other entrepreneurs returned to Sweden. A comparison of the numbers of billionaires per capita living in Sweden and France is striking and shows the negative effects of inheritance and gift taxes. In 2003, when wealth, inheritance and gift taxes were still in place in both Sweden and France, the ratio of dollar billionaires per million inhabitants was 0.17 in France and 0.22 in Sweden. By 2017, the ratio had risen to 0.46 in France, which still retained the taxes, and to 2.0 in Sweden. Indeed, today Sweden has a higher share of dollar billionaires than the US, with 2.7 versus 2.4 billionaires per million inhabitants, excluding Swedish billionaires who live outside Sweden." More entrepreneurs and more capital in Sweden provide opportunities for new and larger companies. New companies such as

Spotify and Klarna are the result of entrepreneurs reinvesting in new companies and networks in Sweden.

The socialist image of Sweden and other Scandinavian countries stems from the 1970s and 80s. As late as 1960, for every 100 Swedes who earned most of their income in the private sector, there were 38 who received their money from the state. Thirty years later, in 1990, that number had risen to 151. During the same period, the number of people working in the private sector decreased from 3m to 2.6m, while the number of people receiving most of their money from the state grew from 1.1m to 3.9m.

What are conditions like for entrepreneurs in Sweden today? I talked about this very subject with Staffan Salén, CEO of Salénia AB. He is on the list of the 100 richest Swedes and is particularly involved in the real estate sector. Taxes for entrepreneurs are not as big a problem as one might think, he explained, as corporate taxes are lower in Sweden than in most European countries, and the same applies to taxes on profit distributions. There are also many tax optimisation options for companies to reduce their tax burdens. High income taxes are more burdensome. But the biggest problems, according to Salén, are the extremely long planning and approval processes and excessive red tape. In Sweden, the green ideology has meant that obtaining planning and construction

permits has become more and more time consuming. Sometimes, Salén said, a construction project can grind to a halt because a single protected species of bird has been found.

However, Salén believes that the influence of green ideologists in Sweden is now on the wane. Young people in particular are increasingly likely to vote for conservative parties. The declining influence of the Greens and other left-wing ideologists in Sweden is, at least in part, due to the impact of the country's immigration policies. Sweden was once known as a peaceful country, but mass illegal immigration has caused significant problems. In September 2023 alone, the month after I was in Sweden, twelve people died in gang shootings.

Sweden has once again demonstrated that the combination of a welfare state and open borders leads to disaster. The two do not work when implemented simultaneously. While the Swedes are not willing to abandon their welfare state, they have made a radical U-turn in their migration policy towards a more restrictive approach. But that has done little to solve the problems created by the criminal behavior of many of those who were previously allowed into the country.

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Excerpt from Rainer Zitelmann, *The Origins of Poverty and Wealth: My world tour and insights from the global libertarian movement*



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