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'Socialist' Sweden has no problem with its billionaires

Rainer Zitelmann and Anders Ydstedt

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(Photo by Vittorio Zunino Celotto/Getty Images)

Sweden has a higher proportion of billionaires than the US, but far from causing anti-capitalist backlash the supposedly socialist nation welcomes its wealthy, say Rainer Zitelmann and Anders Ydstedt

In an article entitled 'Sweden: a socialist paradise overflowing with billionaires', Ruchir Sharma implied this was a bad thing.

Writing in the ***Financial Times*** about Sweden, he noted that the proportion of billionaires is high compared to other countries and suggested this could lead to an anti-capitalist revolt.

Firstly, the data in the article needs to be corrected. Ruchir Sharma writes that Sweden has 45 dollar billionaires on the Forbes list. Relevant to the policy discussion is that there are 32 dollar billionaires in Sweden, 13 of whom live outside the country, as also shown by the Forbes list. What is correct is that Sweden has a higher proportion of dollar billionaires than the US.

When Sharma sees an increase in the number of rich people as a problem, it should be noted that confiscatory high taxes on capital and threats of socialist policies once caused many successful entrepreneurs to leave Sweden. They took their companies, money, and ideas with them, and Sweden lost growth, employment and prosperity.

To reverse this negative trend, the Swedish parliament unanimously abolished inheritance and gift taxes in 2004. A few years later, the wealth tax was abolished. Politicians hoped that this would facilitate ownership transfers in family businesses and encourage successful entrepreneurs to return to the country. This did happen, but the really big change that was not really evident at the time was the value of successful entrepreneurs staying and developing their companies, starting new ones and investing their expertise and capital in their networks in Sweden. This represents the biggest positive consequence of the tax reforms.

Th envy of Europe

Today, Sweden's financial market is highlighted as a role model in reports commissioned by the European Commission and the OECD. The European Commission wants to achieve a larger capital market that can contribute to investment in more successful companies. The Swedish venture capital market has flourished, with several players operating globally. Last year, the Financial Times wrote about "How Sweden's stock market became the envy of Europe". Over the past decade, 501 companies have gone public in Sweden, more than the total number of IPOs in France, Germany, the Netherlands, and Spain combined. According to the European Investment Bank (EIB), Stockholm ranks second only to Silicon Valley in terms of "unicorns per capita".

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In Sweden, this is a success story, not something that gives rise to an anti-capitalist revolt. The fact is that Swedes do not seem to agree with Sharma. In a paper for the British Economic Affairs journal we wrote about Swedes' views on the market economy and the rich. The paper presents the findings of two surveys conducted by Ipsos MORI in Sweden. The first survey focused on perceptions of the rich, while the second explored attitudes towards the market economy and capitalism.

Attitudes towards the rich are far more positive in Sweden than in France, Spain, Germany and Italy. Attitudes towards the market economy are also more positive in Sweden than in all other European countries, except Poland. Only 32 per cent of Swedes believe that the rich should pay not just high but very high taxes, even among low earners in Sweden with annual incomes of less than 300,000 kronor, 47 per cent say that taxes on the rich should not be too high – and only 37 per cent of low earners in Sweden are in favor of very high taxes on the rich. Our findings on Sweden are confirmed by a recent global study by Pew Research Center. Sweden and Poland have the lowest proportions of residents who see inequality as a problem.

In our paper we also try to explain these results. Sweden was one of the poorest countries in Europe when, on June 18, 1864, it introduced freedom of trade. From 1870 to 1970, Sweden experienced strong economic growth measured in GDP per capita, especially high compared with other countries until 1950. After WW2, long periods of rule by the Social Democratic Party, during which the Social Democrats gradually became more radical, led to markedly anti-business policies that peaked in the 1970s. During this period, many saw Sweden as a showcase for “democratic socialism”. However, as mentioned above, this period also saw the exodus of numerous successful entrepreneurs, most notably the IKEA founder Ingvar Kamprad, who left Sweden under the threat of high taxes and wage earner funds. The experiment with “democratic socialism” was an exception in Swedish history. Today, Swedish Social Democrats reject any idea of taxes on inheritance or wealth.

It may be that Swedes have been inoculated against excessively high taxes and socialist policies. Finally, when Sharma writes about inheritance as “bad wealth” he overlooks the distinctive Swedish ownership model, which has established a clear link between owners and companies. This model may also provide a more positive view of active entrepreneurs and their need for capital to be able to control their companies. Reforms that increased incentives for private stock market savings through individual savings accounts and the funded pension savings have probably also contributed to a greater appreciation of the value of a well-functioning market economy.

Sharma is right in saying that Sweden has more billionaires, but this is seen as a success story both in Sweden and internationally.

Anders Ydstedt is a swedish entrepreneur and advisor to major swedish business organizations and companies. He worked with the successful campaigns to abolish the inheritance tax and wealth tax in Sweden.

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