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Pippi Longstocking had her own method of solving tax problems – she kept her money in a suitcase. Things were harder for Pomperipossa in the World of Money, who was forced to pay a marginal tax rate of 102 per cent because she didn't have any healthy loans from which to deduct. "That many per cent doesn't exist," said Pomperipossa, and the country's Finance Minister Gunnar Sträng berated the story's author and alter ego Astrid Lindgren for being unable to count.

But she counted correctly. And a cultural article in the major evening paper became more consequential than all the expert statements in the world in terms of general awareness of the tax system's abnormalities. Tax policy in Sweden had carried a fairytale glimmer. The Pomperipossa story in the 1970s paved the way for two Swedish tax reforms – the inadequate "Underbara natten" (The Wonderful Night") in 1981 and the major "Århundradets skattereform" (Tax Reform of the Century) ten years later.

The latter reform was a purifying purge of the entire system. Earned income was taxed at a 30 per cent municipal tax rate up to a cut-off point that only affected the wealthiest 10 per cent of the population. No one was to pay more than 50 per cent in tax. Capital income – interest, dividends and capital gains – was taxed at a uniform 30 per cent rate. The change was made possible through the substantial broadening of the tax base by imposing a uniform VAT of 25 per cent on most goods and services.

How could this happen? Apart from Astrid Lindgren's initial contribution, it boiled down to three things:

1) A large and growing realisation of tax policy crisis among politicians and the general public.
2) Individuals in the political system with high levels of credibility, internally and externally, and the skill and drive to follow the issue through to conclusion.
3) An initial openness and uncertainty about the means to be used.

Today, as Sweden needs to rethink the need for a tax reform 23 years and more than 500 regulatory changes later, these can be valuable checkpoints.

Are we in the midst of an economic crisis? No. But we are probably headed toward a political one.

Do we have politicians of the proper magnitude? Remains to be seen.

Can we start from scratch, without getting locked up by too many factual issues? Not likely.

A new book, *En skattereform för 2000-talet – elva röster om hur Sverige får ett bättre skattesystem* (A Tax Reform for the 21st Century – eleven voices on how to improve Sweden's tax system), edited by the undersigned, clearly demonstrates the broad consensus among tax experts that the Swedish tax system is inefficient and in need of reform.

The authors approach the issue from different perspectives based on their own areas of expertise and the editor's objectives, and their proposed solutions vary somewhat. But there is widespread – if not total – consensus on some basic aspects.

1) The Swedish tax system is in need of reform.
2) Tax rates on earned income need to be lowered.
3) Tax rates on capital income, including capital gain, must not be raised.
4) The emergency tax from the 1990s should be abolished.

5) A tax reform can be distributed in a politically neutral way.
6) The property tax and/or interest deduction must be adjusted up/down.
7) A uniform VAT should be re-introduced

In line with these points, former Finance Minister Erik Åsbrink and International Economics professor Lars Calmfors both offer concrete suggestions in the book for a new tax reform. Åsbrink argues that the inherent disruptive force of the current dual tax system will make itself felt in "a quite brutal way in the not too distant future" if nothing is done. Calmfors is equally convinced of the need for reform, but believes that it requires "strong political pressure to once again raise the tax ratio in order to finance higher transfer payments and more publicly-financed consumption …." The ink had barely dried on these statements when Finance Minister Anders Borg began talking about raising taxes for this very reason. One of Borg's predecessors, Social Democratic Kjell-Olof Feldt, also contributes to the book his assessment that the second half of the 2010s will put public finances under a great deal of pressure.

One of Finance Minister Borg's formerly closest colleagues (Ann Öberg, now chief economist at the Confederation of Swedish Enterprise) writes that abolishment of the emergency tax would be a profitable deal for everyone, including those not currently subject to the tax. Borg may well agree with this analysis while not feeling ready to successfully pursue the issue in purely political terms.

In terms of one of the main ingredients of the tax system's revenue side, Fiscal Law professor Peter Melz demonstrates that lawyers are not as dead certain as economists are about the reinstatement of a proper property tax. But it is clear that something must be done on this side in order to finance the reform.

Associate professor in Economics Åsa Hansson, formerly an expert in the Danish Tax Commission (2008-09), uses persuasive arguments to demonstrate the equitable considerations in making the tax system more efficient – while also revealing at the book's launch seminar in Stockholm earlier this year that economists' arguments for raising food VAT do not necessarily increase political will to carry out such a reform: "No one is starving in this country."

Part of the book deals with company taxation. Professor Magnus Henrekson, President of the Research Institute of Industrial Economics, pursues the perhaps provocative thesis that Sweden has become a tax haven for the already rich. Rarely has it been so advantageous to be born into a rich family, and rarely has it been so difficult for those who are not rich to become so, argues Henrekson. Rich parents, passivity and caution are the guiding principles for succeeding in Sweden today. Proactive entrepreneurial initiative is punished from a taxation point of view. According to Henrekson, this is the modern version of the traditional Swedish "don't think you're anything special" attitude. On this topic, well-known Swedish financier Rune Andersson also calls for a tax system that no longer imposes a penalty tax on active ownership.

Finance professor Sven-Olof Lodin – the man who knows everything worth knowing, and then some, about Swedish close company taxation – argues that after 22 years of trying to adjust and fine-tune the "3:12 rules", we have arrived at a point where they need to be re-examined: "The tightening up the government is doing now misses the mark entirely."

In conclusion the book delivers two interesting side aspects of our need for tax reform. Economics Professor Lars Jonung argues that politicians are "keeping people in the dark" in terms of what Swedes actually pay in tax. A more transparent system would increase pressure for reform – and the politicians want to avoid this.

Publicist and political scientist Hans Bergström highlights problems with the discussion on distribution-neutral tax reform. Since the whole point of tax reform is to influence behaviour in a way that is good for the economy in the long term, the result also needs to be measured in the long term – and distribution neutrality is not needed at the actual moment of reform, according to Bergström.

This book seems to settle the discussion on the need for tax reform. But an important discussion remains as to how such a reform should be formulated and how political interest in implementing a reform will be generated. People may well believe that it would be reasonable to carry out tax reforms on a regular basis – not as a reaction to a crisis but to prevent a crisis from arising.

By necessity, though, a reform also includes several bitter pills – the swallowing of which does not immediately and necessarily translate to improved poll numbers for political parties.

According to the three checkpoints listed at the beginning of this article, there is today not the crisis, perhaps not the people and probably not the open mind set needed for a reform.

On the other hand, a difficult parliamentary situation following next autumn's election – with all government coalition alternatives lacking a majority and the Sweden Democrats holding the balance of power – will increase the need for greater cross-party agreements to create stability in the system.

Coupled with the need for increased welfare spending (not least on schools), this will place the financing issue at the centre of the debate.

It may be that *A Tax Reform for the 21st Century – eleven voices on how to improve Sweden's tax system* will be read with different eyes after the 14th of September.

And to be sure, we aren't aware of a modern day Pomperipossa. If, for instance, ABBA legend Benny Andersson decides to enter into the debate, then – but only then – will this book start gathering dust on the shelf.