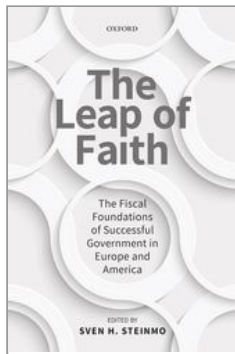


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The Leap of Faith: The Fiscal Foundations of Successful Government in Europe and America

Sven H. Steinmo

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Getting to Sweden

The Origins of High Compliance in the Swedish Tax State

Marina Nistotskaya

Michelle D'Arcy

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Abstract and Keywords

This chapter argues that the roots of Sweden's exceptional tax state lie in the early modern period. From c.1530 the state began monitoring economic activity and developing a direct vertical fiscal contract between the king and his subjects. The extensive data collected by the state, with the assistance of the newly reformed Church, facilitated fairness in the distribution of tax and conscription burdens and fostered a horizontal contract between subjects. With a free peasantry and a weak nobility, the state's relationship with the peasantry was direct and unmediated. Furthermore, late industrialization preserved a tax structure and administration based on direct taxes that could easily adapt to the collection of modern taxes. Taken together, these factors explain how Sweden, over the course of 400 years, cultivated its fiscal capacity and strengthened the fiscal contract between ordinary taxpayers and the state.

Keywords: fiscal capacity, taxation, Sweden, state-building, institutionalism, early modern Europe, cadaster

Introduction

Sweden is one of the strongest, most stable and high-compliance tax states in the world. As Steinmo (1993: 41) notes, “the hallmarks of the Swedish tax system have been its broad base, its stability, and its high revenue yield.” Tax revenue as a percentage of GDP was at least 25 percent above the OECD average from 1965 to 2013, putting Sweden in the top five tax-yield countries for nearly the entire period (OECD 2014). Since the 1980s, collection losses (taxes levied but not paid) have been less than 1 percent of total tax receipts, standing at the level of between 0.3 and 0.5 percent for most of the period (STA 2013: 20). By comparison, in the UK a similar measure, known as the tax gap, was between 6 and 8 percent of total tax receipts in the period 2005–13 (HM Revenue & Customs 2014: 4; authors’ calculations). Experimental data from the “Willing to Pay?” project show that the Swedes are the most compliant taxpayers in the sample of five countries reference to Steinmo et al “Willing to Pay?” is here. It should also feature in the reference list.

Why is this the case? How did Sweden become one of the most successful states in terms of tax yield and compliance levels? While most of the classic works on the Swedish tax state have emphasized the constitutional structure of the state that emerged in the twentieth century (Steinmo 1993) and social democratic politics in the twentieth century (Jansson, Chapter 3 in this volume), we look at earlier periods, tracing the roots of Swedish exceptionalism as far back as the sixteenth century.

(p.34) Although regular taxation in Sweden dates back to the thirteenth century, for most of the medieval period Sweden was essentially a domain state, dependent on income from crown lands, rather than a tax state, supporting itself through taxes collected from subjects (Dovring 1951; Poulsen 1995; Retsö and Söderberg 2015). Between 1500 and 1750, Sweden transformed into a tax state with certain characteristics that would become hallmarks in later periods. The result of the transformation was that the state had both the “hard” capacity needed to collect taxes—such as detailed information on the resource base and ability to monitor the entire population—and “soft” capacity in the form of a meaningful fiscal contract between the state and its subjects that supported quasi-voluntary compliance.

We draw on the rich existing literature and add to it in a number of ways to make five key arguments as to how Sweden became Sweden and why it is such an exceptional case. First, we argue that the Swedish state adopted advanced methods for monitoring the availability, quality, and use of the main economic assets for tax collection purposes at a very early stage, leading to both the creation of institutional capacity and the development much earlier than in most other European states of a direct vertical fiscal contract between the king, the embodiment of the state in the early modern period, and his subjects. Second, we show how the development of both the capacity to raise taxes and the fiscal contract were assisted by the use of the newly reformed Church of Sweden, which both collected population information for the state and legitimized its actions. Third, we argue that the fiscal contract was particularly strong because the extensive, accurate data available to the state allowed for fairness in the distribution of the tax and conscription burdens, and the military successes of the Swedish state in the early period of state-building delivered benefits to the population: peace within its borders, freedom from foreign rule, and law and order. Furthermore, the military allotment system—an organizational innovation, stimulated by war, for extracting tax in kind from a peasant economy—created conditions that could foster a horizontal contract between subjects. Fourth, we emphasize that these developments were aided by Sweden’s relatively unique social structure. Having a large free peasantry and a small weak nobility led the state into a direct fiscal contract with the broad bulk of the peasantry rather than, as happened elsewhere, through the land- and capital-owning nobility. Fifth, we show how the structure of the Swedish economy, particularly the late onset of industrialization, forced the state to find innovative administrative technologies, producing a tax structure and administration that could easily adapt to the collection of modern taxes. Taken together, these factors explain how Sweden, over the course of 400 years, cultivated its fiscal capacity and strengthened the fiscal contract between ordinary taxpayers and the state. Its contemporary exceptionalism was set in motion centuries ago.

(p.35) Three overarching themes emerge from our analysis. The first is the importance of the early modern period as a critical juncture in the history of European states in general and Sweden in particular. Although a rich general literature has addressed this (Ertman 1997; Glete 2002; Tilly 1992), not all recognize this period as the starting point of Sweden's transition to modernity, instead arguing that the nineteenth century was the critical period of transformation (Rothstein and Teorell 2015; Teorell and Rothstein 2015). The second is the contrast between Sweden and other European countries during this period. Sweden was markedly superior in international comparison in terms of the organization of the state in relation to taxation, particularly the degree to which the information-gathering activities of the state penetrated society. Finally, the continuity between the aspects of the contemporary tax state that make it effective and the tax state that emerged in the early modern period suggests that the virtuous circle persisted over time. For example, there is remarkable continuity in key areas such as the amount of information the state collects on the population. These insights together suggest that to understand divergent performances in tax compliance today we need to take a considerably longer-term historical perspective.

Monitoring Capacity

Monitoring capacity is a critical but often overlooked aspect of fiscal capacity. Taxation has been increasingly understood as a collective action problem (CAP) whereby rational individuals have strong incentives to free-ride because they cannot be excluded from the benefits of the collective goods that taxes provide (Levi 1988). In a small group it is more straightforward to solve CAPs, as it is easier to monitor and enforce compliance (Ostrom 1990). Because of the high degree of visibility in a small group, everyone can directly observe individual contributions by other members and sanction those not cooperating. In large groups, such as states, CAPs can only be solved by an external agent with the capacity to monitor individual contributions, find the free-riders, and punish them (Olson 1965). A state with these capacities reduces the likelihood that individuals will choose a free-riding strategy both because they believe there is a high likelihood they themselves will be caught if they evade, and because they believe this power will ensure others also comply. Monitoring capacity, in particular the gathering of information needed to assess individual behavior in collective endeavors, is thus critical to curb fiscal free-riding (D'Arcy and Nistotskaya 2017).

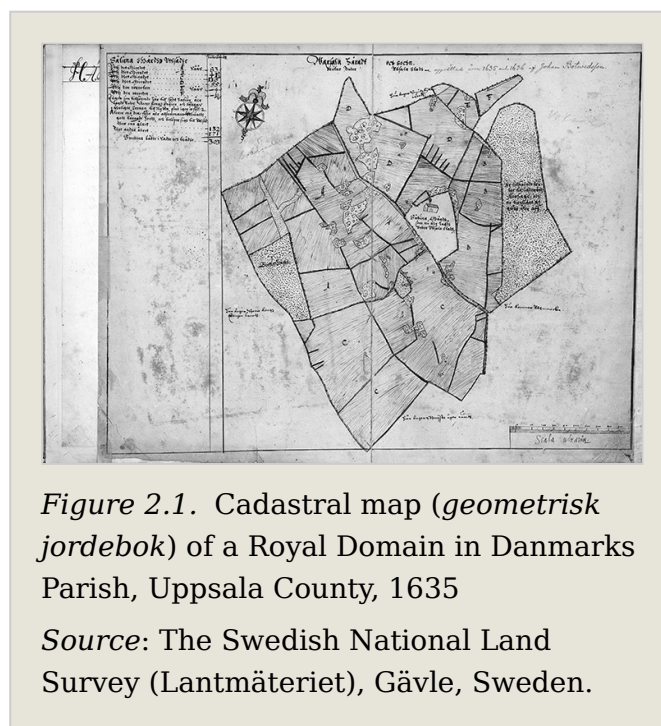
Swedish kings were among the first European rulers to systematically gather information on the main productive assets for taxation purposes. Sweden's early modern experience of gathering data on land and its users was a critical **(p.36)** component in making it one of the most effective tax states from a historical perspective. It has also left a legacy of exhaustive information-gathering that persists into the contemporary period.

Although attempts to draw a comprehensive list of taxpayers were made by the Crown as early as 1413 (Dovring 1951: 417), the crucial steps in developing monitoring capacity in Sweden were undertaken by Gustav Vasa (1523–1560). The newly elected monarch, faced with competition for power from the Catholic Church and the nobility, had no choice, but “to start building a new organization for mobilizing economic resources and political support” (Hallenberg, Holm, and Johansson 2008: 251; see also Ertman 1997: 311–14; Glete 2002; Hallenberg 2012; Roberts 1958: 77; Tilly 1992: 25, 135). First, Gustav Vasa appointed trusted local representatives, who held office in return for direct payment rather than as a personal fief. Research suggests that during the reign of Gustav Vasa the number of these salaried royal officials increased fourfold, reaching a total of about 200 by 1560 (Glete 2002: 189; Hallenberg 2012: 563). Second, with a view to extracting resources, these royal bailiffs started collecting and recording information about the local peasant economy. Specifically, around the 1530s, information about individual land parcels began to be gathered and methodically recorded in special registers—*jordböcker* (Dovring 1951; Hallenberg 2012: 563–5; Lindkvist 1987: 61–2; Österberg 1977). Royal bailiffs also maintained lists of taxpayers and men eligible for conscription, and account books where the principles of tax assessments, arrears, and other issues related to the tax collection were recorded. Third, the Crown changed the basic principle of tax assessment: from collective appropriations from groups of people with the tax amounts or quantities in kind being determined somewhat arbitrarily to individual assessments, based on surveys of individual land parcels and valuations of land (Dovring 1951: 13–139; Lindkvist 1987).

These developments had several important consequences that arguably set the virtuous circle of the Swedish political economy in motion. First of all, the Swedish state developed a competence to monitor the peasant economy down to the level of “every single farm” (Lindkvist 1987: 62), which, as we argued earlier, is a key condition for curbing fiscal free-riding. Secondly, the principle of individual assessments made an individual peasant a “direct subject of the king, personally responsible for sustaining the crown by his yearly contributions” (Hallenberg 2012: 564). Furthermore, the introduction of the institution of royal bailiffs, who dealt with tax assessment and collection on a day-to-day basis, “opened up direct communication lines between the King and his subjects” (Hallenberg, Holm, and Johansson 2008: 254). Thus, the foundations of both effective monitoring and a vertical fiscal contract between the king and his subjects were laid down during the reign of Gustav Vasa. This is in stark contrast to England, for example, where even in the **(p.37)** implementation of personal income tax in the nineteenth century, the state explicitly aimed to “minimize the direct contact between the central bureaucracy and the individual citizens” to secure consent (see Daunton, Chapter 6 in this volume; Kiser and Kane 2001). Third, reliable information about key economic assets and other local conditions made it possible for the state to tax “according to the economic capacities of the individual households” (Lindkvist 1987: 62) and to distribute the tax and conscriptions burdens between communities in a manner “that could be regarded as fair” (Glete 2002: 189), which is an important constituent of a robust fiscal contract (see “Fiscal Contract” below).

The monitoring capacity of the state was further strengthened in the seventeenth century. In 1628, Sweden launched a comprehensive program of surveying and mapping of individual land parcels of all settlements of the realm. The resultant cadastral maps (*geometriska jordeböcker*) were state-administered, methodically arranged records that identified individual land holdings in terms of their location, dimensions, and features, and were presented as drawings or sketches. One of the essential features of cadastral maps is that they securely link properties on a map to a register, containing information about the landowner or occupier (Kain and Baigent 1992: xviii). Cartographic cadasters are based on systematic observations, such as instrumental land measurement, providing accurate information on land resources. Furthermore, through cartographic representation of land *geometriska jordeböcker* standardized diverse local economic practices, making “the resource base visible and accessible to the central state” (Glete 2006: 7). For these reasons the cadastral map is considered an effective instrument of control of the governed (Buisseret 1992; Scott 1998).

Geometriska jordeböcker, which were produced by royal surveyors from a newly established government office (*Landmäteriet*), are “without contemporary European equals” because of their comprehensiveness in terms of both territorial coverage and the recorded information (Baigent 1990: 62). By the end of the seventeenth century most of the parishes in Sweden proper (except Skåne and Gotland), Finland (then part of the Swedish realm), and also in Sweden’s Baltic (modern Estonia and Latvia) and German provinces had been mapped (Baigent 1990: 67; Kain and Baigent 1992: 57, 70–5). There are about 12,000 large-scaled (1: 5,000 to 1: 4,000) cadastral maps relating to the period, which include a great degree of detail, such as ownership/tenure, quality of land, field systems, types of crop, yields, and valuation (Figures 2.1 and 2.2). Taxes were assessed “almost annually” (Sköld 2004: 6), implying that the underlying observational data was also regularly updated (Baigent 1990, 63). The Swedish cartographic cadaster was an innovation that greatly enhanced the state’s capacity to monitor the availability, quality, and use of the main economic asset of the time—land—and to calculate taxes based on the land’s (p.38) size and productivity and to extract taxes from the de facto users (not *de jure* owners). In comparison, in other countries under consideration in this volume, analogous measures were initiated considerably later: in the USA the Federal Land Survey began in 1785 and its primary purpose was not fiscal; the Ordnance Survey Act of 1841 laid the foundation for cadastral surveying in England with its application to land valuation and inland revenue purposes beginning in the early twentieth century; and national cadasters in Italy and Romania commenced in 1897 and 1997 respectively.



The cadastral records were augmented by extensive population statistics collected by the state directly or with the help of the Church (see the following section, “The Role of the Reformed Church”). From around the second half of the sixteenth century the Church of Sweden kept parish catechetical registers (*husförhörslängder*), containing a wealth of information related to the Church’s efforts to enforce adherence to Lutheran doctrine (for instance levels of the parishioners’ catechetical knowledge and attendance), but also names of residents, relationships within the household, information on

births, migration in and out of the parish, and marriages and deaths (Gille 1949; **(p.39)** Sköld 2004; Willigan and Lynch 1982; Wisselgren et al. 2014). In the middle of the eighteenth century, the Swedish state established *Tabellverket*—the world’s oldest continuous national population statistics. The information for *Tabellverket* was drawn from parish registers. At the government’s request, clergy had to collect information on a set of predefined items, including, for example, occupation and social status, and compile the data as summary statistics every three to five years (Gille 1949; Oden 1972; Sköld 2004; Willigan and Lynch 1982). These summary statistics served as the basis for drawing up the censuses, a method that distinguished Sweden from most **(p.40)** Western countries that practiced field survey-based censuses (Axelsson and Wisselgren 2016: 63). Another distinctive feature of the Swedish population statistics is that since information was collected in a number of different lists and registers that were ultimately centralized, it allowed the state to cross-check the information (Oden 1972: 269).



Figure 2.2. Enlarged elements of the same cadastral map

Source: The Swedish National Land Survey (Lantmäteriet), Gävle, Sweden.

Cumulatively these innovations meant that in the early modern period the Swedish state acquired formidable monitoring capacity. Cadastral records and population registers made both the economic resources and economic activities of the population “visible and accessible to the central state” (Glete 2006: 7) so that it could collect taxes, both in cash and in kind, to the extent needed to support one of the largest standing armies in Europe. As Tilly (1992: 79) notes, between 1600 and 1700 the number of troops under arms in Sweden increased from 1.5 percent to 7.1 percent of the population, more than in England, France, Spain, or Russia.

Sweden’s experience contrasts with that of other European states, most of which did not develop strong monitoring capacity. Most European states “had neither the administrative tools nor the information” to penetrate to the level of individual households (Scott 1998: 38). For example, although it had one of the earliest narrative cadasters in the Domesday Book, the British state never utilized it to the same extent as Sweden did. Neither did it produce a genuine cartographic cadaster, instead appropriating Ordnance Survey maps for the purpose (Kain and Baigent 1992: 260). In England the first national census was not conducted until 1801 and civil registration of vital events began in 1837. Between 1801 and 1840 censuses were “merely headcounts,” and although names and addresses were included after 1841, there is little evidence that the state used this information for monitoring purposes (Higgs 2001: 179).¹

Just as the early modern Swedish tax state was remarkable in terms of the amount of information it collected compared to its European counterparts, so too the contemporary Swedish state can be seen to hold more detailed information, in a more integrated way than many other governments. Indeed, some scholars see this early Swedish history of information-gathering as a critical predecessor to the *personnummer*—a unique identifier, introduced in 1946, used in all interactions between the state and citizens (Riches 2005: 357). *Personnummer* is central to the effective functioning of the Swedish tax state from tax collection to welfare provision as it is a crucial piece of information, present in all data on individuals officially collected, that connects these numerous datasets together, allowing for cross-referencing.

Thus, in the early modern period Sweden had established itself as exceptional in terms of its monitoring capacity. This capacity both set it apart from other European states and has remained a key element of the fiscal strength of the Swedish state.

(p.41) Role of the Reformed Church

A second rather unique characteristic of the Swedish fiscal state in the early modern period was the extent to which and success with which the state used the clergy to provide copious and detailed information on the state’s subjects and to legitimize state activities.

The seizure of ecclesiastic lands in 1527 and subsequent displacement of the Roman Catholic Church, which with its own laws and taxes was offering “an alternative framework of political and military power” (Glete 2002: 183), eliminated a serious rival and a source of continuous resistance to the Vasas’ attempts to consolidate and expand state power. Furthermore, the newly established Church of Sweden, whose creed and organization were officially supported by the state until the year 2000, in effect became a part of the state’s administrative apparatus.

By the mid-sixteenth century when Gustav Vasa’s bailiffs undertook the task of assessing resources and levying and collecting taxes, local clergymen were assisting in their enumeration efforts by cross-checking the accuracy of the information provided by peasants and the bailiffs’ own observations (Oden 1972: 267; Roberts 1953: 414). At about the same time, although the precise date has been difficult to establish (Gille 1949: 4; Sköld 2004: 8), the Church began collecting extensive information on the members of their parishes in parish catechetical registers (*husförhörslängder*). Although scholars noted the connection between the tax and church registers due to the timing of their commencement, but also with regard to their monitoring intentions (Nilsson 1982), it is not entirely evident that the Swedish state stood behind either the initiation of the parish registers or making them compulsory in 1686 in all 2,500 parishes (Gille 1949: 5; Oden 1972: 269; Sköld 2004: 8). What is clear, however, is that when *Tabellverket* were put into practice in 1749, it made controlling the population through list-taking as one of the legal duties of Swedish clergymen. Until very late in the twentieth century, the vicar of each parish served as the chief of the local civic registration office and the census officer (Nilsson 1979: 1). It was only in 1991 that the population registration task was fully transferred from the Church to the state bureaucracy.

Since nearly all inhabitants belonged to the Church of Sweden, the use of the clergy to collect population data meant that these records were comprehensive. They also contained a wealth of continuous and high-quality data (Gille 1949; Wisselgren et al. 2014) on demography and social welfare that became part and parcel of Sweden’s formidable fiscal monitoring capacity. Parish records were often kept earlier in other European states (Sköld 2004: 8), yet they were not incorporated into state administration to the same degree as in Sweden.

(p.42) Although it has frequently been noted in the literature that over the course of the early modern period the Swedish clergy were often caught in “an awkward position between their parishioners, who hoped to escape the worst of taxation, and the government and its representatives, whom they were expected to serve loyally” (Sköld 2004: 7; see also Lext 1968; Roberts 1953: 415), the clergy’s direct involvement in tax and military registration lasted at least until the second half of the seventeenth century, when the Church was “eventually relieved” of this duty (Sköld 2004: 16). The clergymen remained involved in keeping records of harvests and livestock (*boskapslängder*), from which a tithe (*tiondelängder*) was levied (Figure 2.3²), and they also attended tax collection meetings at least until the beginning of the eighteenth century (Sköld 2004: 7). The Scandinavian Lutheran clergy is seen to be “more committed to state administration than was the case in most European countries” (Bregnsbo and Ihalainen 2011: 108).

Figure 2.3. A page from the tithe register for a farm in Hjärnarp Parish, Skånia, Sweden, 1766-83

Source: SEDD: the Scanian Economic Demographic Database (Lund University).

The Swedish kings successfully employed the ecclesiastical organization and the social power of the Church to legitimize their authority (Forssberg 2014; Hallenberg, Holm, and Johansson 2008; Nordin 2011; Roberts 1953: 413–14).

(p.43) The clergy disseminated, often under direct instruction from state officials, information and propaganda about wars and royal policy. Attendance at Sunday service was mandatory and royal proclamations were made from the pulpit. This meant that the king's edicts and letters were read out on the same day, in a uniform message by clergymen who had moral standing in their communities (Nordin 2011). The clergy were pressed to add the weight of their moral authority to these decrees, and there are records of speeches by priests to their congregations exhorting their parishioners to "faithfulness to our all-gracious king" (Forssberg 2014: 178–9). In an era of illiteracy before mass communications, this was a very effective tool for the state to legitimize its actions (Roberts 1953: 413–14). Although the clergy at times resisted the state's attempts to harness them for its own purposes, in general the message they relayed from their pulpits was "a political ideology of deference and unconditional loyalty to the ruler" (Munck 2011: xx).

Fiscal Contract

The Swedish case illustrates the well-established link between war and taxation (Downing 1992; Ertman 1997; Tilly 1992). The development of information-gathering and other administrative capacities in Sweden in the early modern period was driven by the needs of war (Glete 2002). However, in addition to stimulating the expansion of the state's fiscal capacities, described earlier, war was important to the development of the fiscal state in another way: out of the interaction between the state and society over taxation, the conditions were created for a vertical fiscal contract—between subjects and state—and also for a horizontal contract between subjects. The fiscal contract, understood as an exchange of goods in return for taxes, has been seen as the foundation for quasi-voluntary tax compliance (D'Arcy 2011; Levi 1988; Moore 1978; Spicer and Lundstedt 1976). When people get the promised goods they are more likely to honor their tax obligations without the ruler having to resort to coercion.³ This literature has also shown that fair exchange—the perception that the tax burden is shared between the individual and other taxpayers in a fair manner—matters for compliance (Bordignon 1993; Spicer and Becker 1980). From this viewpoint, unfair distribution of the tax burden and insufficient levels of public goods' provision are seen to be the main factors that might undermine consent to pay.

When conceived of in these terms it is clear that at an early stage a virtuous circle emerged in the fiscal contract between the Swedish crown and its subjects. In exchange for taxes, the state provided a bundle of public goods that were of the highest priority in the early modern context (Forssberg 2014; Glete 2002: 194–5; Neveux and Österberg 1997): security, freedom from **(p.44)** foreign rule, and internal law and order. Indeed, there is evidence that the rise of the Swedish tax state was accompanied by the rhetoric of fiscal contract (Forssberg 2014; Glete 2002; Hallenberg, Holm, and Johansson 2008). Thus, in the very first year of his reign, Gustav Vasa told the Estates gathered in Strängås that he hired mercenaries “so that the native peasantry may sit at home, tend their fields and meadows, feed their wives and children, and no longer go out to get themselves killed” (Hallenberg, Holm, and Johansson 2003: 27). As “warfare marked everyday life both mentally—with widespread fears ...—and economically” (Forssberg 2014: 171), it is plausible to argue that the subjects were rather receptive to the idea of paying taxes in exchange for the military protection of their homes and families (Glete 2002: 194–5). Sweden’s multiple military successes in the second half of the sixteenth and seventeenth centuries presented the Crown with a powerful argument that it had fulfilled its promise to provide security. That this translated into compliance is suggested by a remarkably low number of tax revolts in Sweden after the Great Dacke Rising of 1542–3 (Burg 2004; Glete 2002: 194; Österberg 1990).

Second, the information the state had gathered made it possible to distribute the tax burden in a non-arbitrary way. On the one hand, information about local conditions enabled the state to tax according to the capacities of individual households (Lindkvist 1987: 62). In international comparison, “this was distinctively ‘modern’. Similar systems in other countries have usually been created only in the nineteenth century” (Glete 2002: 189). For example, in England before the 1800s “taxes never adequately tapped subject wealth” (Kiser and Kane 2001: 200). On the other hand, tax registers and cadastral records gave subjects the means to question tax assessments and demand more equitable distribution of the burden (Forssberg 2014; Glete 2002; Hallenberg, Holm, and Johansson 2008; Lindkvist 1987; Österberg 1990). As empirical evidence suggests, peasants routinely bargained with central and local agents of the state over taxes and “quite often had their way” (Hallenberg, Holm, and Johansson 2008: 256), which arguably encouraged compliance.

A key institution in terms of the organizational infrastructure through which this direct vertical fiscal contract could evolve was the innovative system of *indelningsverket*—an allotment system that enabled the Crown to effectively extract resources in kind from an economy with comparatively low levels of monetization (Carruthers 1996: 94–5). One of the central challenges for all early modern rulers was to extract resources to support an army. In earlier periods the Swedish army had been supported through a rotating conscription system (*utskrivning*) based on lists compiled by the local clergy and officials and supported by contributions from non-selected enlisted men (Riches 2005: 356). This system evolved in the seventeenth century with soldiers in certain parts of the country being billeted on farms whose owners (p.45) or tenants supported them directly. In the 1680s under Karl XI the system was implemented countrywide. Every province concluded agreements with the Crown as to how many regiments it would support. Within each province several farms were grouped into “files” responsible for one person, who volunteered to become a soldier (Åberg 1973: 269; Riches 2005). The extent to which this system was successful is evidenced by the fact that over the early modern period Sweden had one of the largest standing armies in Europe (Glete 2002; Tilly 1992: 79).

In addition to being a constitutive part of a vertical fiscal contract, *indelningsverket* arguably created the conditions for the emergence of a robust *horizontal* fiscal contract. The literature has emphasized that when people believe that others are paying their taxes they are more likely to do so themselves (Bordignon 1993; D’Arcy 2011; Spicer and Lundstedt 1976). For almost 300 years (until *indelningsverket* was phased out at the beginning of the twentieth century) most of the Swedish population was involved in extensive horizontal monitoring of fellow taxpayers. Through *indelningsverket* the collective action problem associated with taxation was transformed into multiple collective action problems, operating at a scale where this problem could be solved more efficiently by means of peer-to-peer monitoring. Each “file” had incentives and opportunities to ensure each individual household was contributing.

Sweden was not exceptional in terms of what stimulated the development of fiscal capacity, but was in terms of the forms, extent, and consequences of these processes. Cadasters, population registers, *indelningsverket*, and the tax bureaucracy were part of the new complex organization of the Swedish state, geared to effective resource extraction. The ability to curb individual incentives to free-ride was one of the direct consequences of Swedish monitoring institutions. Another was what in modern parlance can be called a system of evidence-based tax assessment and redress procedure, which laid the foundations for a robust fiscal contract between the state and taxpayers. Tax compliance was furthered by the state's ability to fulfill its "contractual obligations": the state delivered security both in practice and in the form of official rhetoric, promulgated by subordinated clergy. Furthermore, the introduction of yet another organization innovation—*indelningsverket*—was arguably conducive to the emergence of a strong horizontal fiscal contract between subjects themselves.

It is important to emphasize that Sweden's development as a fiscal state in response to the constant threat of war was not inevitable, linear, or immune from reversals and missteps. In common with other European states at the time, Sweden learned by doing, and by making mistakes, sometimes in the same moment as they were making advances in other areas (Hoffman 2015). The infamous *Vasa* ship, built with the wrong proportions, sank just 1,000 **(p.46)** meters into her maiden voyage in 1628, the same year that cadastral mapping was initiated. The development of the fiscal state was subject to experimentation and evolution. For example, the state switched the mode of taxation entirely in 1621 to tax farming, only to abandon this due to resistance, as discussed further in the next section, several decades later (Hallenberg 2012: 565–8). The institution of *indelningsverket* took a century to evolve, and was the outcome of bargaining between the state and society rather than a state-engineered project imposed from the top down. Sweden's exceptional fiscal state arose in very particular social conditions, as outlined in the next section.

Unique Social Structure

The fiscal contract that emerged between the Crown and taxpayers in Sweden in conjunction with the emergence of a new complex organization of the state was direct and deep in part because Sweden had a unique social structure. In contrast to most European states in the early modern period, Sweden had a free peasantry and a small, weak nobility (Glete 2002: 174–5, 182; Lindkvist 1987; Myrdal 2011; Neveux and Österberg 1997). In the sixteenth and seventeenth centuries the Swedish hereditary aristocracy numbered about 500 adults (Liliequist 2015: 229; Retsö and Söderberg 2015: 11), and in the 1520s, before Gustav Vasa's initiatives, the nobility owned 25 percent of the land, compared to the 45 percent that belonged to freehold peasants (Myrdal 2011: 91). The Swedish nobility's low level of economic strength is mainly explained by the fact that compared to other European states there was no inheritable possession of the land (Lindkvist 1987: 61). The Crown could withdraw the right to land relatively easily, as demonstrated by the massive alienation of noble lands to the state at the end of the seventeenth century (*reduktion*). Economic weakness translated into low political power for the aristocracy, as evidenced by, for example, the absence of manorial courts in Sweden, in contrast with profound seigneurialism elsewhere in Europe (Glete 2002; Neveux and Österberg 1997; Ogborn 1998). Their political power was further weakened by the fact that, unlike in England, for example, the parliament was not a vehicle for the exclusive defense of aristocratic interests, as the freehold peasantry was also represented in the national Diet as the fourth estate (Glete 2002). Without security of tenure and a monopoly in parliament, the strength of noble resistance was weaker than in the rest of Europe.

This is not to say that the nobility did not try to resist state-building activities, nor that its relative weakness was uniform across the early modern period. In 1529, only a year after Gustav Vasa was crowned King of Sweden, the lords and the clergymen in Västergötland rose against him **(p.47)** (under Ture Jönsson). In 1567 Gustav Vasa's son Erik XIV had to resort to murder as a preventive move against the influential aristocratic Sture family (Roberts 1968). His successor John III faced a "well organized aristocratic opposition ... who demanded a larger say in the ruling of the dynastic state" (Hallenberg, Holm, and Johansson 2008: 254). Although the early Vasa kings did manage to consolidate the state's power, the end of the sixteenth to the first half of the seventeenth century was a period when the nobility controlled about two-thirds of income from the land (Myrdal 2011: 115) and had a major say in political affairs (Glete 2002; Hallenberg, Holm, and Johansson 2008). However, the return to the Crown of the land that had been granted to the nobility (*reduktion*) in 1655 and 1680 illustrates that aristocratic power was not enduring, in part because it lacked a strong institutional basis. When after *reduktion* members of the nobility became a central part of the state's apparatus, they joined the state's organization and benefited from it from within, rather than resisting it from outside. By that point they did not have an independent source of power outside the state in the way that the nobility in other countries did.

This social structure had a number of direct implications for how the Swedish tax state evolved. In other parts of Europe the strength of the nobility was a major constraint on the state's expansion in areas such as monitoring capacity. For example, due to the high strength of the resistance of the nobility, the English state never managed to introduce a genuine cartographic cadaster (Kain and Baigent 1992: 343). In France, it was only in the Napoleonic period that state-administered cadastral mapping was expanded to cover the entire country. In Sweden's Baltic territories the strength of the local nobility led to less effective mapping than in the metropole (Kain and Baigent 1992: 72).

Without a strong nobility able to effectively resist, the Swedish state was able to make numerous detailed registers of economic resources and their users (discussed in the first section, “Monitoring Capacity”) and also to enter into a direct fiscal contract with the peasantry. Peasants were in contact with state officials and negotiated this relationship at both local level and in the national Diet (Hallenberg 2012). Sweden’s remarkable record of a very low number of tax revolts suggests that regular interaction between crown officials, rather than leading to animosity and resistance, developed tolerable administration and a situation where the state was seen as a suitable medium for problem solving. Indeed, “the last major rebellion, in Småland 1542–3, was ... directed at the new and ever stronger state. After this, peasant protest in Sweden increasingly went through more peaceful channels” (Myrdal 2011: 99). This is further demonstrated by the fact that the failure of the tax farming experiment from 1621 to 1635 was partly due to resistance from peasants, who preferred taxes to be collected by royal bailiffs rather than by private tax farmers **(p.48)** (Hallenberg 2012: 556–7). Thus the Crown was exceptionally successful in integrating the peasantry as the organization of the state evolved.

The strength of the relationship between the state and the peasantry also derived from the fact that they constituted an important ally for the Crown against the nobility at certain moments. Thus, the support of the peasants was key in Charles XI’s successful creation of absolute rule after 1680. In return he committed not to conscript peasants as soldiers. Instead, they contributed through *indelningsverket*. Although this could constitute a heavy economic burden, “the fact that future soldiers would be volunteers was regarded as an important gain for peasant society” (Glete 2002: 195). At this and at other moments, the peasantry could exercise more agency and extract some degree of political demands in a way that their contemporaries in other European states often could not. This was enabled by both the new organization of the Swedish state and the unique structure of its society.

A direct relationship between the peasantry and the state that developed in early modern Sweden contrasted with most other parts of Europe where resources were extracted from the peasantry by the local nobility and clergy, but not directly by state officials, meaning that the nobility mediated the relationship between ordinary people and the state. As Tilly observed, Sweden’s exceptional social structure “left its impact on the very organization of the state” (1992: 27) and meant that it was perhaps the only European country that had instituted “direct rule from top to bottom” before the nineteenth century (1992: 25). The fiscal contract in Sweden was arguably deeper and stronger than in other states because the social structure facilitated the state’s direct engagement with the majority of the population. In what became a self-reinforcing cycle, the weakness of the nobility enabled the Swedish monarchs to effectively organize resource extraction in the ways discussed, leading to less reliance on the nobility’s local organization and further weakening their position vis-à-vis the Crown.

Late Industrial Development and the Structure of Taxation

In the 1870s, 72 percent of the population was still employed in agriculture in Sweden: “Industrialization in Sweden began in earnest during the last third of the nineteenth century, a hundred years later than in England and roughly a generation later than in Germany” (Berman 1998: 42). The late onset of industrialization is one of the explanations for the relatively late adoption of local income tax in 1862 and state income (and wealth) tax in 1903 (Du Rietz, Johansson, and Stenkula 2015: 41–4), and the fact that the Swedish tax to GDP ratio was one of the lowest in the world at the beginning of the twentieth century (Rodriguez 1981). However, while the late onset of industrialization **(p. 49)** delayed the introduction of modern forms of taxation it also stimulated the state to perfect the art of extracting tax in kind from an agriculturally based economy. The set of administrative innovations, discussed earlier, embedded state power into localities, and brought the state into a relationship with the peasantry in a way that did not happen in other countries. It also led to a tax structure that set Sweden apart from its European counterparts. Although later than most states in experiencing industrialization and introducing modern taxes, the cumulative effect of centuries of experience taxing the broad base of the population enabled the state to make this transition more rapidly and comprehensively than other states who lacked this experience.

Until the latter half of the nineteenth century, the main source of tax revenue in Sweden came from a variety of direct taxes that had been in place in some cases for centuries (Schön 2010: 162; Stenkula 2015: 305). These non-modern direct taxes included: the *grundskatter* (“basic tax”)—based on land, the oldest existing tax at the time; the *bevillning*, originally an extraordinary surtax that was assessed and raised heterogeneously across the provinces and only in 1862 had become based on appropriations of either land or income; and the *mantalspanning*, a poll tax “introduced in 1625 during a period of intense warfare, and it was not abolished until 1938” (Stenkula 2015: 306). The *indelningsverket* was also still operating, only being abolished in 1904, just after the introduction of compulsory military service. Thus, until the mid-nineteenth century Sweden was collecting most of its revenue from the same taxes that had been established for centuries, and which were forms of direct tax that fell mostly on the broad bulk of the population.

This reliance on pre-modern direct taxes became increasingly unsustainable during the nineteenth century, especially after industrialization eventually arrived in Sweden. Between 1800 and 1860 a large deficit emerged, with the existing taxes diminishing in yield but political resistance to tax reforms coming from landowning peasants (Neal 2010: 295). During the latter half of the nineteenth century the introduction of modern taxes was stalled due to political considerations rather than administrative incapacity, resulting in indirect taxes for the first time becoming the greater proportion of revenue (Stenkula 2014: 16). It was only in 1903, after political reform of parliament and decades of official investigations and political debate that a new system of progressive taxation of aggregated net income based on an annual personal declaration of income was introduced. Less than ten years later direct taxes were again the greatest proportion of revenue (Stenkula 2014: 16).

The speed with which the Swedish state was able to successfully transition from early modern to modern forms of direct taxes reflects the hard and soft capacity it had acquired for direct tax collection from a broad base of the population over the preceding centuries, and is in marked contrast to the experience of other European states. Other states whose predominant tax **(p.50)** structure had been reliant on indirect taxes took longer to build up the capacity to collect direct taxes. For example, the English state was one of the first to start modernizing taxation early in the nineteenth century, introducing income tax temporarily for the first time in 1799 and permanently in 1842. However, by the end of the nineteenth century indirect taxes were still the greatest proportion of revenue (Daunton 2010: 30). By 1925 the figure for the number of tax units registered with the British tax authorities (Inland Revenue) as a percentage of the economically active population was 23 percent, while the figure for Sweden was 80 percent (Flora and Heidenheimer 1981: 193). In Britain, historically very dependent on indirect taxes, especially customs and excise, the modes of collecting direct taxes, especially the land tax, had relied on local commissioners, rather than central bureaucrats (Daunton 2007 and Chapter 6 in this volume). In England there was not the same level of direct state penetration of the locality, and it took a number of decades for this to develop. In Sweden, where the state had been collecting taxes directly from the peasants for centuries, this capacity was already in place.

In the twentieth century Sweden adapted and updated its fiscal capacity to correspond to the new structure of the economy, becoming one of the most effective modern tax states. It modernized its existing strength in monitoring capacity, deploying some new technologies and innovations such as unique identifiers (*personnummer*). There was also extensive fiscal policy experimentation based on the ideas of social and economic engineering, public sector expansion and distributional ambitions, and reform of the tax authority to instill an ethos of facilitating tax returns (Jansson, Chapter 3 in this volume; Stenkula 2014). The corporatist model of government served to deepen the vertical fiscal contract observable in previous periods through the creation of the welfare state.

Conclusion

Sweden became a strong tax state not because it had greater economic resources relative to other states—it did not—but by finding, through a process of experimentation and adaptation, innovative means of resource extraction from society. Cadasters, population registers, the institution of salaried royal bailiffs and *indelningsverket* formed the foundations of Sweden's formidable monitoring capacity that has contained fiscal free-riding. Several consequences of the new complex organization of the state, such as non-arbitrary ways of tax assessment and direct interaction between state agents and the peasantry, also contributed to the development of a strong tax state, by setting in motion a robust fiscal contract between taxpayers and the state. The emerging virtuous circle was facilitated by the absence of strong resistance from the Church and nobility, resulting from both the structure of the Swedish **(p.51)** economy and society, but also from proactive policies of the Crown either to eliminate or to co-opt opposition.

The developments of the twentieth century reinforced rather than created the underlying strengths of the Swedish fiscal state. The improvements in monitoring capacity were the latest in a long history of innovation to provide the state with the information it needed to solve the collective action problem of taxation. The welfare state that was built to provide services in return for high taxes continued the tradition of a robust vertical fiscal contract between state and subjects, now that they had become citizens. The egalitarian emphasis in social democratic politics resonated with the long history of a strong peasantry who negotiated their relationship with the state directly.

The modern Swedish tax state has proven itself to be as exceptional as the early modern tax state, and in the same ways. The modern tax state has maintained high fiscal monitoring capacity and strong vertical and horizontal fiscal contracts. While it is no longer driven primarily by war, the modern tax state has benefited from and continued the legacy of its early fiscal exceptionalism.

“Getting to Sweden” was a four-hundred-year process.

Notes

(1.) A key moment of tax state formation in Britain was the late seventeenth-century development of the administration of excise taxation—taxes on the producers of commodities, especially beer—which would generate the revenue necessary to transform Britain into an imperial power in the eighteenth century (Ogborn 1998).

(2.) Figure 2.3 depicts a page from the tithe register from Hjärnarp parish in Skåne, southern Sweden, for the years 1766–83. It contains information on the farm (name and size) and the farmer (Påhl Rasmusson, replaced by his son Rasmus Påhlsson in 1779), the harvest (in sheaves for summer-rye, winter-rye, spring-rye, barley, oats, wheat, buckwheat, and beans). The columns to the very right contain information on the number of foals, calves, lambs, and geese born cumulatively.

(3.) The existence of a fiscal bargain at the heart of the relationship between citizens and rulers has been demonstrated in contemporary settings using a variety of methods: cross-country regression analysis (Ross 2004), citizen surveys (Fjeldstad 2004), and experimental methods (Cummings et al. 2009).

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