

The Swedish family allowance was introduced in 1948. Currently, it amounts to 900 kronor (\$175) per child a year. It is paid to every family, rich or poor, out of general revenues, and is not subject to the personal income tax. It is the second largest expenditure item in the Swedish budget, ranking behind expenditures for old age pensions. In 1967 allowances were paid for 1,770,000 children under 16, at a cost of 1.6 billion kronor (\$300 million). This amounted to 1.3 percent of the Swedish gross national product for 1967, 5 percent of the national budget, and 14 percent of total social welfare expenditures on the part of the government.

In addition to the regular family allowance, there are special allowances for families in unusual circumstances. Special allowances are paid to single persons with children, and to orphaned children living with relatives.

The family allowance varies in importance according to the size and income of the family. For example, a family with five children would receive 4,500 kronor (\$900) a year. If the family has an average income of 26,500 kronor, the allowance would amount to approximately 17 percent of earnings. In 1966, 11 percent of Swedish families with five children made less than 12,000 kronor a year (less than one-half of the median family income for the year). The family allowance, to this group, would constitute a sizeable part of total income. For married couples without children, 20.3 percent made less than 12,000 kronor in 1966. The family allowance would provide no addition to their income. It is apparent that transfer payments through the family allowance do make a substantial contribution to low income families with several children, and there is a horizontal redistribution of incomes between families with no children and families with several children, in the same income group.

This can be illustrated by taking two families, both of which have identical incomes of 12,000 kronor a year. One family has no children, the other family has five children. The family with no children would have a disposable income after taxes of 9,980 kronor, and the family with five children would have a disposable income of 14,480. Both families would pay the same amount in taxes, but the family with children would have 4,500 kronor to add to the disposable income of 9,980 kronor.

It is important to note that the Swedish income tax system does not permit deductions for children, since these were replaced in 1948 by the family allowance. It can be said in comparing the U.S. and Swedish tax systems, that a family allowance is built into the U.S. tax system through the use of personal exemptions and deductions which amount to \$700 per child. This means that families in the U.S. receive a children's allowance which, when based on current income tax rates ranging from 14 to 70 percent, varies from \$98 to \$490 per child. This is a saving to the taxpayer rather than an outright grant.

It is evident that an element of negative income taxation exists in the Swedish tax system through the use of the family allowance. At low levels of income, the family allowance more than counterbalances the personal income tax. At high levels of income it is the reverse. The fact is illustrated in the following table.

TABLE IV.—THE SWEDISH INCOME TAX AND THE FAMILY ALLOWANCE¹

Gross income	Family allowance	Income tax	Gain or loss
\$1,200	\$360	\$40	+\$320
\$2,000	360	204	-156
\$3,000	360	525	-165
\$4,000	360	860	-500
\$6,000	360	1,660	-1,300
\$10,000	360	3,560	-3,200
\$20,000	360	9,560	-9,200

¹ A family of 4 is used, and kronor were converted into dollars to facilitate comprehension. The Swedish personal income tax used is an average of the national and municipal rates applicable to various income levels. The family is entitled to deductions of 2,250 kronor for husband and wife, but there are no deductions for children. The family allowance is \$180 for each child per year.

THE FAMILY ALLOWANCE IN GREAT BRITAIN

Family allowances were introduced in Great Britain in 1945 during Churchill's short-lived second Ministry of May-June, 1945. They were included in the Beveridge Plan, the precursor to the British welfare state for the following reasons: