

THE DEVELOPMENT OF THE DISTRIBUTION OF WEALTH IN SWEDEN

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This paper is concerned with the distribution of wealth in Sweden in 1975 and its development during the period 1920–75. The paper is based on a large study on wealth undertaken for the Swedish Commission on Wage-Earners and Capital Formation. The first report from this study was presented in 1979 as a book in Swedish: Roland Spånt, *Den svenska förmögenhetsfördelningens utveckling* (The Development of the Distribution of Wealth in Sweden), SOU 1979:9. That first report will also be published in English. Prior to that the main results can be found in this paper.

During 1980–81 we intend to publish specific reports on the distribution of shareholding, the effects of inflation, the development of the distribution of wealth 1975–78, the importance of pension rights etc.

AIM OF THE STUDY

The principal aim of this paper is to give the reader a first description of the nature and development of the Swedish distribution of wealth. It is the main features which we have tried to ascertain. Even this limited aim presents a large problem. The more detailed results are mainly saved for the later reports. The basis of the study has been the situation at the end of 1975.

This paper is primarily concentrated on the assets owned directly by Swedish households, whereas the assets owned indirectly via the state, local communities, corporations etc. are not included.¹ In the final report a broader approach will be used.

There is no unique, universally accepted definition of the concept of wealth, capable of covering all interesting economic-political aspects. The choices in empirical studies have also been limited by the restricted supply of relevant wealth data. There is also a strong correlation between the concept of wealth chosen and the degree of inequality in the distribution found.

Here only those assets are included that can be transformed into cash, e.g. by selling on a market. This therefore includes the assets which according to Swedish tax laws are taxable, while pension funds and so-called human capital are omitted.² In later reports even these assets will be estimated. No special attention is here given to the differences in power and influence connected with different types of assets.

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¹A broader approach is applied in Spånt, R., *The Distribution of Wealth in Sweden*, Stockholm, 1975. (Only available in Swedish).

²Human capital is here used in a very wide sense including nationality, health status, education, labour market position etc.

BASIC SOURCES AND METHODS

The current official Swedish wealth statistics are completely unreliable as basis for wealth studies. They are unreliable both as a description of the distribution in a certain year and for analysis of time series.

We were therefore forced to collect new statistics covering a sample of households. This sample consists of about 8,000 households of which 5,000 are ordinary Swedish households and about 3,000 are rich households. The latter sample is stratified according to the net wealth position of the households so that *all* Swedish households with a net wealth position over 10 million Sw.Cr. are included, every second household with a net wealth position between 5 and 10 million Sw.Cr., etc. See Table 1.

TABLE 1
THE FRAME OF THE 1975 SWEDISH WEALTH STUDY
(1 U.S. \$ = 4.23 Sw.Cr.)

| Taxable Net Wealth Position (1,000 Sw.Cr.) | Number of Households | |
|--|----------------------|-----------|
| | Total Population | Sample |
| Above 10,000 | 229 | 229 |
| 5,000-10,000 | 413 | 207 |
| 2,000-5,000 | 1,860 | 372 |
| 1,000-2,000 | 5,493 | 550 |
| 500-1,000 | 23,633 | 591 |
| 300-500 | 63,393 | 506 |
| 200-300 | 112,373 | 448 |
| Below 200 | ca. 3.9 million | ca. 5,000 |
| Total | ca. 4.1 million | ca. 8,000 |
| Of which above 200 | 207,394 | 2,903 |

For this sample of 8,000 households we collected and analysed all types of assets and debts registered in the tax files for 1975.³ These files should normally include such assets as bank-savings, bonds, shares, estates, owner-occupied houses, unincorporated enterprises etc., but exclude pension funds. Cars, boats and some other important types of consumer durables should normally also be included.

Tax files are internationally a rather unusual source for wealth studies. One usually assumes that tax evasions etc. are so serious that tax files cannot be used for income or wealth studies. In some countries respect for the secrecy of private life and for the private economy have prevented official statisticians or researchers from having access to tax files. This approach has however a very long history in Sweden. Comparisons with other statistics indicate that tax-file data in Sweden for 1975 underestimated the households' true positions especially for cash, bank deposits, bonds and owner-occupied apartments. The total underestimation was however manageable.

³It must be emphasized that the manual work on the tax files was done by a staff working under strict rules of secrecy.

Our statistical basis makes it possible to present Household Balance Sheets for December 1975 and to calculate the inequality of the distribution of household wealth in 1975. These calculations were made both by using so-called taxable values and by using the more relevant market prices. Our results are also compared to results from earlier Swedish studies covering the years 1920, 1930, 1935, 1945, 1951, 1966 and 1970. Household Balance Sheets can be studied for the period 1945–1975 whereas the vertical distribution of wealth in 1975 can be compared to the distributions of all the above seven years within the 55-year-period.

The distribution of wealth in Sweden in 1975 was for the first time also compared with the distributions in a number of other industrial countries. Comparisons were made of the Household Balance Sheets, the total value of household net wealth, and the inequality in the distribution.

It is natural that all results of such comparisons are strongly affected by national differences in the quality and quantity of the wealth statistics and of the selection of countries. The comparison covers Sweden and the five countries for which I could find rather comparable data.⁴ It is possible that wealth studies are mainly undertaken in countries where the distribution is said to be too unequal and where the inequality may also be large. Many countries with more uniform distributions would therefore lack wealth statistics and could therefore not be included in international comparisons. Or it could be the other way around. Unfortunately no data were available for countries such as Norway and Austria which have egalitarian images.

HOUSEHOLD BALANCE SHEETS

(a) 1975

According to tax-file data, Swedish households at the end of 1975 held assets of a total taxable value of about 350,000 million Sw.Cr. (1 U.S. \$ = 4.23 Sw.Cr.) and debts of about 150,000 million Sw.Cr. The global taxable *net* wealth therefore amounted to about 200,000 million Sw.Cr. When we replace the taxable values by the more relevant market values both gross and net wealth increase by about 150,000 million Sw.Cr. to about 500,000 million and 350,000 million, respectively.

A number of people are however not included in the tax files or have not stated their assets. The total sum of these types of legal or illegal underdeclaration amounts to 50–70,000 million Sw.Cr. When we also include these assets, total *gross* wealth increases to about 570,000 million and *net* wealth to about 420,000 million.

Eight types of assets dominate total wealth: house properties, bank deposits, shares, bonds, cars and boats, personal loans, stocks and the so-called other inventories. See Table 2. These eight types make up about 97 percent of total gross wealth. The most important single type of asset was house property. The value of owner-occupied houses, farms, summer houses and private apartment

⁴The results of this comparison are also presented in English in Spånt (1978).

TABLE 2
HOUSEHOLD BALANCE SHEETS IN SWEDEN IN 1945 AND IN 1975.
PERCENTAGE DISTRIBUTION

| Type of Asset or Debt | 1945 | 1975 |
|--|------|------|
| Bank savings | 14 | 14 |
| Bonds | 3 | 1 |
| Personal loans | 6 | 4 |
| Shares | 12 | 5 |
| Owner-occupied houses and summerhouses | 18 | 44 |
| Apartment houses | 17 | 4 |
| Farms and unincorporated businesses | 28 | 21 |
| Miscellaneous (cars etc.) | 2 | 7 |
| Total | 100 | 100 |
| Debts | 28 | 30 |
| Net wealth | 72 | 70 |

Source: Chapter 5 in Spånt (1979). The table refers to market values. If we also included underdeclaration of bank savings, bonds etc. the figures in the table would change but the trends over time would be the same. Excluded from this table are life insurance, funded or unfunded pension rights etc.

houses together make up two-thirds of total gross wealth. Owner-occupied houses alone make up 40 percent of gross assets. Bank deposits (excluding under-declaration) make up 14 percent, shares 5–6 percent, personal loans 3 percent, bonds 1–2 percent, cars etc. 3 percent and other inventories, stocks and other assets etc. each about 2 percent.

(b) 1945–75

The historical analysis presented in Table 2 indicates that this Household Balance Sheet has changed dramatically since 1945.⁵ Apartment houses, farms etc., personal loans and shares have strongly diminished in importance during the 30-year-period. Apartment houses made up 17 percent of gross wealth in 1945 compared to only 4 percent thirty years later. Farms and other unincorporated firms made up about 28 percent of gross wealth in 1945 and about 21 percent in 1975. This latter change could partly be caused by the increased corporate sector in Sweden. Many owners of former unincorporated businesses may have transformed their firms to corporations (among other things because of tax reasons).

Even the importance of shareholding has diminished. Shares made up about 12 percent of gross wealth in 1945 compared to about 5.5 percent in 1975. However, the value of shares not quoted on the stock market is difficult to ascertain and the value of this type of shares is probably heavily underestimated, which can distort the time series. The importance of quoted shares alone sank from 6 percent to 4 percent of total household wealth during the thirty-year-period.

⁵Only data for 1945 and 1975 are presented here. In Spånt (1979), Chapter 5, there are also data for 1951, 1958, 1966 and 1970.

Owner-occupied houses and summer houses have on the other hand increased extremely fast in importance during the period, from together about 17 percent to about 45 percent of total wealth—nearly a trebling. *This change is probably the most important one during this period and maybe up to now during this century.*

There are also a number of assets whose importance has been largely unchanged during the period in spite of the large changes in gross wealth and in the above mentioned types of assets. Bank saving and bonds belong to this group of “stable” assets. The share of debts in total wealth has also been remarkably stable.

The international comparison of the Household Balance Sheets indicates that the asset composition of Swedish households was similar to that of households in Denmark, the Federal Republic of Germany, France and the United Kingdom. In all the mentioned West European countries different types of housing made up about half the total gross wealth. In U.S.A. the share of housing was much lower.

Shares were more important in Sweden than in Denmark, the Federal Republic of Germany and France. The Swedish figure, however, was lower than the British one, and much lower than the American. The value of unincorporated businesses outside the farming sector was relatively much higher abroad than in Sweden. This can be caused by the fact that even small firms in Sweden are incorporated.

An interesting phenomenon is that the Swedish and the Danish households had a much higher average debt/asset ratio than households in the other countries.

THE VERTICAL DISTRIBUTION

Not surprisingly the distribution of wealth among Swedish households was very unequal in 1975. The distribution was somewhat less unequal when we applied market prices for the assets rather than the often much lower taxable values. Every international comparison in this field is of course highly uncertain but our analysis indicates that Sweden and Denmark nevertheless had more uniform distributions of wealth than the Federal Republic of Germany, Great Britain and U.S.A.⁶ The comparison is here based on the share of total net wealth held by the very rich and the “super-rich.” We therefore compare the relation between the situation for the richest households and the situation for the average of the other households. We have however not been able to compare the situation for the “middle groups” and the situation for the poorest groups.⁷

⁶Harrison (1979) did not compare the distribution of wealth in U.K. and Sweden because the Swedish study was not based on the “estate multiplier method.” However the Swedish method is more reliable than any other method of estimation. The Swedish wealth study is therefore probably one of the most reliable and perhaps also the most detailed ever done. The question of comparability between Sweden on one side and U.S. and U.K. on the other therefore depends on to what degree the “estate multiplier method” is capable of presenting the “true” distribution of wealth in U.S. and in U.K.

⁷Underdeclaration makes it extremely difficult to estimate the assets held by the poorest households. This problem is common to Sweden and the other five countries.

Even if the distribution of wealth in Sweden in 1975 could be characterized as a very unequal distribution, e.g. compared to the distribution of income and consumption, the historical study indicates that there was a strong trend towards lower inequality in the distribution of wealth from 1920 to 1975. The distribution has step by step become more uniform and each study (1920, 1930, 1935, 1945, 1951, 1966, 1970 and 1975) showed less inequality than the preceding ones; see Table 3.

TABLE 3
THE VERTICAL DISTRIBUTION OF WEALTH IN SWEDEN
1920-75. ASSETS AND DEBTS VALUED ACCORDING TO
TAX ASSESSED VALUES^a

| Year | Percent Richest Households | | | | |
|------|----------------------------|----|----|-----|-----|
| | 1% | 2% | 5% | 10% | 20% |
| 1920 | 50 | 60 | 77 | 91 | 100 |
| 1930 | 47 | 58 | 74 | 88 | 98 |
| 1935 | 42 | 53 | 70 | 84 | 97 |
| 1945 | 38 | 48 | 66 | 82 | 96 |
| 1951 | 33 | 43 | 60 | 76 | 92 |
| 1966 | 24 | 32 | 48 | 64 | 82 |
| 1970 | 23 | 31 | 46 | 62 | 84 |
| 1975 | 21 | 28 | 44 | 60 | 80 |

^aThis table refers to *tax assessed values*—not market values.

The equalization has mainly been characterized by a slower growth of the wealth held by the richest two percent of the households than for the other households taken together. The share of total net wealth held by the richest two percent thus decreased very strongly, from about 60 percent in 1920 to 28 percent in 1975. This decrease corresponded closely to the increase for the “poorest” 95 percent households. Their share of total registered net wealth increased from about 23 percent in 1920 to 56 percent in 1975.

These estimates concern wealth valued according to *taxable values*. The same development would probably have been registered if the assets could have been valued according to market prices or if underdeclaration could have been considered. The trend towards a more uniform distribution would probably have been even stronger if we had used a wider concept of wealth, e.g. also including assets in private and public pension funds.

Another typical feature of the development has been the strong increase in the percentage of all households that declare assets in their tax files. In 1920 only one fifth of all households declared any kind of assets compared to three quarters in 1975. The true number of wealth-holders today is even greater, probably between 90 and 100 percent.

We have earlier in this paper stated that the distribution of wealth was very unequal in 1975. This inequality is of special interest and is presented in Table 4. According to our estimates the richest one percent of all families in Sweden held 15–17 percent of total household net wealth, the richest five percent about 32–38

percent of total net wealth and the richest decile (10 percent) about 45–54 percent of total net wealth.

TABLE 4
THE VERTICAL DISTRIBUTION OF WEALTH IN SWEDEN, 1975
(percentages)

| Percent of Richest Households | Net Wealth, Tax-Assessed Values | Net Wealth, Market Prices | Net Wealth, Market Prices Plus Underdeclaration |
|-------------------------------------|---------------------------------------|------------------------------|---|
| 0.1 | 8 | 6 | 5–6 |
| 0.5 | 15 | 13 | 11–13 |
| 1.0 | 21 | 17 | 15–17 |
| 2.0 | 28 | 24 | 20–24 |
| 5.0 | 44 | 38 | 32–38 |
| 10.0 | 60 | 54 | 45–54 |
| 20.0 | 80 | 75 | 63–75 |

Note: Net wealth, tax-assessed values, refers to the figures registered in the tax files. Net wealth, market prices, is calculated by using market prices on farms, apartment houses, owner-occupied houses and summer houses. Underdeclaration here refers to the holdings of cash, bank savings, bonds and cars which according to national financial statistics etc. are held by households but which do not appear in the tax records. (In total about 20 percent of household gross wealth was legally or illegally excluded from the households' "self-declarations.")

Hitherto we have known little about the distribution of the underdeclaration among different households. There are some indications that a major part of the underdeclaration should refer to the 80 percent "poorest" households. In the table the lower values refer to the case when *all* underdeclaration is distributed among the 80 percent poorest households. The higher estimates are constructed on the assumption that the underdeclaration is proportional to registered net wealth. The true values should lie somewhere between these two extremes.

In 1975 the richest one percent of families therefore held fortunes about seventeen times larger than if all families had equal wealth positions. The concentration was even more accentuated closer to the very top of the wealth hierarchy. Eight hundred families held about 3 percent of total household net wealth, which was 150 times more than in a situation of complete uniformity. The distribution would probably look somewhat less unequal if we could consider different types of underdeclaration. Nevertheless the distribution of wealth is much more unequal than other economically interesting distributions. While the richest 10 percent of families holds about 50 percent of total net wealth the 10 percent of families with the highest disposable income receives about 20 percent of the total household disposable income in Sweden.

THE OWNERSHIP OF APARTMENT HOUSES AND COMPANY SHARES

There are also certain types of assets which are still more unequally distributed than total net wealth. To this category belong above all apartment houses and different types of shares. Only 72,000 families (1.8 percent of all families in

the country) had stated ownership of apartment houses and among this group only 5,000 families (0.1 percent of all families in Sweden) held 60 percent of all private apartment houses.

According to tax files, 455,000 families held some type of company shares. Among this group, 334,000 families had shares quoted on the Swedish stock market or mutual funds etc., 13,000 families held some type of foreign company share, 54,000 families held shares in one or several of about 15,000 medium-sized companies and 123,000 families held other types of company shares (mainly in rather small companies). This implies that about 11 percent of all families stated ownership of any kind of company shares, 8 percent listed ordinary shares etc., 1.3 percent company shares in medium-sized companies, 0.3 percent company shares in overseas companies and 3 percent in other types of companies. Many families are therefore owners of more than one type of company shares.

Table 5 illustrates that share-holding is extremely unequally distributed among different stockholders. One fifth of the stockholding families each holds less than 1,000 Sw.Cr. in shares and about 50 percent of the stockholders each

TABLE 5
THE DISTRIBUTION OF HOUSEHOLD SHARE-HOLDING IN SWEDEN
IN 1975

| Total Value of Shares (1,000 Sw.Cr.) | Percent of All Households | | Percent of All Shareholding | |
|---|------------------------------|------------|--------------------------------|------------|
| | Class | Cumulative | Class | Cumulative |
| >500 | 0.2 | 0.2 | 42.0 | 42.0 |
| 300-500 | 0.2 | 0.4 | 10.5 | 52.5 |
| 100-300 | 0.9 | 1.3 | 21.5 | 74.0 |
| 50-100 | 1.3 | 2.6 | 12.7 | 86.7 |
| 25-50 | 1.2 | 3.8 | 6.2 | 92.9 |
| 15-25 | 0.9 | 4.7 | 2.6 | 95.5 |
| 10-15 | 0.9 | 5.6 | 1.9 | 97.4 |
| 5-10 | 1.0 | 6.6 | 1.2 | 98.6 |
| 1-5 | 2.7 | 9.2 | 1.3 | 99.8 |
| 0-1 | 1.9 | 11.1 | 0.2 | 100.0 |
| 0 | 88.9 | 100.0 | 0 | 100.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

holds less than 10,000 Sw.Cr. (1 Sw.Cr. = 0.23 U.S. \$). This half of the stockholders however together holds only 2.5 percent of the total value of the company shares owned by all households. On the other hand, the 5,500 largest stockholders, or 1.2 percent of all *stockholders*, together hold about 40 percent of all household stockholdings. The 11,000 largest holders of listed shares, less than 0.3 percent of all the families in Sweden, together hold half of the total stock of the quoted shares held by households in Sweden.

The total value of listed company shares held by households in 1975 amounted to 19,300 million Sw.Cr., which was about 43 percent of the gross value of all shares listed on the Swedish stockmarket. Firms, insurance companies,

pension funds, mutual funds, other institutional investors, foreign investors etc. therefore together held well over 50 percent of all listed shares.

CONCLUSIONS

This paper contains a summary of a study on the distribution of household wealth in Sweden in 1975 and its development 1920–75. The basis of the study is a sample of 8,000 households in 1975. Their tax files have been carefully studied and all assets and debts collected and analysed. The sample is stratified according to size of wealth and large wealth holders are strongly over-sampled. All households with net wealth position over 10 million Sw.Cr. are included, every second households between 5–10 million etc.

The assets covered by the study were bank savings, bonds, shares, estates, owner-occupied houses, unincorporated enterprises, cars, boats etc. Both taxable and market values can be estimated. Life insurance and pension funds will be discussed in future reports. The study makes it possible to present household balance sheets for 1975 which are compared to results from 1945, 1951, 1966 and 1975. In 1975 eight types of assets dominated total wealth: house properties, bank savings, shares, bonds, consumer durables, personal loans, stocks and inventories. The value of owner-occupied houses alone makes up 40 percent of gross assets. Bank savings (excluding underdeclaration) make up 14 percent, shares 5–6 percent, personal loans 3 percent, bonds 1–2 percent and cars etc., 3 percent.

This structure has changed dramatically since 1945. The importance of some assets has decreased strongly. Apartment houses made up 17 percent in 1945 and only 4 percent 1975, farms etc. 28 percent compared to 21 percent, shares 12 percent compared to 5–6 percent. Owner-occupied houses and summer houses had on the other side increased their total share from 17 percent in 1945 to about 45 percent in 1975.

From an international point of view the Swedish Household Balance Sheet shows a typical Western European structure.

The size distribution of wealth in Sweden is very unequal. It seems, however, to be less unequal than the distributions in the Federal Republic of Germany, U.K., U.S. and Denmark. In Sweden in 1975 the richest one percent of households held 15–17 percent of total household net wealth. The top 0.1 percent of households held 5–6 percent of total net wealth.

The richest 800 households (0.02 percent of all households) together held 3 percent of the total household net wealth. Analyses of wealth data from 1920, 1930, 1935, 1945, 1951, 1966 and 1970, indicate, however, that the distribution of wealth in Sweden had step by step become more and more uniform over time. In 1920 the richest one percent of households held 50 percent of total household taxable wealth compared to around 20 percent in 1975. The same development would probably have been observed if the historical analysis could have been based on *market* prices.

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