



UMEÅ UNIVERSITET

# FAMILY TAXATION AS TAX REDUCTION

## The Introduction of Income Splitting in Swedish Taxation, 1945–1952

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## **Abstract**

This paper deals with the introduction of marital aggregation and income splitting in Sweden in 1952. It is demonstrated that actors such as political parties, employers and white-collar unions embraced income splitting because it mitigated the effects of wage moderation and progressive income tax for most wage-earners. In this respect, we recognise that the income splitting reform was made at the expense of married women with high incomes. This result relates to previous research which has noted that women's organizations and politicians representing women's interests have functioned as 'policy takers', rather than 'policy-makers', in the Scandinavian corporatist system.

**Keywords:** Economic history, Sweden, tax policy, family taxation

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## 1. Introduction<sup>1</sup>

The Swedish personal income taxation system after the 1947 tax review was generally characterized by steadily increasing tax wedges and a more progressive tax system.<sup>2</sup> As noted by political scientist Jenny Jansson, raising taxes was perceived as a problem for the Social Democrats. Demands for income tax reductions dominated the tax policy debates during the 1950s. As the Liberal party (the main opposition party) and the Conservative party both promoted tax reductions in election campaigns and parliamentary debates, they forced the Social Democrats to develop a strategy for handling tax debates. In this respect, the Social Democrats chose an aggressive strategy to go for social reforms and higher taxes. The argument behind this choice was that if the party proposed several new social reforms, the other political parties would be forced to relate their campaigns to the Social Democrats' proposals, and not the other way around. Attention was therefore diverted away from taxation and instead focused on new social policies.<sup>3</sup>

In this paper, we will demonstrate how the Social Democrats also pursued a strategy of tax reduction for low- and middle-income earners through family taxation as a complement to this strategy. This was achieved through the introduction of income splitting as part of the 1952 tax reform. Through income splitting, married couples are permitted to aggregate and split their combined incomes. In most cases, this leads to a lower tax than if the income of these spouses would have been jointly taxed since the split income is taxed in brackets with lower rates than the combined, joint income. Income splitting was originally introduced in the United States in 1947 where it applied to all taxpayers, irrespective of income.<sup>4</sup> In Sweden, income splitting was restricted to taxpayers below an upper income threshold, while taxpayers above that threshold were subject to progressive joint taxation.<sup>5</sup> In 1957, it was estimated that around 1 630,000 married couples had benefitted economically from the reform. These included

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<sup>2</sup> Stenkula, Johansson & Du Rietz (2014).

<sup>3</sup> Jansson (2018).

<sup>4</sup> Kessler-Harris (2001), p. 193–198.

<sup>5</sup> Bersbo (2012); Lindencrona (1989).

1 087,000 married couples where the husband was the single wage-earner. It was also noted that 80,000 married couples would have paid less taxes if they had been unmarried. For between 7,000 to 8,000 of those married couples, the increased amount exceeded 1,000 kronor.<sup>6</sup>

We elucidate how income splitting emerged as a tax policy option and how the issue was addressed and adopted by the main actors within tax policy such as study commissions, political parties, labor unions and organized interest groups during the decision-making process which preceded the 1952 tax reform. To study the decision-making processes on income-splitting, we focus on two types of arenas. The first arena is the two tax policy commissions where the final proposal was prepared: the Joint Taxation Commission (*Sambeskattningssakkunniga*) and the 1949 Tax Commission (*1949 års skatteutredning*). The second arena is parliament, which is the only branch of government with a right to legislate on taxes.

What motivates this paper is that it highlights how the Social Democrats used income splitting as an instrument to deal with the efficiency-equity tradeoff which exists in every tax system.<sup>7</sup> Through income splitting, the Social Democrats were able to align a popular demand for tax reductions with the continued need to govern the macro economy towards the overall goals of the welfare state. In this respect, we note that central institutions within economic policy promoted wage moderation and high investments.<sup>8</sup> On one hand, this meant that effective corporate tax was kept at a low level as an instrument to promote investments and growth.<sup>9</sup> On the other hand, centralized wage bargaining, taxes, welfare, and wages was treated as a single system by the labor market parties and the state.<sup>10</sup> In this regard, we view the Swedish adaptation of income splitting as an instrument which was attractive for both the Social Democrats and the labor unions to mitigate the combined effects of wage moderation and increased income tax progressivity for the majority of wage-earners without affecting growth-oriented taxes such as the corporate tax.

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<sup>6</sup> SOU 1959:13, p. 38.

<sup>7</sup> Mirrlees (Chair) (2011).

<sup>8</sup> Eichengreen (2007).

<sup>9</sup> Eriksson (2014).

<sup>10</sup> Jansson (2018).

We also contribute to previous research which has argued that the Scandinavian corporatist state has not been associated with the development of gender equality. We recognize that the corporatist system mainly has promoted male-dominated interests as women exercised little influence in the corporate system of representation during the preparation of the 1952 tax reform. In this respect, corporatism worked to the disadvantage of women primarily by making them ‘policy takers’ instead of ‘policy-makers’.<sup>11</sup>

To this end, we rely on several types of primary and secondary source material with the approach to study the examined decision-making process stepwise. Two types of primary source material have been gathered from the Swedish National Archives (*Riksarkivet*). These are the so-called commission archives (*kommittéarkiv*), with documentation from the Joint Taxation Commission and the 1949 Tax Commission, and the cabinet meeting documents (from the so-called *konseljakt*). These archives contain all the documents that were prepared before the decision on income splitting was made by parliament. By studying both the published commission reports and the documents in the commission archives, we have elucidated how the commissions have reached their final recommendations through studies, discussions and negotiations. By examining the cabinet meeting documents, we have been able to analyze the process between the publication of the government report and the introduction of the parliamentary bill and what has influenced the government’s final position on an issue. In this respect, the *remiss* comments where interest groups have commented on committee drafts in reports to the government are a crucial source. To study the parliamentary decision on income splitting, we have reviewed government bills and parliamentary records, which are published by the Swedish parliament.

## **2. From joint taxation to income splitting**

### ***2.1 The initial debate on family taxation***

During 1945, the parliamentary Ways and Means Committee (*Bevillningsutskottet*) begun debating family taxation. The need for a study commission regarding the

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<sup>11</sup> Hernes (1987); Sainsbury (1988); Bergqvist (1991); Bergqvist (1994).

taxation of spouses was raised by several members of parliament through private members' motions. One such private members' motion was submitted by Conservative party members of parliament Ebon Andersson, Torsten Henriksson and Emanuel Birke. Their private members motion focused mainly on the negative economic effects of joint taxation. They noted that it was a well-known fact that married working women had to terminate their salaried work because of the effects of joint taxation. One way of dealing with this could be to introduce individual taxation.<sup>12</sup> The other private members' motions focused on the need for a tax deduction for the cost of housekeeping in families/households where the wife was earning personal income from work in the labor market.<sup>13</sup>

Another group which supported a new study commission on the taxation of spouses was the Cooperation League for Professional Women (*Yrkeskvinnors samarbetsförbund*), which submitted a petition to the Ways and Means Committee. The Cooperation League for Professional Women was a peak association for several Swedish women organizations with the main task of promoting the interests of working women. In 1944, it represented around 30,000 members and was led by Karin Kock as chairperson with Alva Myrdal as vice chairperson.<sup>14</sup> This action was a continuation of Swedish feminist strategies from the 1930s. During this period, Myrdal and Kock become influential in promoting women's work by constructing their own interpretations of the issues at stake and the policy measures needed for married women to participate on the labor market.<sup>15</sup>

In its petition, Cooperation League for Professional Women framed the question of married women's work as a core societal issue for the Social Democrats. As such, they played to their strength within a Keynesian policy environment where economic planning for full employment was a key priority, where they had the greatest input and perceived legitimacy.<sup>16</sup> While the Cooperation League for Professional Women did not

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<sup>12</sup> Swedish Parliament, Private Members Motions in the Second Chamber 34/1945.

<sup>13</sup> Swedish Parliament, Private Members Motions in the First Chamber 54/1945; Swedish Parliament, Private Members Motions in the Second Chamber 33/1945; Swedish Parliament, Private Members Motions in the Second Chamber 101/1945; Swedish Parliament, Private Members Motions in the Second Chamber 269/1945.

<sup>14</sup> Almgren (2006), p. 184–185.

<sup>15</sup> Hobson (1993), p. 408–412; Bersbo (2012), p. 94.

<sup>16</sup> Cf. Hobson (1993), p. 412.



put forward any given solution regarding the tax design, it nevertheless noted that it was necessary to change the tax system, This could be achieved through the abolishment of joint taxation, through the introduction of a sufficiently large tax deduction or through a combination of these two measures. It put forward several arguments to motivate why Parliament should consider appointing a study commission on the taxation of spouses. One argument was related to tax fairness. It was noted that the higher income tax rates introduced during the Second World War had affected jointly taxed households with lower incomes negatively in a situation when the number of working women increased. The Cooperation League for Professional Women also noted that the negative demographic trend which Sweden had experienced during the interwar period would diminish the future supply of women in the labor market. This created an increased pressure to utilize the available women in the labor force. The production result would be greater if the female labor force were utilized on the labor market according to their education and talent.<sup>17</sup>

## ***2.2 The Joint Taxation Commission and its proposals***

The Joint Taxation Commission was organized as many other study commissions at that point in time. A civil servant, Sven Lutteman (who served as mayor of the City of Norrköping), was the chairman. The other members represented political parties and organizations. Three were members of parliament: Eric Bladh for the Social Democratic party, Ingrid Gärde Widemar for the Liberal Party and Ebon Andersson for the Conservative Party. Of the other members, Carl-Henrik Hermansson represented the Communist Party, Iris Ahlberg the Swedish Trade Union Federation and Elsa Larsson the women's branch of the Farmers' League.<sup>18</sup>

The Joint Taxation Commission was given a straightforward task by Ernst Wigforss, the Social Democratic finance minister. The Commission should investigate whether the existing system of joint taxation should remain in place or if it should be replaced by individual taxation. If the Joint Taxation Commission decided to support continued

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<sup>17</sup> Swedish Parliament, Statement of Opinion of the Ways and Means Committee 48/1945, appendix A.

<sup>18</sup> SOU 1949:47, p. 3.

joint taxation, it should also propose how an earned income tax credit for working women should be designed.<sup>19</sup>

As for the choice between joint taxation and individual taxation, the Joint Taxation Commission reiterated the support for joint taxation and did not suggest any alterations to the existing legislation in its report, which was published in September 1949. This position confirmed the ability-to-pay principle as it was applied on the family as an economic unit. The Commission invoked the fact that a marriage involved not only a legal, but also an economic community between the spouses. Because both spouses had the right to the same standard, regardless of how much income each spouse brought to the household, this also determined the right to expenses and consumption for each spouse. The same applied for savings, which were credited to and could be disposed by both spouses. As the ability to pay tax thereby was based on the family/household as the tax unit, it was inevitable that the tax of one spouse would be related to the income and wealth of the other spouse.<sup>20</sup> This position was unsuccessfully challenged by Ingrid Gärde Widemar of the Liberal Party, who proposed an introduction of individual taxation. She argued that the Joint Taxation Commission had made an ambiguous interpretation of the marriage code. According to Gärde Widemar, the marriage code could also be interpreted as if spouses as individuals each had an independent economic sphere, and it was this interpretation which should be applied for tax purposes.<sup>21</sup>

In place of separate taxation, the Joint Taxation Commission wanted to create incentives for working women through exemptions and deductions in the tax system. One example was the earned income tax credit for working women which the Commission prepared for the 1947 Tax Review.<sup>22</sup> One motive behind this earned income tax credit was to compensate for the extra costs related to paid work. Another motive was to encourage an increased participation from women on the labor market to satisfy an existing demand for labor.<sup>23</sup> In its draft memo to the Finance Ministry, the Joint Taxation Commission proposed an annual State income tax deduction of 600

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<sup>19</sup> SOU 1949:47, p. 15.

<sup>20</sup> SOU 1949:47, p. 131–132.

<sup>21</sup> SOU 1949:47, p. 243.

<sup>22</sup> SOU 1949:47, p. 136–137.

<sup>23</sup> Swedish Parliament, Government bill 212/1947, p. 180.

Swedish kronor, supplemented by an annual municipal income tax deduction of 300 kronor.<sup>24</sup> However, this draft proposal was revised by the Finance Ministry which proposed a deduction of 50 percent from the state income tax on annual incomes below 1,000 Swedish kronor. This would be supplemented by an annual deduction of up to 300 Swedish kronor from the municipal income tax. This proposal was later accepted by parliament as a temporary arrangement.<sup>25</sup> In its final report, the Joint Taxation Commission suggested that the earned income tax credit for married women would be made permanent with the adjustment that the deduction from the municipal income tax for married women should be increased to 500 Swedish kronor.<sup>26</sup>

The Commission also proposed the introduction of a deduction for spouses working with activities where actual (real) joint taxation (*faktisk sambeskattning*) was applied. Actual (real) joint taxation was mostly applied on family-based economic units such as family businesses or family farms, where the wife participated in work together with her husband. Under the new rules, it would be possible to deduct a sum based on the valuation of the work undertaken by the wife up to a limit of one-third of the net income from that source of income.<sup>27</sup>

The Joint Taxation Commission also investigated the issue of marital aggregation and income splitting as part of an overview of family taxation systems in other countries. This overview included Denmark, Finland, Norway, England, the Netherlands, Czechoslovakia, Canada and the United States. The section dealing with the United States focused on the new system for income splitting introduced in 1948.<sup>28</sup> Even if income splitting was described in quite positive terms, the Joint Taxation Commission rejected this alternative.<sup>29</sup> The Commission noted that an introduction of income

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<sup>24</sup> P.M. med förslag till preliminära bestämmelser angående särskilt avdrag vid taxeringen av förvärvsarbete hustru, avgiven av sambeskattningssakkunniga. Swedish National Archive (hereafter SNA), YK 1060, volume 1.

<sup>25</sup> Swedish Parliament, Government bill 212/1947, p. 181–183.

<sup>26</sup> SOU 1949:47, p. 229.

<sup>27</sup> SOU 1949:47, p. 229–230.

<sup>28</sup> SOU 1949:47, p. 92–94; Embassy of Sweden. Washington DC överl. "Public Law 471-80th Congress". SNA, YK 1060, volume 7.

<sup>29</sup> SOU 1949:47, p. 92–94; Letter Oscar Östman April 17, 1948, SNA, YK 1060, volume 7. SNA, YK 1060, volume 7.

splitting would result in an undesired increase of tax avoidance as it increased the incentives to transfer assets and incomes between spouses.<sup>30</sup>

### ***2.3 The Conservative party as carrier of income splitting***

The idea of income splitting was however supported by Ebon Andersson from the Conservative party in a reservation against the majority which favored joint taxation. Andersson presented income splitting as a mean to deal with the negative tax effects of joint taxation for working women. According to Andersson, income splitting would alleviate the progression built into the income tax schedule in a more efficient way than a separate tax schedule for spouses.<sup>31</sup> In this respect, it must be mentioned that the idea of income splitting became part of the overall tax policy of the Conservative party after the 1947 tax reform. The expert who originally introduced the idea to the Joint Taxation Commission, Oscar Östman, had close ties to Conservative party and did in fact start working in their party office in 1949.<sup>32</sup> Through the 1947 tax review, the Social Democrats had targeted wealthy groups with high incomes through increased progressive taxation. This new redistributive direction of the tax system had resulted in a heated ideological debate where the Conservative party had opposed changes which were affecting their voters in negative way from both an economic and a social perspective.<sup>33</sup> One indication of this rhetoric may be gathered from a statement from Östman as he compared the Swedish tax policies to the American tax policies. Östman noted that while the Second World War had resulted in tax increases in the United States, these could not be considered as radical as those introduced by finance minister Wigforss in the 1947 tax review.<sup>34</sup>

In this respect, it should be noted that in a progressive income tax system, based on the ability-to-pay principle, an introduction of income splitting would mean substantial decreases of the income tax in families where the husband was high-income earner and the wife was a housewife. Many conservative voters would thereby benefit financially from an introduction of income splitting. Income splitting also enabled the

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<sup>30</sup> SOU 1949:47, p. 149-150.

<sup>31</sup> SOU 1947:49, p. 231-242.

<sup>32</sup> Elvander (1972), p. 387.

<sup>33</sup> Rodriguez (1980), p. 109; Elvander (1972), p. 62.

<sup>34</sup> Letter Oscar Östman April 17, 1948. SNA, YK 1060, volume 7.

Conservative party to seek a wider support among the electorate. The proposal was attractive for traditional Conservative party voters as it appealed to their ideals of marriage and family. It also appears as if the Conservative party hoped to add certain groups of working women to their voter base.<sup>35</sup>

#### ***2.4 The labor unions embrace income splitting***

As the report from the Joint Taxation Commission was circulated for *remiss* comments, the discussion on income splitting spread to the recently founded white-collar unions. In 1944, the Central Salaried Employees Organization (representing salaried employees in the lower and middle grades in both public and private sectors) was formed. It was followed in 1947 by the Central Organization of Swedish Professional Workers (the federation for publicly and privately university-educated salaried members). After their formation, the state began to include these white-collar unions in the negotiated coordination of wage bargaining, taxes and public services.<sup>36</sup>

The *remiss* comments from the Central Organization of Swedish Professional Workers, the Central Salaried Employees Organization and the Central Union for Public Employees favored income splitting in combination with an earned income tax credit. This combination was framed as an ideal compromise to reform family taxation. It would improve the conditions for professional women to enter and participate on the labor market while at the same time mitigating the increased progressivity that had been introduced in tax system after the 1947 tax review.<sup>37</sup> This view was shared by the Swedish Employers Association.<sup>38</sup> By contrast, the blue-collar Swedish Trade Union Federation adopted a more passive position as it approved the proposals from the Joint Taxation Commission.<sup>39</sup>

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<sup>35</sup> Elvander (1972), p. 171.

<sup>36</sup> Lundh (2010), p. 166–171; Micheletti (1991), p. 29–30.

<sup>37</sup> Sveriges Akademikers Centralorganisation SACO med utlåtande över Betänkande med förslag till ändrade bestämmelser rörande beskattningen av äkta makar; Statstjänstemännens riksförbund, med utl. över Sambeskattningssakkunnigas betänkande; Tjänstemännens Centralorganisation med utl. över Sambeskattningssakkunnigas betänkande. SNA, Ministry of Finance, Cabinet Meeting Documents March 31 1952, item 2.

<sup>38</sup> Svenska Arbetsgivareföreningen med utl. över Sambeskattningssakkunnigas betänkande. SNA, Ministry of Finance, Cabinet Meeting Documents March 31, 1952, item 2.

<sup>39</sup> Landsorganisationen i Sverige med utl. över Sambeskattningssakkunnigas betänkande. SNA, Ministry of Finance, Cabinet Meeting Documents March 31 1952, item 2.

### **3. The process towards modified income splitting**

#### ***3.1 The initial Social Democratic position***

After assessing the report from the Joint Taxation Commission and the *remiss* comments, finance minister Per Edvin Sköld concluded that he would not consider any reform or new legislation until the problem had been studied by the 1949 Tax Commission.<sup>40</sup> The 1949 Tax Commission had originally been appointed to make an overall review of tax policy and in March 1950 it was given the additional task to study how a reform of joint taxation could be designed. The finance minister suggested that a joint taxation reform could be achieved either through the introduction of individual taxation or by introducing income splitting within a joint tax system. Regarding income splitting, the finance minister noted that if this was the favored option, it should not be unlimited. Instead, the 1949 Tax Commission would have to propose an income threshold, up to which income splitting would be allowed.<sup>41</sup>

Income splitting was an appealing option for the Social Democrats since it could mitigate some of the effects of the 1947 tax reform. In the 1947 tax reform, Wigforss had noted that the expansion of the public sector and the welfare state had created an increased need for revenue, which meant that the existing tax bases needed to be expanded. Against this background, he stated that no taxpayer could expect a return to the previous tax levels. However, he made it clear that a substantial part of the additional tax revenue would be collected from increased capital taxes and property taxes such as the wealth tax and the inheritance and gift tax. It was also inevitable that groups with high incomes would be subject to increased progressive taxation. Meanwhile, the ambition was for the tax level to remain relatively stable, or even decline slightly, for the groups with incomes in the lower brackets.<sup>42</sup> If an upper threshold for income splitting was introduced, this would protect large groups of low- and middle-income families from the progressivity in the income tax system. This

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<sup>40</sup> Anteckningar verkställda för föredragning i finansdep. av sambeskattningsakkunnigas betänkande jämte däröver avgivna yttranden. SNA, Ministry of Finance, Cabinet Meeting Documents March 31 1952, item 2; Utdrag av protokollet över finansärenden, hållet inför Hans Kungl. Höghet Kronprinsen-Regenten i statsrådet å Stockholms slott den 17 mars 1950. SNA, YK 1216, volume 6.

<sup>41</sup> Utdrag av protokollet över finansärenden, hållet inför Hans Kungl. Höghet Kronprinsen-Regenten i statsrådet å Stockholms slott den 17 mars 1950. SNA, YK 1216, volume 6.

<sup>42</sup> Swedish Parliament, Government bill 212/1947.

meant that the income splitting reform not only would result in lower taxes, but also continue to have a redistributive function.

### ***3.2 The 1949 Tax Commission and its proposals***

As it was a tax review, most of the representatives in the 1949 Tax Commission came from political parties. The Social Democrats were in majority, represented by Eric Bladh (later replaced by Harald Kärrlander), Laur Franzon, Oskar Åkerström, Sture Henriksson and Adolv Olsson. The other parties were represented by Folke Petrén and Evert Sandberg from the Liberal party, Erik Hagberg from the Conservative party and Arvid Jonsson from the Farmers' League. In addition, Gösta Rehn represented the Swedish Trade Union Federation and Gustaf Söderlund represented the Swedish Federation of Industries (the peak association for business and industry).<sup>43</sup>

The 1949 Tax Commission strived to reach a compromise that could be accepted by all political parties.<sup>44</sup> The Commission rejected individual taxation on the basis that it increased the risk of tax avoidance through transfer of income or wealth between spouses.<sup>45</sup> The Commission also argued that an introduction of individual taxation would lead to a tax increase for the large group of households where the husband was the single breadwinner. It was also uncertain how the tax rates would be set after a shift to individual taxation and what impact this would have on certain groups of taxpayers. In this regard, the Commission noted that a substantial number of working wives risked being subject to higher taxes, especially as the earned income tax credit was going to be abolished as part of this change.<sup>46</sup> The 1949 Tax Commission also questioned the idea of a family tax based on an unlimited income split between spouses. This would benefit married men with high incomes at the expense of single men with similar incomes.<sup>47</sup>

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<sup>43</sup> SOU 1951:51, p. 7.

<sup>44</sup> Samträde 5/6; Sammanträde 24/8-1950. SNA, YK 1216, volume 2.

<sup>45</sup> Inkomstöverflyttningar mellan makar. SNA, YK 1216, volume 6; SOU 1951:51, p. 175.

<sup>46</sup> SOU 1951:51, p. 163.

<sup>47</sup> SOU 1951:51, p. 183.

Instead, the 1949 Commission proposed a modified system for income splitting with two tax schedules, one for unmarried individuals and one for spouses.<sup>48</sup> The limit for income splitting was 10,000 Swedish kronor, where spouses would be taxed equivalent to two unmarried individuals who each earned half that income. This meant that income splitting would apply to 90 per cent of all spouses.<sup>49</sup> The 1949 Tax Commission also tried to reach a compromise on the earned income tax credit for working women. One crucial problem was how the earned income tax credit should be applied in situations where actual (real) joint taxation was applied. The 1949 Tax Commission noted that it was difficult to construct a general deduction rule as the basis for such an earned income tax credit. However, it would also be unfortunate if a dual system for working women was constructed, where the earned income tax credit did not apply to actual (real) joint taxation. It was also problematic to abolish the earned income tax credit completely as this would mean increased taxes for working women with lower incomes.<sup>50</sup> The 1949 Tax Commission therefore proposed a reform of the existing state income tax credit. It would be reduced from of 1,000 Swedish kronor to 300 Swedish kronor. The Commission also recommended that the existing deduction of 300 Swedish kronor from the municipal income tax would continue. However, this deduction would not be applied to actual (real) taxation as the Commission estimated that there no longer existed any real incentives for actual (real) jointly tax units to demand such a low deduction.<sup>51</sup>

During the continued decision-making process, it became obvious that this proposal was controversial. The 1949 Tax Commission had reached a compromise in all areas except for the earned income tax credit, which meant that several members of the commission issued individual statements with alternative solutions. Erik Hagberg from the Conservative party proposed a deduction of maximum 1,000 Swedish kronor for married working women with children.<sup>52</sup> This demonstrates an early shift from the dominating Conservative view of the taxpayer as male. Since the husband normally was seen as the breadwinner, his wife was not considered as an economic subject in her

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<sup>48</sup> Beskattning av äkta makar och ensamstående. Vissa inom skattekommittén diskuterade förslag. SNA, YK 1216, volume 6; Samträde 2/4 1951. SNA, YK 1216, volume 2.

<sup>49</sup> SOU 1959:13, p. 78–79; SOU 1951:51, p. 186.

<sup>50</sup> Sammanträde den 18/10 1950. SNA, YK 1216, volume 2.

<sup>51</sup> SOU 1951:51, p. 204–205.

<sup>52</sup> SOU 1951:51, p. 270–271.



own right.<sup>53</sup> While this view had dictated its initial positive attitude towards income splitting, it was obviously not compatible with the revised proposal introduced by the Social Democrats. Since the Conservative party no longer could use income splitting as an instrument to mitigate effects the 1947 tax reform for its voters with high incomes, it launched the female taxpayer as an alternative representation of how the 1947 tax reform had destroyed the incentives and aspirations of hard-working individuals. In a campaign launched in 1953, the Conservative party portrayed working men as well as working women as victims of the diminishing incentives for work under the Social Democratic income tax system. One part of this campaign was an informational film which depicted the effects of the tax system for white-collar workers in the private sector. Among others, it portrayed a senior short-hand writer qualified in both the Swedish and German languages who expressed her disappointment how taxes reduced her annual income of 10,000 Swedish kronor. Specifically, she remarked that if she got married, the tax system would force her to leave her job and become a housewife.<sup>54</sup>

Folke Petrén and Evert Sandberg from the Liberal party proposed that the earned income tax credit should be fixed up to 300 Swedish kronor and income-based up to a level of 1,600 Swedish kronor for married women with children and 800 Swedish kronor for other working married women.<sup>55</sup> Petrén, Sandberg and Hagberg joined Arvid Jonsson (Farmer's League) by supporting an extension of the proposed earned income tax credit of 300 Swedish kronor to spouses in actual (real) jointly taxed households.<sup>56</sup> Finally, Sture Henriksson (Social Democrats) and Gösta Rehn (the Swedish Trade Union Federation) proposed an earned income tax credit of up to 1,000 Swedish kronor for all married working women with children. While married women without children would not have the right to an earned income tax credit, their income taxation would also be adjusted through a change in the basic deduction in a direction where the taxation of a married couple without children would correspond to the taxation of two unmarried individuals.<sup>57</sup>

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<sup>53</sup> Cf. Karlsson Sjögren (2016).

<sup>54</sup> Högerpartiet (producer) (1953).

<sup>55</sup> SOU 1951:51, p. 283–284.

<sup>56</sup> SOU 1951:51, p. 276–277.

<sup>57</sup> SOU 1951:51, p. 271–275.

The 1949 Tax Commission published its report on November 30, 1951. The release of the report was followed by a *remiss* period. Among the actors submitting *remiss* comments, the agricultural interest organizations followed on their previous strategy by focusing on real (actual) joint taxation. This meant that they followed the position of Arvid Jonsson in a protest against the proposed reduction of the earned income tax credit.<sup>58</sup> As for the Central Salaried Employees Organization, which was the only white-collar union represented during this *remiss* phase, it supported income splitting through the proposed solution with separate schedules for married and unmarried persons. However, it argued that there existed a large group of working women who would benefit from an increased threshold between the two proposed tax schedules. It also rejected the earned income tax credit proposed by the Commission by supporting the individual statement by Petré and Sandberg.<sup>59</sup> The Swedish Trade Union Federation, which was the other labor union submitting a *remiss* comment, took a much more active position than previously. It accepted the joint taxation proposal from Commission, but also wanted an extended earned income tax credit. Working women with children should be entitled to a deduction of 20 percent of their income up to a level of 1,500 kronor.<sup>60</sup>

### **3.3 The final Social Democratic position**

In part, the proposals in the government bill diverged from the original position of the 1949 Tax Commission as they had been adjusted to accommodate the positions of some of the individual statements. Per Edvin Sköld, the Social Democratic Finance Minister, stated that he agreed with the Commission's proposal on joint taxation and the separate income tax schedules for income splitting.<sup>61</sup> However, he also noted that as it was desirable to reach a decision to reform joint taxation, he was willing to compromise

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<sup>58</sup> Sveriges Lantbruksförbund med utl. över 1949 års skatteutrednings bet. ang. den statliga direkta beskattningen; Riksförbundets Landsbygden Folk med utl. över 1949 års skatteutrednings bet. ang. den statliga direkta beskattningen. SNA, Ministry of Finance, Cabinet Meeting Documents March 31, 1952, item 2.

<sup>59</sup> Tjänstemännens Centralorganisation med utl. över 1949 års skatteutrednings bet. ang. den statliga direkta beskattningen. SNA, Ministry of Finance, Cabinet Meeting Documents March 31 1952, item 2.

<sup>60</sup> 'Landsorganisationen med utl. över 1949 års skatteutrednings bet. ang. den statliga direkta beskattningen', SNA, Ministry of Finance, Cabinet Meeting Documents March 31, 1952, item 2.

<sup>61</sup> Swedish Parliament, Government bill 213/1952, p. 99.

and include part of the alternatives proposed by the political parties in their individual statements. In its final version, the earned income tax credit would be fixed up to 300 kronor for all working women. In addition, working women with children were allowed a deduction of 10 percent of their taxable income up to a limit of 1,000 Swedish kronor. This was equivalent to the joint statement from the Social Democrats and Swedish Trade Union Federation representatives (Henriksson and Rehn). This, in turn, meant that the alternative proposal put forth in the *remiss* comment from the Swedish Trade Union Federation was rejected.<sup>62</sup>

The Finance Minister also accepted an extension of the proposed earned income tax credit of 300 Swedish kronor to spouses in actual (real) jointly taxed households.<sup>63</sup> This decision was related to the fact that Social Democrats and the Farmers' League had formed a coalition government in October 1951. The earned income tax credit for actual (real) jointly taxed households was not an important issue for the Social Democrats, who based their electoral support on urban workers. However, the Social Democrats had to accept this proposal in return for political support in other areas.<sup>64</sup>

### ***3.4 The Liberal party and the vulnerable position of women's organizations***

There is no doubt that the mobilization of women's groups contributed to repeal the proposal from the Joint Taxation Commission of a continued joint taxation for married couples. As is depicted in Table 1, several women's organizations submitted *remiss* comments to the report from the Joint Tax Commission. Many of these comments combined a rejection of the proposals from the Joint Taxation Commission with demands for a new inquiry into the issue. From Table 1, it is also possible to observe that the hesitant Social Democratic position on joint taxation during this period was shared by its women's league.

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<sup>62</sup> Swedish Parliament, Government bill 213/1952, p. 91–93.

<sup>63</sup> Swedish Parliament, Government bill 213/1952, p. 94–95.

<sup>64</sup> Elvander (1972), p. 179; Elvander (1974), p. 38.

<b>Organization</b>	<b>In favor of income splitting</b>	<b>In favor of individual taxation</b>	<b>Demanded further investigation</b>
Women´s League of the Social Democratic Party			X
Women´s League of the Liberal Party		X	X
Women´s League of the Conservative Party	X		
The Cooperation League for Professional Women		X	X
Fredrika Bremer Association	X		X
The Club for Women Academicians			X
Swedish National League of Women			X
Swedish Women´s Citizens Union			X
The National League of Housewives Clubs	X		X
Swedish Open Door Group		X	X

Table 1. The positions of women´s organizations to the proposals of the Joint Taxation Commission as they were expressed in their *remiss* comments.

Source: Own compilation from remiss comments from each organization deposited in Ministry of Finance, Cabinet Meeting Documents March 31 1952, Item 2, SNA.

However, only three women´s organizations submitted *remiss* comments on the report from the 1949 Tax Commission. In this respect, the Cooperation League for Professional Women and the Fredrika Bremer Association joined the Liberal party as relative losers in the process. While they conditionally supported income splitting, they did not receive the conditions they requested. The Cooperation League for Professional Women stated that while, in principle, a shift to individual taxation was the best option, the proposals from the 1949 Tax Commission had some merits in relation to joint taxation as it removed some of the disincentives for working women. It was therefore

willing to endorse the proposals on income taxation from the Commission under the condition that it was combined with an earned income tax credit on the level that Sandberg and Petrén (the Liberal party position) had proposed.<sup>65</sup> The Fredrika Bremer Association declared that while it was satisfied with proposals from the Commission, it argued that the upper threshold for income splitting should be raised to enable women with high wages to benefit from the proposal.<sup>66</sup>

Another women's organization which projected its members as potential losers from the 1952 tax reform was the National League of Housewives Clubs. It demanded the introduction of individual taxation and urged the government to appoint a new commission to deal with this matter. This statement reflected a realization that an introduction of income splitting meant that there in many cases would be extremely difficult for housewives to (re)enter the labor market.<sup>67</sup>

#### **4. Summary**

As demonstrated in this paper, the idea of income splitting entered the Swedish tax debate through a commission expert with close links to the Conservative party. After the Conservatives launched the idea, it gained support from the white-collar unions. It also became attractive for the Social Democrats, who searched for an opportunity to mitigate the level of progressivity for low and middle earners in the personal income tax system. However, they needed to find a way to combine income splitting with the redistributive ambitions of the 1947 tax reform and continue to put a large share of the tax burden on wealthy groups in the higher income brackets. This was achieved by introducing a modified system for income splitting with an upper threshold.

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<sup>65</sup> Yrkeskvinnors Samarbetsförbund med yttrande över 1949 års skatteutrednings betänkande angående den statliga direkta beskattningen. SNA, Ministry of Finance, Cabinet Meeting Documents March 31, 1952, item 2.

<sup>66</sup> Fredrika-Bremer-Förbundet med yttrande över betänkande angående den statliga direkta beskattningen. SNA, Ministry of Finance, Cabinet Meeting Documents March 31, 1952, item 2.

<sup>67</sup> Sveriges Husmodersföreningars Riksförbund med utl. över 1949 års skatteutrednings bet. ang. den statliga direkta beskattningen. SNA, Ministry of Finance, Cabinet Meeting Documents March 31, 1952, item 2.

While the 1952 tax reform favored the voters for the Social Democrats and its coalition partner, the Farmer's League, the Swedish design of income splitting also guaranteed that it received strong general support from both the Swedish Trade Union Federation and the white-collar unions. As the issue of income splitting was integrated into the existing agenda of taxes, wages and welfare, the earlier focus on promoting women's salaried work weakened. This diminished the chances for the alternative proposals from the Liberal party as the main opposition party and its allies among the women's organizations.

Even if the involved women's organizations contributed to initiate the Joint Taxation Commission and later changed the course of the decision-making process by using the *remiss* period after the Joint Taxation Commission to veto against its proposals, their influence on the final outcome was limited. While the arguments from the women's organizations were heard in the debate, other actors never embraced them. Women's organizations and individual politicians representing women's interests thereby became 'policy takers', rather than 'policy-makers', in the field of family taxation.

In this respect, it must be noted that the income splitting reform was made at the expense of married women with high incomes. The Social Democrats did not separate high-earning women from high-earning men for gender equality reasons. It did not primarily consider that the limits for the income splitting system produced disadvantageous threshold effects for women who expected a professional career with rising incomes (for instance academics or medical doctors). In practice, this group benefited economically if they refrained from marriage or gave up their professional career.<sup>68</sup> We have demonstrated how this dilemma functioned as a catalyst for a shift in the Conservative party position on salaried women's work. By promoting women from housewives to taxpayers, the Conservative party created another figurative taxpayer losing out from the Social Democratic tax system which could be used in the continued ideological confrontation on tax policy.

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<sup>68</sup> Cf. Lindencrona (1989), p. 200–201.

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