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Collapse of a Bourgeoisie? The Wealthy in Stockholm 1915-1965

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ABSTRACT

The paper explores the decline of the propertied bourgeoisie in Sweden in the twentieth century by analysing data from *Stockholm Directory of Wealth* reporting on private wealth in the years 1914, 1928 and 1963. Wealth tax statistics are used as complementary sources. How did the overall level of wealth change among the affluent Stockholmers during this period? Who were the wealthiest people in Stockholm and how did the social stratification within the richest change over time?

The main results are: 1. Strongly declining overall mean wealth (-58 per cent) among the richest with a dramatic drop already before 1945 (thus before the expansion of the welfare state) and 2. Surprisingly stable social positions among the wealthiest between 1914 and 1963, despite radical changes in society and a dramatic decline in mean wealth.

Collapse of a Bourgeoisie? The Wealthy in Stockholm 1915-1965

Bourgeois worries as a starting point

Historical research has documented a strong concern, starting in the interwar period, among the upper and middle strata of the population for the cultural and economic decline of "the bourgeoisie" in Swedish society. But the views differ on what exactly and how severe the effects of the economic levelling were.¹

Some historians point out that large bourgeois groups (mainly small business owners) were held back economically and socially from the 1930s. The rise of the labour movement, the change in political regime, growing tax burdens and a long term levelling of incomes are conventionally regarded as contributing factors in the weakening of the Swedish bourgeoisie.² Other researchers claim that counteracting factors enabled the bourgeoisie to maintain considerable economic power as well as cultural legitimacy. The expansion of the service sector opened up for new bourgeois occupations and reduced the effects of the decline of small enterprises. Even if possibilities for entrepreneurship narrowed, the hierarchies of large enterprises could offer career positions for salaried employees.³

The importance of the holding of wealth for bourgeois identity and legitimacy has also been pointed out by previous research. The worries of contemporaries about the decline of the bourgeoisie circled around issues such as the loss of educational privileges, the costs of a distinctive bourgeois standard of living and especially about wealth ownership. The family

¹ Söderberg, Tom, *Två sekel svensk medelklass*, Stockholm: Bonniers 1972, 318-352; Ericsson, Tom, "A Silent Class. The Lower Middle Class in Sweden", Ericsson, Tom, J. Fink & J. E. Myhre (ed.), *The Scandinavian Middle Classes 1840-1940*, Oslo: Unipub forlag – Oslo Academic Press 2004, 19.

² See e.g. Nordin, Svante, "Får jag be om räkningen? När den svenska bildningsborgerligheten tackade för sig", Björnsson, Anders & Peter Luthersson (ed.), *Eliterna som abdikerade*, Stockholm: Carlssons 1998.

³ Glete, Jan, *Ägande och industriell omvandling. Ägargrupper, skogsindustri, verkstadsindustri 1850-1950*, Stockholm: SNS 1987; Glete, Jan, "Entrepreneurs and Social Elites: Some Reflections on the Case of Sweden", Eliasson, G. & C. Green (ed.), *Microfoundations of Economic Growth: A Schumpeterian Perspective*, Ann Arbor: University of Michigan 1998.

capital or at least the prospect of building such a capital was the backbone of the bourgeois identity.⁴

There are several accounts of the cultural meaning of wealth holding in bourgeois families. Swedish writer Olof Lagercrantz for example tells us about the views of his father, a businessman in the early 20th century: "Carl's attitude towards this capital was strict. To consume some of it was an almost unconceivable sin. The capital preserved something of the same sacredness that land held for the peasant." As a consequence the Lagercrantz family, despite their wealth, was by periods living on a rather low standard due to Carl's low income in times of economic crisis.⁵ Financial advisors of the 1930s and 1940s often warned affluent families of making inroads on their wealth. The temptations of doing so in order to preserve a traditional lifestyle (e.g. having servants and dinner receptions) were considerable. But, according to many representatives of the bourgeoisie, the loss of capital would lead not only to the economic but also to the cultural decline of the bourgeois middle class.⁶

Some contemporary observers were, not surprisingly, witnessing an exaggerated preoccupation with private economic issues among bourgeois groups and criticised this as materialistic attitude. "Reputation and social position are not determined by creative talent, or by civil merit, but by the figures in the Taxpayers' Directory", Swedish author Sten Selander said, disillusioned, in 1932.⁷ A feeling of decline and concern about capital ownership in relation to bourgeois identity was pervasive, especially during the first part of the period we focus on. But how did wealth in fact change? Were the bourgeois fears justified?

Göran Therborn, in his book about the bourgeois class in Sweden, observes that the very rich became fewer and richer between 1914 and 1927 and that contemporary fortunes are

⁴ Husz, Orsi, "Privatekonomin och den borgerliga medelklassens identitetskris 1929-1970", *Fronesis. Tema: Borgerlighet* Nr 24 2007, 116-130.

⁵ Lagercrantz, Olof, *Min första krets*, Stockholm: Wahlström & Widstrand 1982, 84-85.

⁶ Husz, Orsi, "Privatekonomin och den borgerliga medelklassens identitetskris", 126-127.

⁷ Selander, Sten, "Modernitet". *Lekmannapredikningar i radio*, Stockholm: Bonniers 1932, 78. See also Ericson, Tom et al., *The Scandinavian Middle Classes 1840-1940*, Oslo: Unipub forlag 2004, 19 and Nordin, "Får jag be om räkningen?".

remarkably new. However, while Therborn uses the term “bourgeois class”, in the case of wealth holding he examines an extremely small group, those with fortunes above 8.5 million SEK in 1927 (which is to compare with our sample of those holding at least 50,000 SEK in the following year). This gives him 43 families in 1914 and 28 in 1927. He also compares the ten richest families in Sweden at three different points of time during the twentieth century.⁸ We use a much larger material comprising altogether almost 37,000 Stockholm households (Table 1) and therefore have a broader basis for describing an affluent bourgeoisie in general. The people in our sample were not a narrow economic elite, but a group generally considered as wealthy.

In this article we use the terms “wealthy”, “affluent” or “propertied bourgeoisie”, or sometimes only “bourgeoisie” to designate the group we are studying, that is those included in the Directories of Wealth (see below). This sample corresponds to about 4 percent of the households in Stockholm at the three points in time we study. We are of course aware of the broader sense of the notion of bourgeoisie, including large groups with cultural or social capital, but without considerable economic capital. Our study does not include these; however, we will be able to compare different social fractions within our sample of wealth holders.

We thus focus on the economic fate of the most affluent groups, but we explore it from social perspectives as well. How did the economic conditions of the wealthy bourgeoisie change during this turbulent period? This was a time when the levelling of incomes and the democratisation of the society was the most intense ever in Swedish history. International and Swedish historical research on the bourgeoisie has its focus mainly on the period 1800-1914.⁹

⁸ Therborn, Göran, *Borgarklass och byråkrati i Sverige: anteckningar om en solskenshistoria*, Lund: Arkiv 1989, 138, 140.

⁹ See e.g. Kocka, Jürgen & Allan Mitchell (ed.), *Bourgeois Society in Nineteenth Century Europe*, Oxford: Berg 1993; Kocka, Jürgen, *Industrial Culture and Bourgeois Society*, New York: Berghahn Books 1999; Ericsson, Fink & Myhre (ed.), *Scandinavian Middle Classes 1840-1940*.

We study the fifty years thereafter. Our study is also the first one in Sweden that combines wealth data with data on social stratification.

We deal with three questions:

1. Who were the wealthiest people in Stockholm between 1914 and the early 1960s?
How did the social stratification among the richest change over time?
2. How did the overall level of wealth among the affluent bourgeoisie actually change during the period? Were any specific groups *within* the bourgeoisie particularly successful or unsuccessful in their struggle to maintain or augment their wealth?
3. How can the observed changes be explained?

Our data for the study of trends in wealth and social stratification among the most affluent are acquired from the *Directory of Wealth for the city and county of Stockholm* (see Table 1 for the somewhat varying Swedish titles) at three points in time: 1915, 1929 and 1964. This was a commercial publication listing taxpayers holding wealth above a certain level, drawing on the publicly available tax registers for the year preceding the publication. In our case that means that we have wealth data for 1914, 1928 and 1963. The Directory was published on irregular intervals, and we therefore also use aggregate wealth tax statistics for supplementary information.

Our most striking results are (1) a strong decline in mean wealth and (2) a surprising stability over time across the most affluent groups. In this material, the overall mean wealth in fixed prices was reduced by 58 per cent between 1914 and 1963. Despite this dramatic decline and despite radical changes in society, the proportions of the different class fractions among the wealthiest did not change much. Neither did any new social group show up in the Directory, and no old groups disappeared. Below we will explore these findings by focusing on the distribution of wealth as well as the representation of different social groups *among* the most affluent in Stockholm.

Our results indicate a substantial loss of wealth already before 1945. In the last part of the article we therefore discuss factors behind the decline in wealth with reference to data on changes in income distribution, the evolution of wages and capital incomes, and taxation.

Unchanging social positions and decreasing wealth

The Directory of Wealth

As mentioned above we have collected data from the *Directories of Wealth* for Stockholm which report on private wealth held in 1914, 1928, and 1963. This publication includes households that were paying the wealth tax, which means that they held a wealth above a certain level (10,000 SEK in 1914, 50,000 in 1928 and 80,000 in 1963). The Directory of 1929 had the toughest entrance claim, a wealth of 50,000 SEK, that is 77,000 in 1950 prices. To make the data from different years comparable we have taken this requirement as a norm. Table 1 shows that 85 per cent of the households in the Directory of 1915 and only 55 per cent of the households in the Directory of 1964 managed to reach the limit of 1929. This was a fairly exclusive group. Those holding at least 77,000 SEK (in 1950 prices) made up only about 4 per cent of all households in Stockholm at each of the three time points examined. It is worth noticing the remarkable stability of this percentage over time.

[Table 1 about here]

The Directory contains the following information about the individuals: name, occupation, parish and wealth in SEK. It is a large and exciting source material that has not been used systematically before. Some criticism of the sources should nevertheless be raised. In the first place, the *taxed* wealth noted in the Directory certainly underestimates *real* wealth.¹⁰ It is hard to tell if and how underregistration of wealth varies over time. More efficient and powerful tax authorities may have counterbalanced new strategies among the rich to keep information about their wealth away from the government. If so, the trends are probably not influenced. Some Swedish researchers argue that actual tax evasion (regarding incomes) increased only slightly over the period.¹¹

In the second place the use of occupational titles as indicators of social positions could be associated with problems. Some titles are vague; others may indeed be precise but somewhat misleading as they say little about the individual's actual occupation. It was for instance not unusual that officers in the reserve with long careers in business or as engineers still stated their military titles, not 'managing director' or 'engineer', in the tax return form. In some other cases professional titles or titles indicating high positions in public administration

¹⁰ Every person owning capital assets in excess of 10,000 SEK (in 1914), 50,000 SEK (in 1928) and 80,000 SEK (in 1963) – after deductions for debts – had to pay a wealth tax irrespective of the yield of the assets. The income derived from this capital was subject to the separate income taxation. Taxable property included almost all kind of assets: land and buildings, stocks, debentures and bonds, bank deposits and other holdings. Also jewellery, cars and yachts were treated as taxable capital assets. Exceptions were made for furniture and other domestic equipment in use by the taxpayer and his/her family and for private collections of art and books. The national wealth tax was for husband and wife, based on their combined property. The property of minors (below 21 years) living with their parents was considered for wealth tax purposes as the property of the parents. von Wolcker, Erik, *De nya skattelagarna af den 28 oktober 1910 med ändringar till och med 1913*, Stockholm: A.V. Carlssons bokförlag 1913. Sköld, Per Edvin, *Taxeringshandbok*, Stockholm: Tidens Förlag 1929. *Hur skatterna beräknas*, Stockholm: Skattebetalarnas förening 1962. *Taxes in Sweden*, Stockholm: Skattebetalarnas förening 1961.

¹¹ Roine, Jesper & Waldenström, Daniel, "Svenska toppinkomsters utveckling 1903-2004", *Ekonomisk Debatt* vol. 7, 2006:8, 25-26. They compare data on tax evasion from the 1990s with data from 1930-1948 in Bentzel, Ragnar, *Inkomstfördelningen i Sverige*, Stockholm: Industriens utredningsinstitut 1952. Cf. also Mills, C. Wright, *The Power Elite*, New York: Oxford University Press 1956/1967, 389.

were used by business leaders (a well known example is banker Marcus Wallenberg who used the title “häradsbörj” (district judge)). On the whole we have had to rely on the titles that the individuals declared to the tax authorities.¹² This means that the economic fraction and the fraction of professions as presented below (see e.g. Figure 1) could probably be adjusted slightly upwards mostly at the expense of the section of public administration (and more so for the early years than for 1963). This would however not change our main results.

Main principles behind the categorization

The bourgeoisie is not an easy social group to define, especially not during the twentieth century when many earlier social and cultural dividing lines broke up. German and French researchers distinguish between two different branches within the bourgeoisie: the economic bourgeoisie and the cultural bourgeoisie.¹³ The economic bourgeoisie built their positions on business and economic capital, while the cultural bourgeoisie fell back on education and cultural capital. We have of course by the choice of source material in itself – directories of the wealthy in Stockholm – put some kind of ‘money bourgeoisie’ under the magnifying glass (everyone in our database had considerable economic resources). But what was the distribution of business leaders and academics in this group with thick wallets, and how did this balance change over time?

Here we work with a somewhat more detailed categorization than a simple distinction between economic and cultural fractions of the bourgeoisie. Our categorization, inspired by Pierre Bourdieu’s analysis of a number of different class fractions of the dominant class, account for three fractions between the two main fractions in order to have a more nuanced

¹² We adjusted the titles where it was possible and after systematically double-checking names with the initial ‘M’ for every cross-section year in various other directories such as *Vem är det?* (Who is it?), *Vem är vem* (Who is Who) and *Statskalendern* (the official yearbook of the state). We could establish that inadequacies in the titles after all seem to be very small in relation to the whole database.

¹³ Kocka & Mitchell, *Bourgeois society*; Kocka, *Industrial culture and bourgeois society*.

picture of stratification.¹⁴ Between the economic fraction (with businessmen, managing directors etc.) and the cultural fraction (where among others university lecturers and artists are brought together) we define a fraction of *private administration* (staff managers, heads of departments and other administrators below the executive level)¹⁵, a fraction of *professions* (e.g. engineers, physicians, lawyers) and a fraction of *public administration* (e.g. higher civil servants, military officers).¹⁶

We expect individuals in the fraction of public administration to be closer to the cultural fraction (to the left in Figure 1, where those groups that build their position primarily on cultural and educational capital are concentrated) and private administration to be nearer to the economic fraction (to the right in Figure 1, where we find groups mainly relying on control of economic capital). Finally, the professions – a fraction which includes groups with high education as well as high incomes – are placed midway between the cultural and the economic pole.

These examples contain many occupations that are usually associated with the “upper class” (or, in Bourdieu’s terminology, the “dominant class”). We have been guided by the same principle in the categorization of the middle class occupations that are rarer but do occur in the material.¹⁷ For reasons of space we will present the fractions of the upper class (around

¹⁴ Bourdieu, Pierre, *Distinction. A Social Critique of the Judgement of Taste*, London: Routledge [1979/1984] 1994, 114-125.

¹⁵ In this fraction we find many of those ‘functionaries and administrators’ who, according to James Burnham in the *The Managerial Revolution* (New York: John Day 1941), were supposed to be a new ruling class in the future administrative society.

¹⁶ We have modified the occupation classification carried out by Göran Therborn (Therborn, Göran, *Om klasserna i Sverige 1930-1970*, Lund: Zenit särtryck 1973) so as to include the fractions discussed by Bourdieu. For a fuller account see Gustavsson, Martin, *Makt och konstsmak*, Stockholm: Ekonomisk-historiska institutionen 2002, 19-27, 393-397.

¹⁷ Between an economic fraction of the middle classes (small dealers, shopkeepers) and a cultural fraction (elementary school teachers etc.), a fraction of private administration (cashiers etc.), a fraction that gather professions (nurses, technicians) and a fraction of public administration (subordinate officials etc.) are to be found.

50 per cent of the households in the Directory) and the fractions of the middle class (around 25 per cent) together.¹⁸

Before we compare the different fractions some words must be said about those without occupational title. This category is dominated by the titles ‘mrs’ and ‘miss’ and is fairly large, especially in 1915 when it comprised 35 per cent (see Figure 1).¹⁹ In the 1930 census, nearly 3,000 persons in Stockholm were classified as ‘capitalists and rentiers’. They possessed a sizeable mean wealth, together holding 15 per cent of total personal wealth in the capital. The classification into ‘capitalists and rentiers’ apparently was carried out by the authorities, not by the individuals themselves. In the Directory, only a handful of persons stand with the title ‘rentier’, and not a single one as ‘capitalist’. It is evident that these titles were not popular in self-presentations. According to the same census, the categories ‘widows’ and ‘former gainfully employed’ together owned an additional 30 per cent of total wealth, even though their mean wealth was substantially lower than that of the ‘capitalists and rentiers’.²⁰ It should not be surprising to find many who were of independent means and thus not gainfully employed among the wealthy.

Level of class fractions

So, did the stratification within the affluent bourgeoisie represented in the Directories of Wealth change over time? First we bring out the patterns on a more aggregated ‘class fraction level’. We then descend to the ‘level of occupations’ and examine if some occupational groups met different economic fates.

¹⁸ The classification in Figure 1 exhibits some similarities with the system, Nordisk yrkesklassificering (NYK) which in turn draws on the international occupation classification scheme, ISCO-58. This is a horizontal classification which brings together, e.g., professors and school teachers into one group (the *cultural fraction* in our analysis). Similarly, business executives and shop owners are joined into another group (the *economic fraction*). See Tidsserie från FoB (1965–1990), Statistics Sweden (SCB), http://www.scb.se/templates/Standard_78584.asp, 11 November 2008.

¹⁹ Since the Directory of Wealth does not report the first name of individuals (only initials), it is not possible to perform a gender analysis of the material taken as a whole.

²⁰ *Statistisk årsbok för Stockholms stad* 1934, 29.

[Figure 1 about here]

Despite radical changes of Swedish society during the half-century after 1914, the picture of the wealthy bourgeoisie emerging in Figure 1 is remarkably stable over time. There were no dramatic changes in the proportions of the different fractions represented. In all three cross-sections the economic fraction had a dominant role, though it had declined somewhat by 1964. The professions increased their share of the wealthy, and so did private administrators. The public administration saw a decrease between 1914 and 1963, while the cultural fraction increased its representation. These shifts were not large, though.

In other words, all five fractions seem to have been successful in their struggle to remain in this exclusive context during the entire fifty-year period. The picture is somewhat different when we change focus from proportions to wealth over time.

The economic fraction was, on the average, the richest in all three cross-sections (see Table 2). The cultural fraction and the fraction of private administrators were the least wealthy and, as a consequence, located in the bottom of this wealth hierarchy. The public administrators and the professions are placed in-between these fractions. But when we take a look at the evolution of top fortunes, the picture changes. As mentioned above the overall mean wealth was drastically reduced between 1914 and 1963, by 58 per cent according to Table 2. Also fractions that increased in numbers met a depressing economic future (the cultural fraction, the professions and the private administration reduced their mean wealth with about 50 per cent). The drop in mean wealth between 1914 and 1963 was nevertheless especially pronounced in the two fractions – indeed still the richest in 1963 – that declined in numbers: public administration (-69 per cent) and in the economic fraction (-62 per cent). The changes between 1914 and 1928 were mixed. The cultural fraction and the professions (as

well as those without occupational title) then managed to raise their mean wealth whereas the others retrogressed, particularly those in public administration.

[Table 2 about here]

Even though the distance in SEK between the fractions was reduced under these fifty years, the hierarchy between the fractions did not transpose.

Table 2 informs us that a substantial erosion of mean wealth took place between 1928 and 1963 (data from the *Directories of Wealth 1929 and 1964*), but not what periods were most decisive in this process. Aggregate wealth tax statistics are available for some other years, though it cannot be broken down by occupation. These statistics are summarized in Table 3, together with our own data.

Two periods stand out as characterized by particularly large losses in wealth. The first was between January 1928 and the end of 1930, and is obviously related to the early phase of the depression. The second period of decline is between 1935 and 1945, and may be connected with the disturbances caused by the World War II. Even though Sweden did not take part in the war, the economy and living standards was clearly negatively affected. In other words, most of the wealth reduction during the period as a whole had taken place by 1945. The depression and World War II, then, appear as more destructive phases to the wealthy of Stockholm than does the growth of the welfare state.

[Table 3 about here]

Level of occupations

Now let us turn to a more detailed level. Were some occupational groups able to maintain or strengthen their wealth despite the negative general trend?

First we call attention to the fact that there seem to be few ‘new’ occupational groups that were able to qualify for being included in the Directory. For example only 40 out of the 19,130 heads of households in 1963 were connected with advertising business (in 1914 and 1928 there were none). On the contrary there was some reshuffling of ‘old’ occupational groups that built up the different fractions. ‘Wholesale dealer etc’, to mention one extreme example from the economic fraction, had declined from 18 to 2 per cent while ‘managing director’ had increased from 13 to 25 per cent between 1914 and 1963. This need not reflect actual changes in the economy (wholesale dealers did not step out from history). Rather, customs of titles changed (wholesale dealers called themselves managing directors during the second half of the twentieth century).²¹

It is noteworthy that all occupational groups within the different fractions of the wealthy, except the lawyers, belonged to the economic losers in the sense that their mean wealth declined over time. The top strata in state and big business were subjected to the most negative percentage change. On one hand the ‘higher civil servant’ (from the fraction of public administration in the south-east corner of Figure 2), and on the other hand the ‘wholesale dealer etc’ and ‘managing director’ (from the economic fraction in the same corner) came off really badly. To judge from Figure 2 it also seems as if groups with *higher* education (e.g., ‘architect’, ‘engineer’ and ‘physician’ among the professions and ‘university lecturer etc’ in the cultural fraction, just to the left of the middle in Figure 2) did meet a darker economic future than groups with *lower* education (e.g., ‘elementary-school teacher etc’ in the cultural fraction, ‘commercial functionary’ in the fraction of private administration and ‘nurse’ in the professions, which are located high in the north-west corner in Figure 2). Contemporary fears that education would pay less off may then have been exaggerated for at

²¹ ‘Wholesale dealers’ and ‘managing directors’ are in consequence also located close to each other in Figure 2. Cf. Carlsson, Sten, “Den sociala omgrupperingen i Sverige efter 1866”, *Samhälle och Riksdag*, Stockholm: Almqvist & Wiksell 1966, 82 and 85.

least some groups in the middle class, but yet have been a realistic prophecy for the highest educated groups.

[Figure 2 about here]

The same conclusion can be drawn for the occupational groups as for the class fractions: the distance between the groups was reduced over time, but the hierarchies remained on the whole. ‘Wholesale dealer’, ‘managing director’ and ‘higher civil servant’ were, for instance, the wealthiest groups still in 1963 – even though they had lost most of their wealth since 1914.

The lawyers were by contrast the only successful group in the top stratum. This interesting observation deserves further investigation, but this falls out of the scope of the present study. Let us just note that lawyers can be seen as typical representatives of the long-term rise of occupational groups associated with the growth of the transaction sector. Lawyers provide transaction services that relate to the cost of exchanging property rights, the cost of making and enforcing contracts, etc., which play an increasing role in modern market economies.²² More specifically, the professional journal of Swedish lawyers observed in the late 1930s that a large part of the business activity of the nation was concentrated at Stockholm, and that lawyers there had more sizable commissions from firms than anywhere else in the country.²³

²² Wallis, J.J. & North, D.C., “Measuring the Transaction Sector in the American Economy”, S.L. Engerman & R.E. Gallman, *Long-term Factors in American Economic Growth, Studies in Income and Wealth* 51, Chicago & London: University of Chicago Press 1988, 95-161; Dezalay, Yves & Bryant G. Garth, *Dealing in Virtue: International Commercial Arbitration and the Construction of a Transnational Legal Order*, Chicago, Ill: University of Chicago Press 1996.

²³ Bomgren, Gunnar, ”Några statistiska uppgifter om advokaternas arbetsmöjligheter”, *Tidskrift för Sveriges advokatsamfund* 1938, 39. Some business lawyers earned very high fees; see, e.g., Anér, Josef, *Kring 8 decennier*, Stockholm: Bonniers 1969, 133.

3. Explaining the decline in wealth

How can the wealth decline be explained? Below, we will further explore the relevance of three factors behind the shifts: changes in capital incomes, changes in the distribution of wages and salaries, and taxation. Let us first present an overview of the broad changes in the wealth and income distributions in Stockholm.

Changes in the distribution income in Stockholm

It is known from previous research that the levelling of incomes in Sweden started before the expansion of the welfare state. Spånt observes a strong levelling in household incomes during the period 1935-1950, whereas only a weak levelling tendency could be observed for the periods 1920-1935 and 1951-1967.²⁴ In a study of Gothenburg, Sweden's second largest city, Gustafsson and Johansson find a substantial decline in income inequality between 1925 and 1947. Like Spånt, they note that changes after World War II were of a smaller order.²⁵ In other words, they suggest an earlier start of the change in income inequality. For the entire period 1925-1958, changes in taxes was the most important factor behind the change in the income distribution, closely followed by changes in capital incomes. A third factor, changes in earnings, was of less importance for the compression of the income distribution.

The long-term perspective is further underscored in a recent study by Roine and Waldenström on the evolution of top incomes in Sweden 1903-2004. The income share of the top percentile dropped sharply during the first half of the 20th century. The secular decline in overall income inequality was largely driven by the decrease in the top one per cent of the income distribution. This change was affected by declining capital incomes, particularly during the 1930s. During the period 1935-1951, wage compression was as important as

²⁴ Spånt, Roland, *Den svenska inkomstfördelningens utveckling 1920-1976*, Ekonomidepartementet Ds E 1979:4, Stockholm 1979, 18-23.

²⁵ Gustafsson, Björn, and Johansson, Mats, "Step Toward Equality: How and Why Income Inequality in Urban Sweden Changed During the Period 1925-1958", *European Review of Economic History*, vol. 7 (2003), 91-111.

decreased capital incomes in reducing the top percentile income share. For the post-war period, finally, Roine and Waldenström offer yet another explanation as to the compression of the income distribution. After 1950 increasingly progressive taxation, rather than reduced capital incomes, played a major role in the continuing decline of the top wealth share.²⁶

Whereas Roine and Waldenström (like Spånt previously) analyze data on Sweden as a whole, our focus is on Stockholm. We do not have data on wealth in Stockholm at the individual or household level apart for the three cross-section years. However, official tax statistics regularly present aggregate data on the income distribution. As is clear from the Lorenz curves in Figure 3, incomes levelled over the period 1913-1962. The compression of incomes is most pronounced between 1930 and 1950, though there was a clear trend in this direction already between 1913 and 1930. The broad trend in Stockholm thus is similar to the changes seen at the national level. The levelling of the income distribution in the capital is not primarily an effect of the expansion of the welfare state, since the major changes occur earlier.

Official tax statistics is less suited to estimating changes in the distribution of wealth. In our three cross-sections, however, there is an overall tendency towards a less unequal distribution of wealth. In 1914, the 10 per cent wealthiest held 57 per cent of total personal wealth. This figure was reduced to 51 per cent by 1928 and further to 41 percent by 1963. The Gini coefficient, a standard measure of inequality, decreased from 0.68 in 1914 to 0.60 in 1928 and further to 0.47 in 1963. Another side of this compression is seen in Figure 2, where the wealthiest occupational groups experienced the greatest percentage decline over time. The narrowing income distribution, in combination with other factors to be discussed below, should have made it increasingly more difficult not only to build large fortunes, but also to maintain those already existing.

²⁶ Roine, Jesper, and Waldenström, Daniel, "The Evolution of Top Incomes in an Egalitarian Society: Sweden, 1903-2004", *SSE/EFI Working Paper in Economics and Finance No. 625*, Stockholm 2006.

[Figure 3 about here]

Capital incomes

Ragnar Bentzel, in his pioneering study on the distribution of income in Sweden, observed that capital incomes exhibited a clear downward trend from 1930 to 1949. A substantial part of this was due to declining role of dividends. This had a levelling effect, since shareholding was more frequent among high-income earners. Companies changed their investments; letting more of the capital previously used for dividends to remain in the business. Heavier taxation on the profits of firms did not allow as large dividends as previously.²⁷

The trend described by Bentzel is part of a broader pattern. In Stockholm, official tax statistics report the estimated incomes from capital (including share dividends) as well as income from labour and business. The role of capital incomes declined over the period studied, from 15 per cent in 1920 to only 3 per cent in 1955-1965 (Table 4). This downward trend was rather even over time, but particularly noticeable between the mid-1930s and the early 1950s.

[Table 4 about here]

Table 4 also shows that business income (excluding the incomes of joint-stock companies) declined in the long term as a proportion out of total income. On the other hand, income from labour became increasingly dominating. Stockholm became more of a city of employees.

²⁷ Bentzel, *Inkomstfördelningen i Sverige*, 50-56, 127-134; Östlind, Anders, "Industriens finansiering 1924-1941", *Ekonomisk Revy* vol. 1, 1944:1; Pokorny, C.R., "Är det farligt att äga aktier?", *Ekonomisk Revy*, vol. 7, 1950:2, 125. On shareholding see Quensel, C.E., "Inkomst- och förmögenhetsundersökningarna i 1945 års folkräkning", *Ekonomisk Revy*, vol. 8, 1951:5, 448-450.

The major part of these changes occurred before the expansion of the welfare state during the post-war period. Most of the increase in the share of labour incomes, as well as the decline in business incomes, had taken place by 1940. The decline of the share of capital incomes also largely was a phenomenon of the interwar period, but here World War II also meant a noticeable further reduction. Between 1950 and 1965, a period of welfare state expansion, changes in the three series were modest.

Apparently, these long-term trends mark a decline of two types of a traditional bourgeoisie: on the one hand the self-employed, running their own businesses, on the other hand those who were drawing incomes from capital. These categories are interlocking, but the drop in capital incomes was more extensive than the decline of business incomes. A large part of the decline of business incomes probably was due to a diminishing role of small business, whereas the decline in capital incomes was of greater importance to the wealthier part of the population.

Capital incomes were affected not only by dividends but also by yields from bank savings and government bonds. Real bond yields declined as a result of the inflation during World War I, and so did the real interest rate on bank savings. Bonds and bank savings performed well during the interwar era, but real interest rates tended to decline after 1940 up to the 1960s, whereas bond yields stagnated. Analysts and advisors were well aware that bank savings and government bonds were disadvantageous alternatives in the long term, particularly compared to shares.²⁸

The superiority of shares became obvious during the 1950s, as sustained economic growth was combined with higher inflation.²⁹ However, the volatility of the stock index is immediately clear from Figure 4. Despite the crises of the post-World War I years and the depression of the early 1930s, turnover at the Stockholm stock exchange followed the stock

²⁸ On the fall in bond yields see Pokorny, C.R., "Är det farligt att äga aktier?", 127.

²⁹ Nyberg, Bengt, and Pontin, Magnus, "En aktieplacering 1930-1964", *Ekonomisk Revy*, vol. 23, 1966:1, 41-44.

index fairly closely. After about 1940, however, this co-variation is much weaker. The real stock index rose substantially from that time up to the mid-1960s. Yet, turnover at the stock exchange was rather constant, apart from the higher activity during a few years after World War II. Activity at the stock exchange was strikingly weak throughout the 1950s and early 1960s, despite impressive growth in share values. This suggests a more cautious saving behaviour than during the interwar period.

Even among the wealthy, savings behaviour appears to have been unadventurous. Financial experts, writing in terms of risk spreading, advised moderate or large capital owners to invest a part (40 per cent) of their wealth in shares. But actual savings behaviour was more risk-avoiding.³⁰ In 1963, only about half of those with fortunes of at least 125,000 SEK in Sweden owned shares valued at 10,000 SEK or more.³¹ There are other indications as well of cautious savings behaviour. Shares for a long time declined as a proportion of household wealth in Sweden.³² The diminishing attraction of shares probably was influenced by the traumatic experiences of stock prices during the crises of the early 1920s and the 1930s depression.

[Figure 4 about here]

Changes in the distribution of wages and salaries

The long-run levelling of the distribution of incomes in Sweden was partly due to a more narrow wage distribution. One aspect of this is that the white-collar work premium, as

³⁰ Beijer, Rupert, *Konsten att placera och förvalta pengar*, Stockholm: Fritzes 1941, p. 87.

³¹ SOU 1965: 72 *Aktievinsters beskattning: betänkande av Aktievinstutredningen*, Stockholm 1965, 324.

³² Spänt, Roland, *Wealth Distribution in Sweden: 1920-1983*, E.N. Wolff (ed.), *International Comparisons of the Distribution of Household Wealth*, Oxford: Clarendon Press 1987, 56.

compared to the wages of manual labourers, was much reduced in the long run.³³ But a more compressed wage scale does not necessarily lead to a downward trend in real wages and salaries at the upper end of the scale.

[Table 5 about here]

To our knowledge there exists no systematic study of wages in Sweden at the high end of the spectrum. In Table 5 we present real wage data on some relatively well-paid occupations in government service. For all categories, 1962 real wages clearly exceeded those in 1914. The trend was not linear, though. All categories listed declined between 1930 and 1950. Three categories – the National Librarian, professors, and State Meteorologists – also experienced a decline in real wages from 1914 to 1930.

The main tendency, then, is that the wages of relatively well-paid state officials deteriorated between 1914 and 1950. The loss in real wages among these groups during most of the period of investigation should have contributed towards an erosion of the capacity to generate personal wealth. Even though the situation improved after 1950, this was not sufficient to outweigh the previous downward pressure.

Taxation

Over time, taxes became increasingly progressive. This trend can be noticed already during the first half of the 1930s, when the Social Democrats came into power and taxes were raised in a way that affected high-income groups in particular.³⁴ Taxes rose considerably for those with the highest incomes. For the top 1.25 per cent income group the share of direct taxes

³³ Bentzel, *Inkomstfördelningen i Sverige*; Söderberg, Johan, *Wage differentials in Sweden, 1725-1950*, Brenner, Y. S., Hartmut Kaelble & Mark Thomas (ed.), *Income Distribution in Historical Perspective*, Cambridge & Paris: Cambridge University Press & Editions de la Maison des Sciences de l'Homme 1991, 76-95.

³⁴ SOU 1936: 18 *Undersökningar rörande det samlade skattetrycket i Sverige och utlandet*, 69.

(including income as well as wealth taxes) out of total incomes increased from 19 per cent in 1935 to 39 per cent in 1948.

A wealth tax, meaning taxation of capital assets (not capital incomes) was introduced in 1910. This tax was included in the combined income and wealth taxation and remained, with some exceptions for an extraordinary wealth tax (*värnsskatt*) during the war years 1914-1918, relatively moderate until the 1930s. After that the wealth taxation became successively heavier. In 1934-1938 a separate 'temporary' wealth tax was levied every year on capital assets exceeding 50,000 SEK. This tax affected persons with relatively large fortunes but moderate incomes. In 1938, wealth taxation was changed and the 'pure' wealth tax became permanent. This together with new extraordinary taxes during World War II meant an extra burden on capital assets. New legislation in 1947 abolished the double taxation on wealth, but kept the progressive wealth tax itself. It also sharpened taxes for the wealthiest (above 100,000 SEK).³⁵

On the other hand, some changes in the wealth tax actually eased the pressure on small to moderate fortunes, while retaining and even increasing the tax burden on the top stratum. In 1947, the lower limit for liability to pay the wealth tax was set at 32,000 SEK, which was raised to 40,000 SEK in 1953 and to 54,000 SEK in 1958 (all in 1950 prices). In other words, growing numbers of wealth holders fell below these increasingly generous limits and escaped the wealth tax, whereas the richer households included in this study (with fortunes of at least 77,000 SEK in 1950 prices) were not given any alleviation.³⁶

An overview of the evolution of the income tax is presented in Figure 5. The average tax is given for three levels of annual incomes: 300,000, 500,000 and one million SEK in 1996 prices. The most striking change in progressive taxation occurred between 1931 and 1941, when the tax as a percentage of income approximately doubled, after having been fairly

³⁵ Sandström, K.G.A., *Om förmögenhetsskatt samt beskattning av inkomst av kapital*, Stockholm: Norstedts 1945; SOU 1951:51 1949 års skatteutredning. Betänkande angående den statliga direkta beskattningen.

³⁶ SOU 1951:51, 229; *Sunt Förnuft* 1952 mars, 43.

constant during the 1920s. Unintuitively, the growth of the welfare state after World War II did not lead to as sharp upturns in the income tax, although the cumulative effect certainly was strong up to the early 1970s. The establishment of high progressive income taxation thus should be dated before the major period of the expansion of the welfare state.

[Figure 5 about here]

Successively heavier taxes must have rendered it more difficult to translate high incomes into high wealth, particularly from the 1930s onwards. Changes in the tax system arguably played a role in the declining fortunes of the bourgeoisie.

Conclusions

We have explored the decline of wealth holding in twentieth century Sweden. Our starting point was the pervasive feeling of cultural and economic decay within the bourgeoisie from the late 1920s, as documented by previous research.

Were these concerns justified? We investigated data from the Stockholm Directories of Wealth, capturing the most wealthy groups in Stockholm at three occasions with fundamentally different social, economic and political structures: in 1914, before the universal right to vote and the democratic shift in political power; in 1928, before the crash of the stock market and the depression of the early 1930s, and finally in the early 1960s, when active welfare politics had been going on for decades. We found a striking decline in overall mean wealth, 58 per cent between 1914 and 1963, with the most dramatic changes between 1928 and 1945.

Our focus then turned to the social stratification within the group of affluent Stockholmers represented in the Directory. We compared wealth holders on the level of class

fractions and on the level of occupation. The overall result was that social positions among the wealthiest were surprisingly stable over time despite the radical changes in the society and a dramatic decline in mean wealth. The representation of class fractions (cultural, public administration, professions, private administration and economic) compared to each other remained similar between 1914 and 1963. The same was true for the level of occupations. There were very few new occupational groups included 1963 compared to 1914. Also the hierarchy between different occupational groups remained almost the same, despite reduced overall wealth and reduced distance between the sizes of the fortunes. Only one occupational group, the lawyers, managed to raise its wealth significantly and to change its position in the hierarchy. Against this background, the widespread feeling of economic decline among the affluent is not surprising.

In the last section we placed the observed process of economic decline of the bourgeoisie in a broader context. We considered the effects of three main factors: diminishing capital incomes, levelling of wages and salaries, and an increasingly progressive taxation during the period. All these factors arguably contributed to the eroding of wealth among the richest Stockholmers. The major changes in these areas occurred between 1930 and 1950, thus before the expansion of the welfare state. Our own data indicates that the massive decline in wealth occurred first around 1930 and second between 1935 and 1945. It therefore seems that economic depressions and wartime difficulties rather than the welfare politics of the post-war period influenced the declining wealth of the bourgeoisie and brought about a feeling of imminent collapse among these groups.

Table 1. Number of households with at least 77,000 SEK (in 1950 prices), and their share out of the total number of households in the *Directory of Wealth* for the city and county of Stockholm, 1914, 1928 and 1963.

Year	77,000 SEK or more, N	Per cent of total number
1914	9 040	85
1928	8 752	100
1963	19 130	55
Total	36 922	68

Source: *Svensk förmögenhetskalendar*, utg. Sveriges handelskalender, Stockholm: Bonniers 1915; *Stockholms stads & läns förmögenhetskalendar 1929*, *Enskilda personers förmögenhet, 50,000 kr. och däröver*, Stockholm: Bokdistributionen 1929; *Förmögenhetskalendar för Stockholms stad och län 1964*, Stockholm: Nord. bokförl. 1964. These publications give information for January the year before, that is to say January 1914, 1928 and 1963.

Table 2. Mean wealth by class fraction, 1914-1963 (1,000 SEK, 1950 prices)

Fraction	Mean wealth			Percentage change		
	1914	1928	1963	1914-28	1928-63	1914-63
Economic	737	652	283	-12	-57	-62
Professions	426	494	206	16	-58	-52
Private administration	365	320	176	-12	-45	-52
Public administration	726	564	226	-22	-60	-69
Cultural	400	526	195	32	-63	-51
No occupation given	412	500	217	21	-57	-47
Total	542	557	226	3	-59	-58

Source: See Table 1.

Table 3. Mean wealth among those with a wealth of at least 77,000 SEK, 1914-1963

Year	Mean wealth (1,000 SEK, 1950 prices)
1914	542
1928	557
1930	376
1935	346
1945	256
1950	249
1963	226

Sources: *Förmögenhetskalendar för Stockholms stad och län 1915, 1929 and 1964*; Folkräkningen 1930, vol. 7, Stockholm 1937, 296; Statistiska centralbyrån, 1935/36 års folkräkning, H II abf Tabeller o. dyl., Stockholms stad, Riksarkivet (1935); *Statistisk årsbok för Stockholms stad* 1947, 200 (1945); *Statistisk årsbok för Stockholms stad* 1952, 190 (1950).

Note: Data for 1930, 1935, 1945 and 1950 refer to the end of those years. Mean wealth figures have been interpolated in some cases.

Table 4. The proportion of incomes from labour, business, and capital, out of the total estimated income from these three categories in Stockholm, income years 1920-1965

Year	Labour, %	Business, %	Capital, %
1920	71	14	15
1925	74	13	13
1930	75	13	11
1935	77	12	10
1940	85	8	8
1945	86	8	5
1950	89	7	4
1955	90	7	3
1960	91	6	3
1965	92	5	3

Source: *Statistisk årsbok för Stockholms stad*, various years, Stockholm.

Table 5. Real yearly wages (pre-tax) for selected occupational categories, 1914-1962, thousands of SEK in 1950 prices

Category	1914	1930	1950	1962
Director-general of civil service departments	25.1	27.3	23.7	48.2
Undersecretary of state for foreign affairs	23.4	27.3	23.7	33.5
Director-general of the National Archives	23.4	24.1	21.9	31.3
National Librarian	23.4	20.9	19.8	30.0
Professor (highest paid)	21.1	19.2	15.5	28.2
State meteorologist	15.1	12.3	11.4	16.9

Source: *Statiskalendern*, various years.

Figure 1. Distribution of the wealthiest people in Stockholm by fraction, 1914-1963

Source: See Table 1.

Figure 2. Percentage wealth change for selected occupational groups 1914-1963

Source: See Table 1.

Figure 3. The distribution of income in Stockholm in 1913, 1930, 1950, and 1962

Sources: *Statistisk årsbok för Stockholms stad 1923*, 143; *Statistisk årsbok för Stockholms stad 1936*, 21; *Statistisk årsbok för Stockholms stad 1952*, 188; *Statistisk årsbok för Stockholms stad 1964/65*, 230 and *Skattetaxeringarna samt fördelningen av inkomst och förmögenhet. taxeringsåret 1962*, Stockholm 1963, 50.

Figure 4. Real stock index at the Stockholm exchange (1950 = 100) and turnover at the Stockholm stock exchange, million SEK in 1950 prices

Sources: Stock index 1914-1959: Möller, Birger, *Svensk aktiemarknad*, 2nd ed., Göteborg: Nationalekon. inst., Göteborgs univ. 1962; *SOU 1965: 72 Aktievinsters beskattning: betänkande av Aktievinstutredningen*, Stockholm 1965, 324. Turnover at the Stockholm stock exchange: *Statistisk årsbok för Stockholms stad*, various years.

Figure 5. Income tax for a single person 1921-1971 (per cent of income) at incomes of 300,000, 500,000 and one million SEK in 1996 prices

Source: Söderberg, Hans, *Inkomstskattens utveckling under 1900-talet: en vägvisare för skatteberäkningar åren 1921-1996*, Stockholm: Skattebetalarnas förening 1996