Department of Sociology
Umeå University

Citizens and Taxation

Sweden in Comparative Perspective

Jonas Edlund

Doctoral Theses at the Department of Sociology
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CITIZENS AND TAXATION

Sweden in Comparative Perspective

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Abstract

In the contemporary critique of the welfare state a common target is taxation. The consequences of the high levels of taxes collected by the modern state, the critics argue, are slowdown in economic growth, high unemployment, and declining public legitimacy for taxes and state provided welfare. This thesis explores the political support for taxation in Sweden, the epitome of high-tax-society. The thesis consists of one introductory chapter and five journal articles.

The first objective of the thesis is to examine whether a trend of increasing tax discontent has occurred in Sweden since the early 1980s up to present. The second objective is to study public attitudes to the 'Tax Reform of the Century' implemented in 1991. The third objective is to analyse whether public tax preferences and patterns of social conflict observed in Sweden tend to be unique in a cross-national context. Of particular interest is to analyse how relationships between structural locations and tax preferences are affected by the institutional context within which they are embedded. This is the fourth objective of the thesis.

The following conclusions are drawn. First, no long-term trend of increasing discontent with taxes can be distinguished in Sweden, but there are some indications that discontent may have increased during the most recent years. Second, attitudes towards taxation are multidimensional and patterns of conflict vary across dimensions. Preferences regarding redistributive properties of taxation are primarily structured by social class. Generalised discontent with taxes tends to be associated with trust in political institutions. Third, the social bases of political support for progressive taxation appears to be different in Sweden compared to other countries examined. While class is the single most important determinant in Sweden, the lack of class divisions is evident in the United States and Britain. It is argued that patterns of tax policy conflict are strongly influenced by institutional configurations of organised social protection and government social spending priorities.

Keywords: taxation, tax policy, welfare state, Sweden, attitudes, class, comparative research.

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Preface

Years ago I entered Professor Rune Åberg's office. He told me about some recent tax reform and offered me to participate in a research project. I left the office with a book on statistics and a panel data-set covering attitudes to this reform of which I had a very vague understanding. To tell the truth, I did not exactly know what to do either with the book or the data. I began with the book. I read it. I did not understand it. After several unsuccessful attempts I turned to the panel data-set. Soon I found myself drowning in data.

After these initial inconveniences, slowly but surely things got better. A lot of people are responsible for this. Most of all is Stefan Svallfors who has been my academic advisor. Thank you for your patience, generosity, good advice, and constructive criticism. I would also like to thank Rune Åberg for valuable comments and conversations, Richard Coughlin for encouragement and comprehensive answers of questions relating to diverse topics, and Peter Stern for, among other things, helping me to understand the book in statistics.

When it comes to data and processing, the help I have received from Rolf Uher and Irene Müller at the Zentralarchiv für Empirische Sozialforschung, University of Köln, and Iris Alfredson at the Swedish Social Science Data Service, Göteborg University has proved invaluable. Thank you for your co-operation and good spirits.

I would also like to take the opportunity to express my warmest thanks to all of my colleagues at the Department of Sociology, Umeå University, and particularly those in the 'attitude group': Katarina Fredriksson, Mikael Hjerm, and Eva Sundström.

The style of the book and reading pleasure have benefited from excellent language revisions by David Ordoubadian and associates, and editorial assistance by Maritha Lundgren.

Accomplishing this thesis would have been much more difficult without the love, support, and understanding from my family: Laila, Hilda, Rebekka, and Valter, my parents, David and Vanja, and last but not least my brother Magnus. To all of you I express my deepest gratitude.

Jonas Edlund

Umeå, April 1999

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Paper I
Public Attitudes Towards Taxation: Sweden 1981-1997
(Submitted to *Scandinavian Political Studies*)

Paper II
Attitudes Towards Tax Reform and Progressive Taxation: Sweden 1991-1996
Acta Sociologica (forthcoming)

Paper III
Tax Mentality in Sweden: Structure and Social Divisions
(Submitted to *International Journal of Social Welfare*)

Paper IV
Progressive Taxation Farewell? Attitudes to Income Redistribution and Taxation in Sweden, Great Britain and the United States
In Svallfors S & P Taylor-Gooby (eds.) *The End of the Welfare State? Public Responses to State Retrenchment.* London: Routledge (forthcoming)

Paper V
Trust in Government and Welfare Regimes: Attitudes to Redistribution and Financial Cheating in the United States and Norway
European Journal of Political Research (Forthcoming)

Citizens and Taxation: Sweden in Comparative Perspective

1. Introduction

Joseph Schumpeter once wrote that "The spirit of a people, its cultural level, its social structure, the deeds its policy may prepare - all this and more is written in its fiscal history, stripped of all phrases. He who knows how to listen to the message here discerns the thunder of world history more clearly than anywhere else" (Schumpeter 1918/1954 quoted in Wahlund 1991:326).

Written before the establishment of the modern, high tax revenue collecting welfare state, it is, however, unlikely that a present day Schumpeter would find any strong reasons to reconsider his position. Yet, judging from the basis of research concentrated on taxation, particularly within sociology and political science, the thoughts of Schumpeter do not appear to be widely shared. "Given the hundreds of studies", Steinmo (1993:1) complains, "that examine the political struggles behind such welfare state programs as health care insurance, family policy, education, social welfare, and pensions, the paucity of studies that focus on how welfare states finance these programs is striking."

While the relative scarcity of tax policy research seems to be a Swedish phenomenon as well, matters of taxation have slowly received more attention. Many factors have contributed to this shift. Among the more prominent is the rise of taxes in tandem with the 'new' economic situation in the wake of the 1970s oil crisis, which encouraged studies, particularly within economics primarily revolving around the issue of how to design optimal tax structures. Focusing on consequences of taxation in economic relations, the overarching objective of analysis has been to identify various obstacles for economic efficiency.

Considering Sweden's history as a high taxing and generous welfare state it is perhaps no surprise that attention to tax policy has increased over the years. What does appear as odd, however, is that matters of public legitimacy have largely been neglected. Few studies have explicitly focused on how citizens view taxes and how they have responded to changes in the tax system.[1] Not only is the tax incidence in Sweden more prominent compared to other countries, but the scope of the changes inherent in the 1991 'Tax Reform of the Century' was also of considerable proportions. In a comparative perspective, the tax reform appears as one of the most radical ever implemented in the modern era (Agell et al. 1995).

Upon approaching the major research questions addressed in this thesis, summarised in Table 1, one notices that the scarcity of empirical research focusing on public attitudes towards taxation has not prevented claims from varying perspectives, which suggest that citizens, both in Sweden and other

Western countries, are increasingly dissatisfied with the burden of taxes imposed by government (Wilensky 1976; Inglehart 1990, 1997; Hibbs & Madsen 1981).

Are there, then, any signs of growing discontent with taxes among the citizens of Sweden, "the most heavily-taxed people on earth", or do they tend to "take some perverse pride in the fact?", as an astonished American journalist somewhat bluntly asks (Skole 1986:28). The first objective of this thesis is to provide a qualified answer to this question.

Confronted with the new tax system implemented in 1991, it is likely that Skole would have formulated the question somewhat differently. Any major political change is likely to alter the private lives of citizens and the 'Tax Reform of the Century' was no exception. Indeed, expectations of changing public economic behaviour were widespread among policy makers and economic experts.

However, the Social Democratic designed reform caused much disagreement within the labour movement. While matters of economic efficiency received substantial attention among proponents of tax reform, opponents criticised the reform for jeopardising the financing of the welfare state and for increasing income inequalities. Acknowledging these controversies on the elite political-organisational level, the second objective of this thesis is to describe how the public responded to the reform. Attitudes to the reform on the individual, group, and aggregate levels are examined utilising cross sectional and panel data covering three time periods.

The third objective is to situate Sweden in a comparative context. While the emphasis in this thesis is on Sweden, the comparative perspective on some aspects of taxation may serve as guidelines in determining whether attitudinal patterns observed in Sweden pertain to other countries as well. Of particular interest is the observed magnitude of cross-national variations regarding aggregate level support and relationships between attitudes and structural factors.

A common theme in the papers covered by the thesis is the focus on relationships between structural locations and expressed attitudes. It appears that these relationships are affected by the institutional context in which they are embedded. The fourth and perhaps overarching objective is to offer empirical evidence that contributes to increased knowledge in these matters. The empirical findings and the implications of these are discussed at some length in later sections of this introductory chapter.

While the purpose of this chapter is not to provide any extensive reviews of the results found in papers I-V, a short description of the main findings in the papers is necessary. However, since relationships between structural

factors and attitudes will be dealt with extensively in forthcoming sections, these findings are largely neglected in the summary below.

Table 1. Main Research Questions of the Thesis.

- Has public discontent with taxes increased in Sweden during the last two decades?
- Along which lines of demarcation are political support for taxation structured in Sweden?
- How did the public respond to the 1991 'Tax Reform of the Century'?
- Are public tax preferences and patterns of conflict associated with taxation observed in Sweden distinctively different from those observed in liberal welfare state regimes?
- How and to what extent do national institutions influence public preferences and shape political conflicts over taxation?

In paper I, attitudes towards taxation between 1981 and 1997 are examined. Analysing whether public support for the Swedish tax system has eroded during the last two decades, the conclusion drawn is that no long-term trend of increased tax discontent can be distinguished. There are some indications that discontent has increased during the most recent years. The observed attitude patterns can, to some extent, be interpreted as responses to changes in welfare and tax policy.

The main issue in paper II is public response to the 'Tax Reform of the Century'. It is concluded that attitudinal patterns are characterised by stability, both on the aggregate and the individual level, and by profound social divisions. Support for tax reform is more prevalent among more affluent social strata and those affiliated with Bourgeoisie parties compared to workers, low income earners, and those with left wing preferences.

Paper III puts more emphasis on the structure of tax attitudes. The conclusion is that attitudes towards taxation are multidimensional. Three separate dimensions appear rather clearly. The first dimension covers attitudes towards tax evasion. The second dimension pertains to various expressions of generalised tax discontent. The third dimension captures redistributive aspects of taxation.

In the last two papers a comparative perspective is applied. Attitudes towards progressive taxation in Sweden, Great Britain, and the United States are subjected to analysis in paper IV. It is concluded that cross-national attitudinal differences on the aggregate level are rather small. A large majority in each country endorse the principle of progressive taxation and public dissatisfaction with the distribution of taxes is widespread. A general

pattern is that high income earners are perceived to be too lightly taxed, while those with lower incomes are too heavily taxed. Social conflicts over progressive taxation vary cross-nationally. In Sweden, conflicts are primarily structured by class-related factors. In Britain conflict patterns are more fragmented, while in the United States the lack of structural cleavages is notable.

Paper V examines attitudes towards the state, government redistribution, and financial cheating in Norway and the United States. On the aggregate level the results show that there are striking differences between the two countries regarding attitudes towards redistribution and confidence in the state, while similar attitude patterns are found regarding cheating with taxes and benefits. Moreover, social conflicts over redistribution are similarly structured in the United States and Norway. Divisions over financial cheating, on the other hand, are more fragmented and vary cross-nationally.

Having now summarised the main findings, the remaining part of this introductory chapter will devote attention to issues that may be of more general interest. The chapter is organised as follows. In the next section, issues pertaining to measurements of public attitudes within survey research are addressed. Then the implications of the empirical results in relation to the theoretical suggestions previously presented in papers I-V are discussed. The emphasis is on relationships between structural locations and attitudes and how these may be affected by institutions. Finally, some concluding remarks based on the main results and future scenarios of politics on tax policy are presented.

2. Real Political Preferences and the Reliability of Survey Research

The empirical analysis of attitudes in this thesis relies exclusively on survey data. Taking this position may be somewhat problematic. In short, assumptions that citizens in general have real preferences in political matters have been questioned. If it is true that most citizens lack knowledge of and interest in the sphere of politics, not only their capacity to participate in democratic discussion may be questioned. It is equally clear that the theoretical rationale upon which social survey research traditionally has been founded is considerably weakened. Critics have accused the survey method for being incapable of adequately measuring attitudes and public preferences. Irrespective of the position taken, it seems clear that the relevance and reliability of the empirical findings deserve to be discussed at some length.

Whether or not citizens have real political preferences is an important issue since it points to one of the foundations of democracy. In a representative democracy, the preferences of the population are supposed to be translated

into specific policies by political authorities, although the link between public opinion and political decision-making may be less than straightforward. Nevertheless, if only a small segment of the population has real preferences in politics, democracy faces a huge problem.

Do people in general have real preferences in political matters? Relying on the evidence and the interpretations presented by Converse (1964), the immediate answer appears to be no. Converse suggests that public belief systems tend to be poorly structured in terms of attitudinal stability and consistency. These fragmented and idiosyncratic attitude patterns "are not a pathology limited to a thin and disoriented bottom layer of the *lumpenproletariat*; they are immediately relevant in understanding the bulk of mass political behavior" (Converse 1964:213).

These findings have given rise to a wide-ranging debate because the results and the interpretation were indeed astonishing and provocative (Pierce & Rose 1974; Achen 1975; Dean & Moran 1977; Erikson 1978, 1979; Judd & Milburn 1980; Judd et al. 1981; Converse 1974, 1980; Martin 1981; Jackson 1983; Feldman 1989; summarised in Inglehart 1990 and Zaller 1992; cf. Marcus & Hanson 1993). Among the issues raised and explanations proposed, it is arguments concerning methodology and survey research which appear to be of particular interest in the context of this thesis. Let us briefly recapitulate the findings that are of relevance for our purposes.

In a panel data analysis examining attitudes to important and salient political issues among the American public conducted in 1956, 1958 and 1960, Converse (1964, 1970) found that people had surprisingly unstable attitudes. A large majority of the population changed attitudes while neither clear patterns of attitude structure nor attitude change could be found. As Converse interpreted the results, only a minor segment of the population at large had real political preferences. The large majority had poorly constructed belief systems and hence no real preferences about political issues. To demonstrate this phenomenon several analytical tools were deployed, among which was a statistical model known as the 'black and white' model (Markus 1979). This model is based on the assumption that a large share of the sample responds randomly and has no preferences at all (blacks), and that the other group has perfectly stable attitudes, regardless of time elapsed between the waves (whites). Tested against data, the model appeared to represent the observed relationships very well. Obviously, patterns of attitude change receive great emphasis, and the argument is that "great instability in itself is *prima facie* evidence that the belief has extremely low centrality for the believer" (Converse (1964:241; cf. Zaller 1992:31).[2]

One tradition of arguments against Converse's interpretations of the massive prevalence of non-attitudes may be denoted 'measurement error explanations'. It is mainly a critique of the survey method. It is presumed

that people have real preferences but that survey methods are in most instances not capable of capturing them accurately (Achen 1975; Pierce & Rose 1974; Erikson 1979; Judd & Milburn 1980; Judd et al. 1981; Converse 1974, 1980; Martin 1981; Milburn & Judd 1981; summarised in Kinder 1983:396). As a summary of this kind of critique, Kinder (1983:396) writes, "Responses may not be stable, but the underlying opinions are. Instability reflects vague questions, not vague citizens".

In responding to these critical arguments, advocates of survey research have pursued different strategies. A partial retreat from traditional survey research methods and objectives is suggested by Page and Shapiro (1993). They argue that the appropriate level of analysis on public opinion should be redefined. Public preferences and perceptions of politics should be analysed on the aggregate level rather than on the individual level. Individuals may have irrational and inconsistent attitudes, but the collective body of public opinion is rational and behaves understandably. In a similar vein, Wlezien (1995) argues that the public acts as a thermostat and offers evidence suggesting that the public adjusts its preferences in response to policy outputs.

Another approach and a constructive criticism of the non-attitude thesis is offered by Inglehart (1990) who, similar to Converse, agrees that a certain component in survey data consists of random answering. Inglehart, however, disagrees with the size, the location, and the reasons underlying random answering. Citizens in general have real preferences, and the main reason for random answering is the circumstances characterised by the data collection of survey research. "As a result, survey data tends systematically to underestimate both stability and constraint in mass attitudes" (Inglehart 1990:108).

Random answering is thus a reliability problem. However, instead of abandoning survey methods and either retreating to the measurement error camp, or advocating idiosyncratic 'political reasoning' approaches (Lane 1962, 1969, 1973), Inglehart stays within the framework of survey research. Since the problem of random answering is largely a problem of measurement error, the solution, Inglehart suggests, is to deploy multi-item indicators as measurements of underlying preferences (a latent attitude model). This is a strategy that significantly reduces the impact of measurement error. The supposition is that preferences are more accurately measured this way than they are by using single attitudinal items one by one. It should be acknowledged that it is not necessarily inconsistent to change opinions. The rationale underlying the argument is rather that while preferences to a single item may change relatively quickly, overall combinations of items are less likely to change if these are grounded in well structured belief systems.

It is clear, then, that the black and white model presented by Converse, and the latent attitude model are grounded on different theoretical assumptions. The black and white model postulates that "the public is dichotomized into two radically different types of respondents", one being a large group of ignorant and politically uninterested citizens "characterized by total flux", and the other being a small group consisting of "rigid ideologues" with totally stable attitudes. In contrast, a latent attitude model assumes that random answering is more evenly distributed among social strata and, hence, the public is "characterized by various shades of grey" (Inglehart 1990:110-111; cf. Kinder & Herzog 1993). Where the former stresses that random answering is a consequence of poorly structured belief systems amongst the public, the latter assumes that people have real preferences – hence links between expressed attitudes and belief systems exist – and random answering is to a large extent caused by measurement error.

Moreover, judging from comments made by some scholars, it appears that public non-attitudes are more prominent in matters of taxation than other political issues. The following claim by Lewis (1982:47, 49), is a representative example: "For most people fiscal policy is not an important issue", and it is furthermore stated that "the general public is fiscally ignorant." This claim is supported by findings reported in Roberts et al. (1994). Examinations of responses to questions dealing with taxation that are framed in both abstract and concrete terms, elucidated extensive discrepancies. In the abstract (standard survey questions), most respondents supported progressive taxation, while in concrete situations (legitimate tax in dollars and cents), only a minority preferred a progressive tax rate. The suggestion is that most respondents lack an understanding of the meaning of progressive taxation, which, in turn, seriously questions the validity of traditional survey data.

In summary, we have arguments suggesting that the prevalence of non-attitudes among the public is prominent, particularly on matters of taxation. Second, even if it is accepted that observed non-attitudes are to a considerable extent caused by measurement error, there are reasons to believe that survey data is simply unreliable as a source of knowledge. Thus, if the above objections are valid, the prospects of analysing public preferences to taxation with survey methods appear to be less than fruitful. To what extent do the empirical findings in this thesis support these critical arguments?

Beginning with claims depicting the public at large as ignorant and uninterested of tax policy, available evidence on Sweden does not support the argument. As shown in Vogel (1970:48f, 202) and Hadenius (1986:142), Swedes appear to have a rather good knowledge about the tax system and its general rules.

Second, as shown in paper III, it is evident that support for progressive taxation is solid, regardless of whether questions are framed in abstract or concrete terms. The different results obtained in Roberts et al. (1994) and in paper III, may be explained by the rather specific sample of respondents in the former study: young undergraduate students enrolled in tax classes at two major U.S. universities. This interpretation garners further support by the fact that the largest attitudinal differences between abstract and concrete questions in the Swedish sample is found among the young. However, the possibility that the observed patterns represent true cross-national differences should not be ruled out.

Third, with respect to the issues of random answering raised by the findings of Converse, the rival hypotheses based on the black and white model and the latent attitude model are subjected to analysis in paper II, in which attitudes towards the major tax reform are examined. Reviewing the results from the panel data analysis, it seems that attitudinal stability, both on the individual and the aggregate level, is substantial.

However, the proportion of respondents changing opinions to the tax reform on the individual level is not negligible. How should we judge the observed attitude change? Do citizens tend to change attitudes in a considered way or is the observed change an indication of random responses to tax reform? More specifically, what kind of attitudinal patterns would we expect to observe, if data fit a Conversian interpretation? If it is true that most citizens do not have real political preferences, then our data would suggest that attitudes change randomly, manifested in low associations both over time and across different attitudinal items. The interpretation of the results from a single item or from a multi-item approach would yield no substantial difference. If, on the other hand, the approach suggested by Inglehart proves to be a better analytical tool to describe reality, then there would be a significant difference in results between the two approaches.

As shown in paper II, applying a single item concerning the tax reform, the black and white model fits data very well. Attitude change on the individual level is distributed in a statistically random manner. The observed division between those with stable attitudes and those with randomly spread attitudes supports a Conversian interpretation of public attitudinal structure.

It should be acknowledged that attitudes concerning the tax reform hardly serve as indicators of deep-seated ideological values, as Converse claimed to measure. To decide whether the observed attitude change indicates random or considered change is difficult. Nevertheless, if results deploying a multi-item approach do not deviate from the above analysis then the non-attitude thesis would receive considerable support, since this would suggest that attitude change is characterised by fragmented, idiosyncratic, and loosely structured attitude patterns.

However, utilising a multi-item approach, the black and white model clearly does not correspond to data. Evidence suggests that most of the observed change may be interpreted as minor modifications of previous attitudes. Thus, attitudes are constantly being remodelled but this remodelling is often marginal changes rather than a major change of form. Some citizens do change attitudes but they do not move randomly. These patterns are not clearly observed when a single item analytical framework is deployed. Furthermore, the divergent results may suggest that explanations emphasising measurement error with respect to the Converse findings may be valid to some extent. However, if this suggestion is accepted then it should also be acknowledged that refined methods in survey research might be able to decrease the impact of measurement error substantially.

The general findings in paper II suggest that the structure of opinions is quite stable across time, and, furthermore, that attitude change on the individual level seem to be of a considered nature when a composite measure of attitudes to tax reform is deployed. Citizens may not have perfectly stable attitudes to the tax reform, but they may have good reasons for reconsidering their position.

There is, thus, little evidence supporting either the non-attitude thesis or the measurement error thesis. When studying public attitudes towards taxation, it does not appear necessary, at least in a Swedish context, to advocate retreat strategies such as restricting analysis to the aggregate level or to accept claims of unacceptably high levels of measurement error in properly conducted survey research.[3]

Another issue of attitude measurement that deserves attention is question design. It is well known that responses are sensitive to question wording and this is especially obvious within the field of welfare state research. Known as the 'more for less' paradox, it has been repeatedly demonstrated that citizens are generally in favour of social spending while opposing taxes (Sears & Citrin 1985).[4] Lewis (1982:44) summarises: "If you want to show public support for public expenditure, do not mention tax, but if you want to reduce antipathy to taxation tell people what it pays for (help for the aged is always a good example)."

While this may indicate that empirical evidence reported in papers I-V overestimates the level of discontent with taxes, the general rule suggests that rather than taking gross percentage distributions in single items at face value we should focus more on attitude patterns over time, correlations between attitudes, and relationships between attitudes and background variables. Similar to Lewis (1982:41) I believe it is fruitful to treat responses "as conative expressions of underlying dispositions, but any appreciation of tax attitudes must take into account many expressed opinions, not just a single answer."

The focus on a 'gestalt' of attitudes (Scheuch 1989) is of particular importance when assessing a comparative perspective on attitudes, since one major difficulty is to assure the equivalence of indicators across countries.[5] There is always the risk that the meanings and connotations of applied indicators differ across countries. There is no simple solution to this problem but it is good advice to use high quality data stemming from carefully designed questionnaires.

The comparative data used in papers IV and V were collected within the International Social Survey Program (ISSP) (Davis & Jowell 1989). The major reason for forming ISSP was to create truly comparable data for attitude studies. The questionnaire is the result of a "true cross-national exercise", a strategy which is likely to substantially decrease the problems of indicator equivalence (Svallfors 1996a:130).

Although comparative analysis of attitudes is afflicted with some problems, it is clear that it has some major advantages compared to single country analysis (Kohn 1987; Ragin 1982, 1987; Dogan & Pelassy 1990). One advantage is the increased probability of avoiding the dangers of ethnocentrism (Svallfors 1996a). Ethnocentrism can be expressed in two principal forms. The first is when a finding for a particular country is interpreted as nation-specific when it is in fact reflecting a general trend. The second is when a true nation-specific peculiarity is claimed, explicitly or not, to be a general phenomenon. In both cases, the lack of comparable objects leads to faulty conclusions.

Another advantage in comparative research is the opportunity to address and delineate the explanatory power of macrosocial units (Ragin 1987). In order to verify or falsify a hypothesis such as 'class conflicts over taxation are more pronounced in Sweden because of the institutional design of the welfare state' the need to incorporate macrosocial units (e.g. welfare states of different institutional designs) in the analytical framework is obvious. On the other hand, a statement such as 'class conflicts over taxation exist because the tax system is progressive' does not entail references to macrosocial units. The above remarks do not, however, mean that consequences of macrosocial units are impossible to interpret within a single country perspective, it is merely to suggest that the prospects for drawing substantial conclusions referring to macrosocial units increase dramatically in comparative research.

3. Variations in Tax Preferences: Institutions and the Social Bases of Support and Opposition

Even though the tax system often appears to be a complex and rather technical apparatus, tax policy shares basic similarities with other types of public policy in terms of the processes of legislation and implementation. Being a cornerstone of the modern welfare state, taxation is one of the major tools available for government in redistributing market inequalities, and a necessity for financing the provision of state benefits and social services.

Similar to other types of public policy, the configuration and rules of the tax system tend to encourage certain behaviours while discouraging others. Likewise, while some citizens may perceive taxes as unfair and illegitimate, others tend to have friendlier attitudes towards taxation. Which factors might explain variations in tax preferences?

Within the power resources tradition, the welfare state is conceived of as a system of redistribution (Korpi 1983; Esping-Andersen 1985; Korpi & Palme 1998). In recent years, conceptions of the welfare state as a risk hedging institution have gained in popularity (Baldwin 1990; Svallfors 1996b; Øverbye 1995; Breen 1997). For the arguments raised in this chapter, it is not necessary to distinguish between these two basic sets of conceptions. It is not the differences but rather the commonalities between redistributive aspects and risks that should be acknowledged.

Understanding the welfare state as a configuration of institutions aiming to reduce risks, it is clear that in this enterprise, taxation plays a decisive role and can be conceived of as a premium for social protection.[6] Applying a perspective of rational actors, it is expected that tax preferences vary according to the distribution of risks and marketable resources between social strata. Furthermore, while relationships between these two distributive orders should not be understood as deterministic, it is assumed that they are rather strongly correlated with each other, i.e. the higher the level of marketable resources, the lower the risks.

In market situations, insurance costs are related to calculated risks for a variety of characteristics. Higher risks involve higher premiums. It is therefore expected that low-risk categories are less interested in encompassing schemes of social protection and more inclined to favour market solutions. In a similar vein, high-risk groups have an obvious interest in favour of encompassing strategies to reduce costs. It can, thus, be argued that the distribution of costs in relation to risks is essential for understanding divergent attitudes towards taxation (cf. Alt 1983).

The attendance to risks and marketable resources is not evenly distributed among social strata. Some groups are in more precarious situations than

others are. They tend to be subjected to higher risks attached to unemployment and other conditions that severely reduce possibilities for self-support. The main system of stratification in these respects is the labour market. It is, therefore, suggested that one major determinant of tax preferences is social class. Individuals in class positions characterised by extensive resources and less exposure of risks (e.g. professionals, managers, and large proprietors), are supposed to be less in favour of redistributive policy and state organised social security than those in manual occupations.[7] There are, furthermore, reasons to assume that conflicting tax preferences are principally located within the sphere of progressive taxation. Those who are most heavily taxed in the welfare state would, in a free market situation, be in a better position than most other groups. Reversed relationships hold for high risk and low resource categories.

The concepts and measurements of class utilised in the papers draw on the Erikson/Goldthorpe classification of occupations (EGP). Classes are distinguished in terms of positions within production and labour markets (Erikson & Goldthorpe 1992). A brief description of the class schema is available in appendix 1.

Resource based explanatory models of political preferences and behaviour have, however, been increasingly subjected to extensive critique from various perspectives. While it goes far beyond the scope of this chapter to review the wide array of critical objections in detail, it can be noted that a great deal of these alternative suggestions of understanding political behaviour emphasise the role of institutions for shaping preferences and norms.

In this context, the concept of institution should be understood as the determinant behind the 'rules of the game'. More formally, institutions may be defined as "formal arrangements for aggregating individuals and regulating their behavior through the use of explicit rules and decision processes enforced by an actor or set of actors formally recognized as possessing such power" (Levi 1990:405). The institutional arguments have, roughly speaking, evolved along two separate paths.

The first places a heavy emphasis on political decision-making institutions, hereafter called political institutions, and is represented by the works within the state-centred (Evans et al. 1985; Skocpol 1992; Weir 1992) and the historical institutionalism traditions (Thelen & Steinmo 1992; Steinmo 1993; Rothstein 1996, 1998).

The main idea, which is widely shared, is that the institutional setting of the state, broadly understood, defines the frames for negotiations between different social groups and what is desirable for groups to achieve (Weir & Skocpol 1985; Skocpol 1992). The translation of these desires into specific

political preferences and strategies depends "on the rules of the game; and the rules of the game are written by the institutions through which the game is played" (Steinmo 1993:10).

Although works within this perspective tend to be directed towards the strategies pursued by political elites and the political outcomes of these actions, it has been suggested that institutions can be understood as normative orders, which influence and structure world views and preferences among the public. Institutions foster "social conventions" (Rothstein 1998:139; cf. Thelen & Steinmo 1992). More specifically, it is suggested that the efficacy of political institutions substantially influences public perceptions of the capacity of the state. Whether or not the state is trusted to be capable in delivering various social goods crucially determines the citizens' preferences for the role of the state in society (Steinmo 1994b; Rothstein 1998).

The second set of arguments is developed in a theoretical framework closely related to EGP class analysis. It is, however, suggested that traditional class analysis has not acknowledged the role of the welfare state in contemporary processes of stratification. These 'welfare state institutional' cleavage dimensions share a similar theoretical foundation which consists of a combination of elements pertaining to welfare state dependency and positions in labour markets. Three possible sources of stratification are identified: gender, sector of employment, and labour market status (Orloff 1993; Esping-Andersen 1990; Matheson 1993).

Perhaps the most influential work in this genre is Esping-Andersen (1990). Similar to class proponents, Esping-Andersen suggests that interests and identities are rooted within structures of employment. In this stratification process, however, the welfare state is recognised as a powerful force with the ability to influence social identities and interests to a considerable extent. Deploying a comparative perspective, it is argued that whichever lines of demarcation the welfare state tends to facilitate depend upon the structure of welfare benefits and the role of the state in employment.

In an advanced Scandinavian type of welfare state, such as the Swedish one, which is characterised by universal welfare programmes and a gender segregated labour market with a comparatively large public sector dominated by women and a private sector dominated by men, conflicting interests are, so the argument goes, increasingly more likely to be structured by gender and sector of employment rather than by class.

A more radical challenge to class-analysis is represented by proponents embracing the 'death of class' thesis. Their chief message is that the erosion of the traditional class structure, portrayed as a declining industrial working class, and the rise of a diversified middle class, has contributed to the

emergence of new forms of stratification in post-modern societies. While the driving forces behind the processes of post-modernism that are identified and the consequences thereof that are suggested by the proponents differ, it is a common assumption that the importance of class for the adoption of social identities and in politics is diminishing.

Clark and Lipset (1996) represent a moderate mainstream position on this issue. They claim that the decline of traditional hierarchies, an increasing decomposition of classes and the growing importance of stratification sources outside the sphere of labour markets and employment, promote a trend which can be described as a fragmentation of stratification. A representative case of the theory's more extreme forms is Pakulski and Water's *The Death of Class* (1996), in which it is suggested that post-modern patterns of stratification do not follow class boundaries or any other structurally given positions. The creation of social identities and interests appears to take place in a structural vacuum as they are mainly defined in terms of commitment, taste, lifestyle, consumption, et cetera.

Coming thus far, we may outline four scenarios of stratification and possible sources of conflict over taxation. Since the four theses below are not emanating from a single research field, they should not be understood as mutually exclusive hypotheses. The first three, however, are closely related to each other. The last thesis, on the other hand, is more or less unattached to the others.

- The class thesis. Conflicts over taxation tend to be dominated by social class. Workers are more supportive of taxes compared to service classes.
- The welfare state stratification thesis. The prominence of gender and sector of employment for structuring divisions over taxation tend to increase over time. Support for taxation is primarily found among women and public sector employees.
- The death of class thesis. Relationships between tax preferences and structural locations, particularly class, tend to decrease over time.
- The political trust thesis. Trust in political institutions is an important predictor for tax preferences. Those having confidence in political institutions are friendlier towards taxes than those distrusting the system.

To what extent do these scenarios receive support from the observed attitudinal patterns in Sweden? While not reviewing the empirical results from papers I-III in detail, it may be concluded that some of them correspond better with observations than others.

Beginning with the death of class thesis, no general sign of eroding linkages between tax preferences and structural factors can be detected. It is true that some aspects of taxation, most notably the perceived fairness of the tax distribution, are not strongly correlated with structural factors. However, these non-relationships tend to be stable over time. Considering other attitudinal domains of taxation, e.g. the levels and the distribution of taxes, a trend of strengthening associations between preferences and structural locations can be observed during the 1990s.

Which structural factors, then, tend to have the strongest impact on tax preferences? Do gender and sector of employment principally structure tax attitudes as suggested by the second scenario? Here, the empirical evidence is not clear-cut.

Gender differences are generally of minor importance. There is one clear exception, though. Women are substantially less supportive of the 1991 tax reform than are men. These gender differences are not mirrored as far as opposition towards the tax reform is concerned. Instead, women are more likely to express uncertainty about the reform than men.

Assumptions pointing to the impact of sector of employment seem to be more relevant. Whenever sector differences occur, public sector employees express more favourable views on taxes than those employed in the private sector do. There are also some indications that sector divisions become somewhat more pronounced during the 1990s.

However, when it comes to those aspects of taxation which appear to be particularly marked by social conflicts, namely the ones within the domains of levels and distribution of taxes, sector divisions are of less significance than class divisions are. Without disregarding the impact of sector, we are, nevertheless, forced to conclude that the emphasis on the welfare state as a generator of social divisions appears to be exaggerated. There is little substantive evidence suggesting that class conflicts tend to be transferred or transformed into gender and sector conflicts.

While social class, then, appears to be the prime structural determinant of tax preferences, it should also be recognised, as hinted above, that attitudes towards taxation tend to be multidimensional in character. From this, it follows that attitudes towards a particular aspect of taxation are not necessarily linked to other attitudinal tax dimensions. While some aspects tend to be correlated, such as generalised tax discontent and preferences for lowered taxes in general, other relationships are characterised by statistical independence. Tolerance for tax evasion, for instance, is not systematically associated with attitudes towards progressive taxation nor with general tax discontent.

Another implication is that the impact of structural factors and types of conflict varies across attitudinal dimensions. The multidimensional character of attitudes may not be surprising considering that taxation is a complex policy instrument that embraces a variety of competing goals (Steinmo 1993). On the basis of empirical observations, however, the contours of two major fields of attitudinal tax conflicts may be delineated. The first field concerns conflicts over redistribution and progressive taxation. As pointed out above, these conflicts are primarily structured around the class axis.

The second field has more to do with a generalised hostility towards taxes. These anti-tax sentiments tend to be associated with trust in political institutions. Citizens having little or no confidence in the political system are more likely to perceive taxes in negative terms when compared to those trusting the system. It may, thus, be suggested that taxes to some extent are visualised as the citizens' duty to the state. Whether government behaviour is perceived as satisfactory or not crucially determines whether this duty of paying taxes is seen as a legitimate or illegitimate action taken by government.

The variation of conflict patterns associated with different aspects of taxation may then suggest that the forces and mechanisms behind the formation of tax attitudes are quite different when it comes to redistributive aspects of taxation compared to other more generalised expressions of tax discontent.

If such an interpretation bears some truth, then it can be argued that conceptions of taxes exclusively as insurance premiums and redistributive tools, while fruitful, may be too narrow, since there are strong indications that taxes can be conceived as symbols of government legitimacy (cf. Sears & Citrin 1985; Hadenius 1986). In concurrence with the suggestion by Alt (1983:185) that the answer to the question "why have a tax?" is the same as to the question "why have a state?", one can argue that discontent with taxes is a sign of distrust in government.

We may, then, conclude that the class thesis is supported by data. The significance of class tends to be most salient when matters of tax redistribution are at stake. The political trust thesis also receives empirical support but appears to have its greatest influence in matters of generalised tax discontent. Empirical support for the welfare state stratification and the death of class theses is, in contrast, rather weak.

Do these findings suggest that institutional influences on attitude formation should be limited to those exercised by political institutions? I believe the answer is no. While the suggested impact of the welfare state in restructuring social divisions does not appear persuasive in light of empirical evidence, there is little reason to dismiss institutional arguments that the

welfare state, in general, is an invalid force in the formation of attitudes. Here, it is the indications of the normative forces of welfare state institutions, as well as their capacity to modify relationships between structural locations and tax preferences which in particular deserve attention.

During the last three decades, Sweden has developed into a high-taxing, mature welfare state. As suggested by several writers, states travelling on such a path may encounter problems of public legitimacy, particularly for the high taxes required by the welfare state.

As pointed out previously, however, not only is it difficult to substantiate the increase of tax discontent over time, but there is also evidence suggesting that the actual income taxes collected by government are perceived as legitimate from a public point of view. This image of consensus is not entirely true as far as taxes on low incomes are concerned. When it comes to taxes on higher incomes, the similarities between actual levels of taxes collected by government and public legitimacy levels are evident.

Moreover, the idea of progressive taxation appears to be strongly supported by Swedish citizens. Although the various social strata differ concerning the appropriate magnitude of progression, it is clear that the principle of progressive taxation is widely endorsed. While the welfare state may not be the only determinant behind the internalised value of tax progression and the overall acceptance of the income taxes collected, empirical evidence clearly speaks in favour of arguments emphasising the norm-setting functions of institutions, in the sense that they define and provide images of the 'normal' state of affairs (cf. March & Olsen 1984; Rothstein 1998).

This should not be understood as a static and unidirectional relationship between institutions and attitudes, but rather as a dynamic and mutual relationship. Whether or not policy change is successful and gains public acceptance is not independent of the structure of values held by citizens. Likewise, certain configurations of public values and attitudes tend to shape certain political preferences to which institutions respond and adjust.

The above depicted linkages between attitudes and institutions can also be expected to vary across social strata. While some stratum may be more successful than others in promoting institutional change, the actual and perceived consequences of institutional change are likely to differ between social groups. Focusing on the latter, the 1991 tax reform may be an illustrative example of public responses to institutional change.

One of the more prominent features of the tax reform was the reduction in marginal taxes on personal incomes. The progressive statutory tax rate became only a shadow of its former state with the establishment of a two-bracket tax structure of 30 percent and 50 percent. Examining public responses to tax reform during a relatively short time period (18 months), it

can be concluded that it was perceived as a reform of marginal taxes, and received its strongest support among the higher salariat.

While perceptions of tax reform are strongly related to class, it should also be recognised that the attitudinal stability observed over time is striking, both on the aggregate and the group level. Thus, in a short-term perspective, the influence of reform on attitude change appears to be rather modest, if not to say negligible.

However, studying attitudes towards taxation during a longer time period, a slightly different picture of the institutional impact emerges. Although data from certain key points in time is not available, most notably the period immediately prior to reform, the overall image depicted by data suggests that tax reform contributed to decreased class divisions over the levels of taxes, mainly by satisfying demands for lower taxes expressed by higher non-manuals. This does not suggest that class division over taxation disappeared. It rather changed character and transformed into a more absolute conflict over the distribution of taxes.

It is apparent, then, that institutions influence public perceptions and political desires. However, the legacy of institutions on attitude formation is perhaps of a more complex, and, sometimes, of a more modest nature than assumed by institutional theorists. Even though tax reform contributed to attitude change, a rather persistent pattern of divergent tax preferences emanating from within structures of employment can be witnessed during the 1990s.

Moving beyond issues of taxation and defining the status of institutions in more general terms, it appears that as far as matters of social protection and redistribution are concerned, institutions can be seen as intervening factors modifying the more fundamental relationships between interests and structural conditions rooted in the division of labour.

To what extent this suggestion is valid over time, space, and subject may cause disagreement, and should, of course, be addressed empirically. When it comes to distributional conflicts over the burden of taxes, it is not necessary to broaden the perspective to any considerable extent in order to appreciate that simple explanations referring to social class are challenged. Moving beyond the borders of Sweden, leaving a territory of class-based conflicts and entering into the liberal regime world of Britain and the United States, a landscape comes into sight in which class appears to be of little relevance, at least in matters of taxation.

Here, it may be useful to recall the argument about stratification put forward by Esping-Andersen (1990). As pointed out above, it is suggested that the

universal character of the social democratic regime type tends to de-emphasise class conflict. Furthermore, in liberal welfare regimes, such as the U.S. and Britain, in which the market plays a more significant role in the distribution of welfare, Esping-Andersen anticipates a scenario of strengthening class conflicts. On the surface, empirical observations do not seem to support this argument.

However, while I believe that Esping-Andersen's argument needs some modification, the basic assumption of relationships between stratification emanating from within the division of labour and demands for social protection appears to be fruitful. Whether or not these patterns of stratification are transformed into political mobilisation depend on several factors, among which the institutional characteristics of the welfare state play a key role. This will be further elaborated in the next section.

4. Class, Taxation, and the Welfare State: Sweden in Comparative Perspective

Taking into account the factual distributions of living conditions and various social properties observed in Sweden, Britain, and the United States, it seems rather odd that class conflict is more salient in Sweden, a country in which social inequality, regardless of measurement applied, is far less significant compared to countries travelling on the liberal welfare regime path. The puzzle to solve, then, is to explain why class matters for distributive conflicts over taxation in Sweden, but apparently not in Britain and the United States.

Proponents of the death of class thesis offer one interpretation, since it might be suggested that Sweden represents an anomaly or a deviant case in the general theory of postmodernism. While the Western world is entering into the post-industrial society with its non-structural and fragmented patterns of division, Sweden has somehow frozen in conflict patterns rooted in the division of labour characterising industrial society.

Grusky & Sørensen (1998) supply a second interpretation. They argue that a fragmentation of classes has taken place. While they agree with post-modernists that this may weaken class solidarities and, accordingly, interest formation on the aggregate level (e.g. EGP classes), they reject the post-modernist claim that fragmentation weakens all kinds of solidarity within the division of labour: "the appropriate implication is (...) rather that such solidarities are increasingly localistic" (Grusky & Sørensen 1998:1214). By identifying the dominant jurisdictional settlements, i.e. "the organizational barriers and combinations (e.g., unions, associations) that serve to convert technical distinctions [of occupations] into more nearly social ones", a more reliable allocation of occupations into classes can be accomplished (Grusky & Sørensen 1998:1224).

From their perspective, the extent to which the jurisdictional settlements are centralised critically determines the degree of internal cleavages of identities and interests within aggregate classes. Sweden in a comparative perspective is characterised by strong unionisation and a previously long-standing tradition of centralised bargaining, complemented with governmental active labour market policies. Given this, processes of fragmentation and sectionalism are less likely to leave their imprint in the Swedish class structure than in countries characterised by more fragmented patterns of unionisation such as the U.S. and Britain.

If this assumption is accurate, then the observed cross-national differences regarding the salience of class do not indicate that class is irrelevant in Britain and the United States, but rather that the EGP schema is an inadequate classification of classes in these countries. In Sweden, on the other hand, it appears that the EGP classes largely coincide with the jurisdictional boundaries between the three major unions.[8]

However, judging from evidence presented in this thesis and in other works deploying a broader perspective on state redistribution, it seems that the localistic thesis may only partially explain cross-national differences (Edlund 1999; Svallfors 1993, 1997, 1999). Defending the death of class thesis seems even more difficult. Among the countries examined, class is the principal axis around which conflicts over state redistribution are formed. The observed class divisions are, however, more distinguishable in Sweden than in other countries, including Britain and the United States.

Although it is possible that some of the differences between tax attitudes and class observed in Sweden and liberal regime countries may be attributed to problems of class measurement, I would propose that a major reason behind the attitudinal patterns observed is the distinctively different experiences and interpretations of the tax system and government spending priorities which the social democratic and the liberal types of welfare regime tend to give rise to.

The main argument is that the configuration of the welfare state determines certain outcomes in terms of risk protection and redistribution. Public experiences and interpretations of these outcomes shape interests and preferences regarding spending and taxing. In this process of attitude formation, the role of organised interests – unions, employer organisations, and political parties – in framing public debate is decisive.

Explaining cross-national attitudinal differences pertaining to class and taxation, we can distinguish between three components: the redistributive character of the tax system, the distributive profile of public spending and risk protection, and, finally, the strategies and articulations pursued by organised interests. A comparison of social democratic and liberal welfare

regime types, represented by Sweden and the United States may clarify the argument.

Beginning with the first component, empirical evidence clearly shows that the redistributive impact of taxation on income distribution is substantially more pronounced in Sweden compared to the United States (Edlund 1999). The institutional properties of the tax system influence public perceptions of taxes. Among available images, perceptions of the tax system as a redistributive tool are likely to be far more common in Sweden than in the U.S. This tendency might be reinforced by the structure of the American tax system, which, when compared to the Swedish system, appears to be highly complicated and particularistic (Steinmo 1993).

The second component can be separated in two parts, at least for descriptive purposes. The first part is the element of redistribution in welfare programmes. Similar to the different redistributive effects achieved via taxes found in liberal and social democratic regimes, there is solid evidence suggesting that reduction of poverty and economic inequality is accomplished more effectively within transfer systems of social democratic type than in those dominant in liberal regimes (McFate et al. 1995; Korpi & Palme 1998). Public interpretations of tax financed welfare programmes as engines of redistribution are thus less likely to appear among Americans than among Swedes.

The second part takes a broader perspective on public spending. Examining how governments spend their taxes help us to understand which types of risks governments attempt to neutralise. The distributive profile of the risks recognised in a night-watchman state devoted to maintain public order and national security is fundamentally different from the profile of an advanced welfare state attempting to reduce risks attached to unemployment, retirement, and sickness.

Government spending priorities reflect the class character of risk protection financed by taxes. It is misleading to reduce the scope of public policy to social welfare programmes, since a substantial part of government spending is addressed to non-social welfare programmes (Rose 1991). However, both the shape and total size of public expenditures vary across countries. By comparing government effort, measured as total public expenditures as percentage of GDP, it is shown that Sweden is located in the top bracket, while the U.S. is distinguished as a low effort nation.

In terms of spending priorities, American government allocates a larger share of its resources to non-social welfare programmes than European governments (Rose 1991; Peters 1991). It is perhaps redundant to mention that the Swedish public policy profile, with a much stronger emphasis on social welfare, offers a striking contrast to the American. Although the applied

aggregate measures are admittedly crude, it is suggested that due to spending priorities, the risks to be protected against are more evenly distributed among social strata in the U.S. and do not take a class character as distinct as in Sweden.

From this it follows that public experiences and interpretations of the purposes and the goals to be accomplished by the means of taxation can be expected to vary substantially between social democratic and liberal welfare regimes. As a result, American perceptions of taxes tend to be, if not radically so, certainly different when compared to interpretations of taxes within a Swedish context. The shape of public policy observed in Sweden is more likely to underpin class conflict over taxes than in the United States.

The third component is rhetoric and strategies undertaken by political parties, unions, and other interest organisations in matters of taxation and related issues. By framing public debate and by offering citizens mental tools and guidelines for interpretations of 'problems' and 'solutions' to any given issue, organised interests attempt to gain public acceptance of and support for needed action and are thus, powerful forces in the processes of attitude formation (Svallfors 1996b).

Now, as far as matters of taxation are concerned, it is commonly suggested that strategies calling for new or increased taxes are extremely difficult to master successfully. While it may be true that political actors attempt to win public appeal by claiming tax cuts, rather than the reverse, there are reasons to believe that tax policy is articulated and debated somewhat differently in liberal regimes than in social democratic.

While it goes beyond the scope of this chapter to provide an extensive and thorough analysis, scattered evidence referring to Anglo-American countries suggests that messages such as George Bush's 'Read my lips – No new taxes', may be representative regardless of the political residency of the messenger. Peters (1991:10) even suggests that "any statement about more taxes is likely to be political suicide".[9]

In Sweden, where organised interests are largely structured along the class axis, public debates over taxation tend to involve the welfare state in one way or another. Strategies pursued by business interests and right-wing parties aiming at cutting taxes are routinely met and challenged by left-wing counter-arguments defending tax policy, arguing that high taxes are a necessity for securing the quality of welfare policies and to achieve redistributive goals.[10] Thus the prerequisites for class conflict over taxation appear to be more favourable in the Swedish polarised environment of prosecutors and defenders when compared to the United States, where virtually all organised interests appear to act as prosecutors (cf. Lipset 1996; Steinmo 1993).

It would appear, then, that whether or not matters of taxation are characterised by class conflict depends to a significant extent on the class character of risk protection and redistribution inherent in the tax system and public policy, and on the strategies and articulations in these matters pursued by organised interests.

For analytical purposes, these components have been treated as relatively distinct entities. However, the mutual relationships between them should be recognised. Applying a perspective of 'policies produce politics' (Pierson 1994), it can be argued that the social bases of organised interests and the strategies they adopt are strongly influenced by the institutional design of the state.

In Sweden, the wide scope of tax and welfare policy facilitates attraction from organised interests positioning the welfare state at centre of politics. The polarised political climate reflects the distinct class character inherent in the Swedish welfare state. In the United States, on the other hand, the specific traits of tax and public policy do not promote strong incentives for organisational mobilisation along class dimensions, nor strategies mobilising members or constituents behind centrally organised initiatives on the basis of class.

However, it is equally true that political parties and other interest organisations exert influence on institutions. State institutions do not live their own life independent of organised interests. Seen from this perspective, institutions can be conceived of as products of previous conflicts between political actors (Korpi 1996). Furthermore, as Rothstein (1998) suggests, the mutual interactions between patterns of political mobilisation and institutions tend to create a significant element of path dependency concerning the route of the state and the patterns of political conflict embedded within it.[11]

The relationship between institutions and political actors can be conceptualised as a dynamic one which exercises powerful constraints on state behaviour by providing serious obstacles to any attempt at a fundamental change of course. In a similar vein, the dynamic field of force obstructs and complicates an emergence and political mobilisation along new structural cleavage dimensions.[12]

Let us return to Esping-Andersen's (1990) welfare state stratification thesis, which is a qualified attempt to offer elaborated suggestions regarding how national institutional characteristics may influence interest formation. Concurring with Esping-Andersen that patterns of stratification are rooted within structures of employment, I would argue that the unequal distribution of risks and resources generated within the division of labour characterising Western society creates a potential for class conflict over issues of social protection as understood in a narrow sense (e.g. unemployment, ageing,

sickness). Whether or not these issues are addressed and mobilised politically are crucially determined by the strategies pursued by organised interests and on institutional legacies of organising social protection.

The influences on public interpretations and interests exercised through the dynamic and mutual relationships between institutions and political actors are not fully recognised within the theoretical framework devised by Esping-Andersen. Rather than promoting alternate conflict sources and de-emphasising the salience of class, the Swedish welfare state configuration serves to maintain conflict patterns structured around the class axis. Moreover, it encourages that matters of social protection and life chances are addressed to the welfare state.

In the United States, distinctively different behaviours and preferences are promoted. Interests and mobilisation formed around class are not encouraged within the realm of politics. This does not mean, however, that class is unimportant. It is rather indicating that the linkages between institutions and organised interests in the United States underpin interpretations suggesting that the prospects for achieving goals of social protection via political institutional changes are regarded as less plausible compared to other available options. Within which domain, then, do class conflicts over matters of social protection and living conditions take place? Relying on evidence presented by Gerteis and Savage (1998), it may be suggested that one major domain of struggle for social protection can be found within the sphere of workplace and industrial relations.

Seen from this perspective, welfare states may indeed be regarded as "key institutions in the structuring of class and the social order", although in a somewhat different manner than originally suggested, at least as concerns patterns of conflict over social protection (Esping-Andersen 1990:55). Although the empirical evidence is yet far from solid, I would suggest that institutional designs of contemporary welfare states are crucial in shaping and defining orders of preference of available options open to secure or improve social protective measures.

As long as demands for social protection in the U.S. are not translated into political mobilisation addressing welfare reforms and, thus, sharpen the class character of the welfare state, a scenario of class conflicts over taxation appears less likely. The prospects for restructuring the American welfare state in such a direction do not, however, seem particularly plausible considering the powerful force of the current institutional-organisational set-up.

Nevertheless, there are some indications that increased demands for welfare state reform should not be ruled out as a totally implausible scenario. Of particular interest are the consequences of the changing composition of

manual occupations. Here, the proportion of jobs entailing more or less advanced occupational benefits is declining steadily and being replaced by jobs located at "the low end of the American service economy, [where] wages are close to the poverty-level, and fringe benefits almost non-existent" (Esping-Andersen 1990:228; cf. Standing 1995).

If this trend of a growing disjunction between existing standards of social protection and rising risks continues, the potential for class conflict in the U.S. may increase significantly. Because of a dependence on several factors, it is difficult to predict whether such conflicts will be expressed primarily as labour demands for improved state provided social security, or if struggles will continue to take place within the field of occupational welfare.[13] However, it is only in the former case that we can anticipate evolving class conflict over taxation.

In Sweden, the class character of the welfare state and organisations suggests that class will prevail as a dominant source of conflict over taxation. On closer inspection, however, it is clear that such a conclusion is afflicted with an element of uncertainty.

Studying the wave of tax reforms which swept over the Western world during the 1980s, Steinmo (1994a) argued that the principal explanation was the increasing globalisation of the world economy, which forced governments to undertake more regressive tax revenue collection strategies in order to attract mobile capital.

While this explanation does not appear as persuasive in the Swedish tax reform context (Whalley 1990; Agell et al. 1995), it is true that the effects of globalisation have recently received much attention. The increasing number of options available in the global economy for capital, corporations, and individuals with attractive qualifications and skills make it "increasingly difficult to maintain high-tax-society" (Eklund 1998:136). A small and open economy like Sweden is particularly sensitive to a changing economic environment and the increasing globalisation of the economy may prove to be a significant force in promoting splits within labour unions and forcing government to adopt more regressive measures for extracting tax revenues.

In the absence of international legislation, Eklund (1998) suggests that the Swedish government can choose between two principal alternatives. According to the first, Sweden opts for a smaller welfare state and lowered taxes, particularly those pertaining to mobile tax bases. The second alternative suggests that Sweden maintain high levels of taxes and generous welfare policies. Here, an erosion of tax bases is envisaged, caused by the scenario of increased mobility of capital, corporations, and individuals possessing attractive resources. Consequently, applying the principle of the

sitting bird, the state must rely more heavily on less mobile tax bases in order to preserve the current level of tax revenues.[14]

Regardless of whether Sweden opts for the first or the second alternative, there are strong indications that the suggested tax reforms would redistribute the burden of taxes downwards since the mobility factor pertains principally to capital and service classes. Thus, effects of globalisation speak in favour of a scenario of increasing class conflicts over taxation. It is important to notice, however, that the challenges posed by globalisation vary across sectors of the national economy. This creates a powerful potential for conflicts within labour unions.

For reasons of job security, it seems plausible that those working in geographically mobile companies in the export oriented sector may be far more supportive of political measures aimed at improving economic competitiveness – among which lowered taxes on mobile tax bases are important ingredients – than those working in domestic sectors of the economy. The effects of globalisation and, I would add, the shift from centralised to more local negotiations, may lead to increased sectionalism and open up the possibility of political mobilisation following other lines of demarcation than class.

Whether or not the above interpretations and suggestions will survive the critical light of future research, the empirical findings do suggest that institutional influence on attitude formation can vary substantially in complexity and strength, and that they should be approached as an empirical question rather than be taken as an axiom.

Finally, although this thesis, following the advice offered by Schumpeter, has attempted to listen to the message written in Sweden's recent fiscal history, I would hesitate to claim that we have revealed the spirit, level of culture, or social structure of the Swedish people. However, considering the deeds Sweden's tax policy may prepare, we can at least be confident that a scenario of political consensus seems less than likely, since taxation touches the raw nerve of distributional conflict within present day Swedish society.

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Endnotes

[1] Among these works, Laurin (1986) and Wahlund (1991) focus mainly on tax evasion. Vogel (1970, 1974) leans towards issues of tax evasion, but other aspects of taxes are also dealt with. A more general approach to tax attitudes is found in the works of Hadenius (1985, 1986). In Åberg (1993), Svallfors (1992), and Halleröd (1993), attitudinal and behavioural responses towards the 1991 tax reform are analysed. However, common to all of these studies is that little effort has been devoted to: (i) study tax attitudes over time, and (ii) positioning Sweden in comparative perspective. Moreover, except for works dealing with tax reform, the attitudinal data utilised stems from time periods prior to 1985.

[2] Converse did, however, take into account that some people do change opinion in a considered way. But as he also claimed to measure deep-seated values, he meant that these are not subject to change to any larger extent. Moreover, the net changes were small between the waves, therefore it was highly unlikely that national events provoked attitude changes, as this would cause more systematic patterns of attitude change on the aggregate and the individual level as well. Finally, people with no particular preference were excluded (Converse 1964:243f, 1970:170f).

[3] Drawing on evidence from the United States, citizens with non-attitudes seem to constitute about half to two thirds of the population (Zaller 1992:30ff). In our samples, non-attitudes seem to be less prevalent. Whether or not these differences indicate true cross-national variations can only be addressed through comparative research. However, it is at least possible that critics of the survey method may exaggerate the effects of measurement error. Different degrees of observed non-attitudes might not entirely be reduced to technical problems of measurement.

[4] Welch (1985) argues, however, that a closer examination of relationships between taxes and spending reveals that the paradox pertains only to a minority.

[5] The closely related concept 'functional equivalence' is discussed in Lijphart (1975); Dogan and Pelassy (1990); Hague et al. (1992).

[6] The term 'social protection' does not necessarily have to be limited to social policy per se. A similar logic pertains also to other areas, such as defence, transportation infrastructure, energy, et cetera (cf. Rose 1991).

[7] Income may also be used as an indicator of position within the social stratification system. There are, however, reasons to believe that class is more indicative of available resources. First, given the context of the surveys, it is difficult to measure income adequately since we are forced to rely on a single self-reported item of household income. Second, it can be argued that class captures both economic and social resources, since it is closely related to income and education. Third, class entails an important prospective element of future income and life chances (Erikson & Jonsson 1996).

[8] As Tåhlin (1993) notes, during the most recent decade there has been a trend in Sweden from centralised towards more local negotiations at the establishment level. The consequences this change may have on class formation are at present largely unexplored.

[9] Compare the recent British general election campaign, in which Labour assured that taxes would not be raised.

[10] Statements such as 'Tax is sexy' and 'It's cool to pay taxes' delivered by a female Social Democratic Cabinet Minister recently, may sound exotic in the perspective of American politics.

[11] The theoretical foundation underlying the concept of path dependency is thoroughly described in Rothstein (1998). Schematically, the formative moment of institutions promote a certain configuration of organised interest. Institutions may affect the balance of powers between organised interests. A change of balance contributes to political conflicts addressing particular institutions. This, in turn, leads to institutional reform. In this over time incremental process, institutions contribute to shape the ways politics are articulated and accomplished.

[12] These suggestions build on Rothstein (1998). During the formative moments of institutions or organised interests, the dynamic is underdeveloped and weak. If it survives the first critical moments, its force strengthens considerably over time.

[13] A third possible outcome may be increased social disorder (cf. Esping-Andersen 1996:3-8).

[14] The principle of the sitting bird can be described as: 'tax wherever possible before source is gone' (Eklund 1998:141).

Appendix 1

The EGP Class Schema

Conceptions and theories of class may roughly be grouped into Marxist and Weberian versions. The concept of class adopted in the papers stems from the works of a group of scholars and has been used and refined in a number of studies most notably the CASMIN project (Erikson & Goldthorpe 1992). As described by Marshall (1997), the class schema is known by different names (Goldthorpe classes, Erikson/Goldthorpe classification of occupations, EGP or CASMIN classes). The class schema is hereafter denoted EGP after the founders: Erikson, Goldthorpe, and Portocarero (1979).[1]

The EGP approach to class analysis, explicitly designed for comparative purposes, is markedly influenced by the works of Weber rather than those by Marx (Scott 1996a, 1996b). Of course, there are some obvious similarities between Marxist and Weberian conceptions of class, most notably that both distinguish one major dimension of inequality which centres around the distribution of power based on ownership and capital resources.

Within the Weberian framework, however, another major dimension of inequality is the distribution of power stemming from possession of marketable resources and skills. This component, largely missing in Marx's class theory, provides a capacity to incorporate and analyse salaried possessors of marketable skills, i.e. the middle class, which is analytically distinct from capital and the working class (Holton 1996). Both of these dimensions are central to an analysis of market outcomes.

Differences in market outcomes and life chances are thus linked to the unequal distribution of power pertaining to, on the one hand, ownership and capital resources and, on the other hand, possession of marketable resources and skills. From this it follows that Weber's theory of class does not suggest a dichotomy between capital and the working class. It is rather a question of class positions, which are gradational (Holton 1996).[2]

The theoretical basis for the classification of occupations within the EGP concept follows the above outlined principles, in order to differentiate positions within labour markets and production units (Erikson & Goldthorpe 1992:37). The aim of class analysis, as understood by EGP, is to explore "the interconnections between positions defined by employment relations in labour markets and production units in different sectors of national economies; the processes through which individuals and their families are distributed and redistributed among these positions over time; and the consequences thereof for their life chances and for the social identities that

they adopt and the social values and interests that they pursue" (Goldthorpe & Marshall 1996:98-99).

The basic allocation of class positions is determined by the authority and control individuals hold within relations of employment. A basic three-class schema distinguishes between employees, employers with employees and employers without employees.

During the most recent century two trends in employment relations among industrial societies call for a differentiation of employees into different class positions. Firstly, in contemporary societies, organisations rather than individuals appear as major employers. Secondly, over the past century the proportion of employees to the total work force has grown substantially. These employees are, in turn, subjected to quite different employment relations based on rather heterogeneous principles.

The major distinction, Erikson and Goldthorpe (1992:41) suggest, should follow the differences in employment relations between the labour contract and those characteristic of employment conditions within organisational bureaucracies.

Employment relations characterising the labour contract entail a rather short-term and specific exchange between labour effort and wage, often under some form of supervision. Depending on the degree of autonomy and external control, two class positions regulated by a labour contract are identified: unskilled manuals and skilled manuals.

The employment relations within organisational bureaucracies, denoted 'service relationships', are discernible by a less specific exchange. A service relationship does typically involve a more long-term exchange and diverse forms of compensation. Apart from salary, various sorts of fringe benefits and prospective elements such as career opportunities serve as important elements of compensation, but also to strengthen affiliative ties between the employee and the organisation.

Occupations entailing a service relationship are those among which "it is required of employees that they exercise *delegated authority* or *specialized knowledge and expertise* in the interests of their employing organization" (Erikson & Goldthorpe 1992:42). Due to the nature of assignments, then, the performance of employees is determined more by the moral commitment towards the organisation than by control mechanisms and sanctions characterising the labour contract.

It can be noted that large-scale individual employers are classified as service class. Firstly, as pointed out above, large-scale employers are seldom indi-

viduals. Secondly, in these relatively few cases, the major elements constituting service relationships are likely to pertain to this group also.

Acknowledging that characteristics of service relationships can be more or less pronounced, the service class is divided into two factions. Occupations classified into service class I are those where the features of a service relationship are prominent across major areas. Other occupations, among which the service characteristics are less significant and may only be available in some areas, are allocated to service class II.

Among employees, then, the major distinction is made on the basis of whether employment relations are characterised by a labour contract or by a service relationship. However, some occupations generally involve a mixed form of employment relations, which cause certain difficulties in determining class positions. One type of these intermediate positions is found within routine non-manual clerical and sales occupations, which are assigned to class III. Another type is the relationship that usually pertains to lower grade technicians and supervisors working close to manual employees. These are allocated to class V.

In the papers, the original 11 EGP class version is recoded into a six class version, which distinguishes between class VII (unskilled manuals), class VI (skilled manuals), class III (routine non-manuals), service classes II and I (professional, higher technical, administrative and managerial, lower and higher grade, respectively) and class IV (self-employed).

It should be mentioned that due to data restrictions, those within the manual classes (VII & VI) with supervisory function have not been allocated to class V. Furthermore, those within the agricultural sector have been classified either into class VII or into class IV, depending on whether they are employees or employers. However, these procedures should not affect the class distribution in any major sense, since they constitute minor fractions.

Endnotes

[1] It should be mentioned that the Swedish socio-economic classification of occupations (SEI), which is used in some of the articles, is very similar to the EGP schema (Erikson & Goldthorpe 1992:37).

[2] It is interesting to note that the leading Marxist class model also has abandoned a simple dichotomy between capital and labour (Wright 1997). Class locations are distinguished along three dimensions: relation to means of production, relation to scarce skills and relation to authority.

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