

Ethics Discussion Paper of the Research “Tax Justice & Poverty”

Ethics IV: Catholic Social Teachings’ relevance for the project Tax Justice & Poverty

Dr. Jörg Alt SJ, MA, BD, with contributions by Pascal Andebo, BA, MA, MA

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1 Context: Characteristic of CST, related strands of thinking

Catholic Social Teaching is no “socio-economic system”, but first of all a number of “open principles and sentences” which then can be applied to a specific context in the attempt to evaluate whether this specific setting is compatible with Christian norms and values.¹ CST is something peculiar to the Catholic Church insofar, that it is an instrument which is promoted and can be applied universally, whereas the Protestant or Anglican Church are more diverse in their individual and social ethics (Meyer, 2003, p. 21), see also E/III/2.7.

Hence CST is no “doctrine” as the Creed, whose principles and values are norms and content which have to be held to reflect the literal truth over time. It rather is a tool kit, outlining the primary horizon of goals, values and norms which underlie any social and economic orders, i.e. which should be respected and implemented by any specific social and economic order. This primary goal is the wellbeing of individual human persons and its complementary, the Common Good of All. The good thing is, on that background, that one should not worry too much about “orthodoxy” in the sense that there is one way to apply CST correctly once and for all, or that there is one application, due to its history development, more correct than others. The distinguishing mark is that those accepted principles are applied to the present socio-economic system, assisting in the determination what does NOT benefit the human person and the common good and what would better benefit it.

1.1 Political impact and relevance of CST

From the beginning there is the question whether social market economy, with or without a strong CST input, is a third way (or: own way, SRS 41) between market-

¹ Wallraff, H.J. (1965) Die Katholische Soziallehre – Ein Gefüge von offenen Sätzen. As well as (Meyer, 2003)

coordinated capitalism and state-directed socialism? Especially after Quadragesimo Anno was some hope that this might happen, for example, by developing some regulation of economic activities by public bodies of self-governance. And, as economists find: There is, overall, nothing which would argue against CST to frame a social and economical order. On the contrary: Compared with the coming and going of economic theories is that, which the popes present in their encyclicals, of astounding coherence and continuity, always trying to balance extremes, to identify damaging features and to strengthen beneficial ones.²

And this on all sides of the political spectrum: Regarding the CDU, a strong impact did Catholic Social Teaching, including with Protestant Ethics, impact on the CDUs Ahlener Programm of 1947: Being disappointed by Capitalism, Nazism and Communism the party wanted to organized the Post-War German Society along a “Christian Socialism”, firmly aiming for the Common Good of All.³ This idea, however, was quickly scrapped and replaced by something else which up to the present day is associated with the German “economic miracle” and persisting prosperity: Social Market Economy or Rhenish Capitalism. Regarding the SPDs Godesberger Programm, even the “mastermind” of German CST, Oswald von Nell-Breuning, commends it as being compatible with catholic thought and recommends it to the Catholics of its own time.⁴

At the same time and in retrospect, it is not that easy to discern the specific impact of CST upon the discussions leading to the Social Market Economy of Germany, which commonly is associated with a massive influence by CST. If one looks at the analysis of Catholic scholars, however, it seems as if that influence is far less spectacular, and that the influence of protestant-pietist Ordo Liberalism of the Freiburg School is stronger than commonly assumed: Müller-Armack, one of the most influential thinker, was protestant to the end even though there were rumours about his conversion.⁵ Indeed: Nell-Breuning mocks Ordo-Liberal thinking as being “under-complex” and contributes success and stability of the German system not Ordo-Liberal influences, but influences of Catholic solidarism and corporatism (see below#).⁶

² „In einer Gesamtbewertung des Ökonomen gibt es gegen die Sozialenzyklen im Grunde wenig vorzubringen“ (Frambach & Eissrich, 2015, S. 245)

³ „Das kapitalistische Wirtschaftssystem ist den staatlichen und sozialen Lebensinteressen des deutschen Volkes nicht gerecht geworden. Nach dem furchtbaren politischen, wirtschaftlichen und sozialen Zusammenbruch als Folge einer verbrecherischen Machtpolitik kann nur eine Neuordnung von Grund aus erfolgen. Inhalt und Ziel dieser sozialen und wirtschaftlichen Neuordnung kann nicht mehr das kapitalistische Gewinn- und Machtstreben, sondern nur das Wohlergehen unseres Volkes sein. Durch eine gemeinschaftliche Ordnung soll das deutsche Volk eine Wirtschafts- und Sozialverfassung erhalten, die dem Recht und der Würde des Menschen entspricht, dem geistigen und materiellen Aufbau unseres Volkes dient und den inneren und äußeren Frieden sichert.“ Zitiert auf: https://de.wikipedia.org/wiki/Ahlener_Programm

⁴ Nell-Breuning argues „dass der sozial- und wirtschaftspolitische Teil des Godesberger Grundsatzprogramms sich weitgehend mit der katholischen Soziallehre deckt, so dass der Katholik nicht gehindert ist, ihn sich zu eigen zu machen. Ich vertrete ferner die Überzeugung, dass jenes Gesellschaftsbild, das Papst Pius XI. als ‚sozialistisch‘ beschreibt und ablehnt, auch von den mir bekannten führenden Sozialisten in der BRD abgelehnt wird“. (Hagedorn, 2018, S. 43)

⁵ <http://www.ev-akademie-boll.de/fileadmin/res/otg/doku/620311-Dietzfelbinger-pdf.pdf> However, also Müller-Armack appreciated elements of CST for his conceptualization of the Social Market Economy but also saw some shortcomings with CST, see (Große Kracht, 2010, S. 11ff.)

⁶ Hagedorn, J. (2017) Der Solidarismus – eine Sozialtheorie intermediärer Strukturen. In: Jahresbericht 2016 des Nell-Breuning Instituts, S. 27-29.

Two reasons for Catholic influence are normally seen: First, there were also professing Catholics among scholars of the Freiburg School, second, there is a growing consensus that it was CST and its representatives Gundlach and Nell-Breuning who, e.g. via Chancellor Adenauer, contributed towards the role of the eventual shape of the German welfare state and its social security system (as opposed to the Ordo-Liberals who put an emphasis upon individual performance, planning and responsibility), the “social partnership” between employer/capital and labour/trade unions, as well as the concept of public goods and services.⁷

Hence it is not really disputed that some influence in theory and by eminent representatives of CST, most importantly Nell-Breuning, on the institution building and development of the Social Market Economic Model in Germany exists via announcements of church leaders, social movements such as those of Christian workers or lay organizations such as those of students, economists or politicians. And yet, one has to take note that in the early days of the 20th century, the overall framework of CST was Solidarism and Corporatism (see below#), which is a different approach to organize economy and society, even though Nell-Breuning eventually abandoned this and moved towards a constructive discussion with the proponents of social market economical thinking.⁸

It cannot be disputed, however, that CST “co-inspired” state constitutions and social structures of states and countries, most importantly the post World War II constitutions of Germany, Bavaria and Austria.

The Compendium of the Social Doctrine emphasizes that the ‘whole of the Church’s social doctrine develops from the principle that affirms the inviolable dignity of human persons’ (Pontifical Council for Justice & Peace, 2005, p. 50). Exactly this phrase is nowadays the foundational sentence at the beginning of the German Constitution, namely Article 1, paragraph 1 Sentence 1 of the Basic Law: “The dignity of humans is inviolable”, and it is the prime task of all state institutions to respect and protect this dignity. This principle, therefore, has an impact and imprint on all legal instruments, administrative practices and jurisdiction which is based upon and derives from the German constitution.

⁷ „Es gibt also sicherlich ein kohärentes Konzept der sozialen Marktwirtschaft à la Müller-Armack. Aber wer in Deutschland von sozialer Marktwirtschaft spricht, meint etwas anderes. Er meint Ludwig Erhard plus katholische Soziallehre, jenes Programm der Unvereinbarkeiten, das die frühe CDU und CSU prägte und sie in gewissem Masse bis heute prägt, wobei die SPD es nach Bad Godesberg 1960 und mehr noch nach Karl Schiller übernommen hat. Theoretisch Unvereinbares muss praktisch nicht abwegig sein. Wir leben ja immerfort mit Widersprüchen und ziehen sogar Gewinn daraus. Es ist eines von Konrad Adenauers historischen Verdiensten, dass er den Widerspruch von Marktwirtschaft und Sozialpolitik ertragen, ja zum Programm erhoben hat. Ludwig Erhard und seine Freunde fanden das Ahlener Programm und die Sozialausschüsse der CDU fast unerträglich; für Sprecher der Sozialausschüsse wie den Abgeordneten Johannes Albers andererseits gehörte die ›Brigade Erhard‹ eigentlich gar nicht zur Partei. Adenauer nahm das alles durchaus ernst, aber nur als ganzes, als nützliche Antinomie, deren Teile dabei relativiert werden. Das war der Kern der sozialen Marktwirtschaft deutscher Prägung.“ Ralf Dahrendorf in (Große Kracht, 2010, S. 6f.)

⁸ (Meyer, 2003, p. 19+60) (Emunds, 2010) (Große Kracht, 2010) (Große-Kracht, 2016) (Frambach & Eissrich, 2015)

There are other influences of CST as well, e.g. in Article 14 ('Property obliges') or Article 151 of the Bavarian Constitution ('All economic activity serves the common good').⁹

Never mind the above mentioned difficulties regarding the determination of a "third way", the "German way" is seen to be quite a success story, so much that the German Chancellor Angela Merkel recommended it as a promising orientation for reforming world economy after the World Financial and Economical crisis at the Davos Summit in 2009.¹⁰

Also non-western parts of the world awake to the potential inherent in CST for social analysis and transformation for their countries. In Africa, for example, Catholic Social Teaching inspires implicitly, by the choice of concepts and principles (Tarimo, 2005), or explicitly, in ethical writings dealing with injustice and social reconstruction in Africa (Opongo & Orobator, 2007). In Zambia, the Jesuit Centre for Theological Reflection builds his activities towards the new constitution on CST.¹¹

1.2 CST and/or Liberation Theology

While there are some entries in Google responding to "liberation theology and economics", there is hardly anything of substance on "liberation theology and taxation". However, though generally a controversial area in the context of the church, the aspect of liberation theology focusing on the unjust social structure and emphasis on the dignity of the poor, seems to come back in relation to this topic.¹² This seems practical in the sense that the Church emphasizes about the poor both in its teaching and its practice in the social institutions it establishes. In relation to the theme of tax justice and poverty, the concept of redistribution, which is so much in line with the principles of the Catholic Social Teaching, also rhymes with the basic tenets of the liberation theology.¹³ Furthermore poverty and increasing inequality, seen as the result of unjust and sinful social structures,¹⁴ is a theme that would be another intersection between the broader Catholic Social Teaching and one of the core arguments of Liberation Theology.

Therefore, in spite of the controversies and differences of opinion between Liberation Theology and CST in the general context they do share a common perspective on poverty as a social issue that affects the day to day lives of the Christians and people. Given the frequent

⁹ See Pehlemann, R. (2008) Die Verankerung der Klassischen Sozialprinzipien im Grundgesetz der Bundesrepublik Deutschland. Grin

¹⁰ 'She lauded the German system, which mixes capitalism with a strong social safety net and potent regulators' Dogherty, C. (2009, January 30) Merkel, at Davos, calls for a "global economical charter". *New York Times*. Retrieved from http://www.nytimes.com/2009/01/30/business/worldbusiness/30iht-davos.4.19817885.html?_r=0

¹¹ (Chiti, 2013) or the report "Global aber gerecht"

¹² Kardinal erwartet Comback des Marxismus (23.12.2017). In: MDR. <https://www.mdr.de/nachrichten/politik/inland/erzbischof-marx-ueber-philosoph-marx-100.html>

¹³ Matthew 25:40. 1983 CIC, [canon 222 §2](#). Option for the Poor, [Major themes from Catholic Social Teaching](#), Office for Social Justice, Archdiocese of St. Paul and Minneapolis. [Deus Caritas Est](#) §22 + 57. [Compendium of the Social Doctrine of the Church](#), Paragraphs 182-184. [Congregation for the Doctrine of the Faith](#); Joseph Cardinal Ratzinger (Prefect) (6 Aug 1984). ["Instructio de quibusdam rationibus "Theologiae Liberationis" \[Instruction on certain aspects of the "Theology of Liberation"\]](#) (English translation). *Acta Apostolicae Sedis* (Vatican City) **76**: 876–909. [ISSN 0001-5199](#). Retrieved 10 December 2011. Also preferential option for the poor; dealt with in greater detail later (Pontifical Council for Justice & Peace, 2005, p. 79).

¹⁴ United States Conference of Catholic Bishops (USCCB). Social sin. *Justice, Peace and Human Development: Catholic Teaching and Principles*. <http://old.usccb.org/sdwp/catholicteachingprinciples.shtml>

conflicts between Liberation Theologians and Rome during past decades and given the fact, that with Pope Francis there seems to develop a more open stance in Rome, Liberation Theology might move from the Latin American context into the centre of Universal Catholic thinking. Whether this happens or how this might happen is, however, too early to tell, except that the “Option for the Poor” gained a higher ground since his pontificate started.

For the time being, however, and until the taxation theme is more considered within Liberation Theology, the focus of this paper is on Catholic Social Teaching.

1.3 CST, Happiness Economics, Economics for the Common Good etc.

How “up-to-date” CST is nowadays illustrates the fact that many insights of CST are re-discovered in areas of reflection which at first sight have nothing to do with Catholic or Christian religion. Some examples:

First, “Happiness Economics”, which derives its insights from economics, psychology, sociology and findings of other scientific disciplines. As Richard Layard and Bruno Frey, also CST emphasizes that the economy is merely one sphere of human life and existence.¹⁵ Happiness Economics equally takes a fresh view on that which really matters to people, which cannot be measured in quantitative, let alone monetary terms and whose attainment is important to increase happiness of both individuals and societies. It has to do with values such as health, relationships, clean environment, leisure/work-life-balance etc. One important insight in Happiness Economics is expressed in the “Easterlin Paradoxon”, namely, that an increase in income does not necessarily increase the subjective happiness of people.¹⁶ Very often the only satisfaction taken from an increase in income and wealth is the happiness of one competing against others and beating them in quantitative terms without really gaining in life-quality. One of its more popular achievements is the discussion surrounding the replacement of the “Gross National Product” by the “Gross National Happiness” Index.¹⁷

Second, the Integrative Economic Ethics approach of the St. Galler Institute for Economics. It criticizes liberal market economy based on principles of philosophical ethics and tries to put man as moral agent in the centre of economic activities. It argues that individual and political ethics, aiming for the “good life of all”, is of more importance than the “logic of the market” which is said to be a “natural law”, but – in reality – only fiction and excuse.¹⁸ This approach claims a universal and intercultural validity since it renounces religious and metaphysical beliefs as ultimate foundation (*Letztbegründung*). As a consequence, the St. Gallen Institute is very involved in developing programs and workshops for Corporate Social Responsibility.¹⁹

¹⁵ All of this can be summed up by repeating once more that economic freedom is only one element of human freedom. When it becomes autonomous, when man is seen more as a producer or consumer of goods than as a subject who produces and consumes in order to live, then economic freedom loses its necessary relationship to the human person and ends up by alienating and oppressing him.⁸⁰ (CA 39)

¹⁶ http://en.wikipedia.org/wiki/Easterlin_paradox

¹⁷ <http://www.happyplanetindex.org/>

¹⁸ Mayerhofer, Th. (2009) Integrative Wirtschaftsethik und Katholische Soziallehre. Ein zukunftsweisender Dialog? Dissertation, pp. 87-96. Internetresource retrieved from <http://www.opus-bayern.de/uni-passau/volltexte/2009/1283/>

¹⁹ More information see <http://www.iwe.unisg.ch/en/Weiterbildung>

Third, “Economics for the Common Good”, which is increasingly popular in Germany and Austria. Here, more than 1400 companies annually evaluate their activities in a Common Good Balance Sheet, which takes into account their impact on Human Dignity, Cooperation & Solidarity, Ecological Sustainability, Social Justice and Democratic Co-Determination and Transparency. This approach is embedded in the support of hundreds of politicians, individuals and NGOs, thus creating a civil society movement.²⁰

“The good life”, “happiness”, more comprehensive understanding of “welfare” links – fourth – with insights emerging from evaluation processes inquiring into the failure of developmental policies for Africa. The overemphasis on macroeconomical factors did not take into account cultural concepts of happiness and therefore did not “link” with traditional societies and habits.²¹

Re-thinking the link between economics and happiness is – fifth – even spreading into organizations which so far are not associated with “alternative thinking” when it comes to welfare models based on economical theory: Even the OECD launched a “Better Life Initiative” and publishes bi-annually the report “How is life – Measuring Well-Being.”²² Countries such as the UK or Germany had already governmental institutions looking into the possibility to reform or replace the GDP as measure of welfare.²³

A last and sixth strand of thinking converging with CST are those approaching arguing that our present way of production and consumption is already overtaxing the resources of our planet. Those strands of argument go back to the famous report “The Limits to Growth” which was first and prominently brought into discussion 1972 by the Club of Rome.²⁴ Ever since then, the basic insight was confirmed, even though timelines varied until then our planet would ecologically collapse or important resources would run out and either cause hardship or violent conflicts for the remaining resources. This puts CST close to Post Capitalism and Post Growth Theories.²⁵

Obviously: Putting all this into practice and reforming our global system of production and consumption along these lines would resolve many problems which are under examination in this research. Common to all is the questioning of one of the main principles of neoliberal economics, which links individual happiness with an increase of income and measures the wealth of a nation with the growth of GDP and that therefore the growth of the economy is the best and most just way to raise also income and wealth of the poor.

²⁰ More information see <http://www.gemeinwohl-oekonomie.org/en/content/idea-economy-common-good>

²¹ For example: Andrews, N. (2009) Foreign aid and development in Africa: What the literature says and what the reality is. *Journal of African studies and Development*. VOL 1(1) pp. 8-15. Internet http://www.academia.edu/202805/Foreign_aid_and_development_in_Africa_What_the_literature_says_and_what_the_reality_is

²² <http://www.oecdbetterlifeindex.org/>

²³ Alt, J./Drempetic, S. (2011) Wohlstand anders denken. Echter: Würzburg. So far, only Bhutan replaced the GDP Index by a “National Happiness Product” Index.

²⁴ For more information see http://en.wikipedia.org/wiki/The_Limits_to_Growth

²⁵ See, e.g.: (Alt, 2018)

A reformed understanding of life-quality, contentment and happiness on that background could of course initiate another strand of “wealth-redistribution” besides taxation, namely based on voluntary self-restraint and sharing on part of the well off for the sake of the worse off can be fostered together. It would be a win-win situation, with some better off and nobody worse off. Clearly, this kind of voluntary and subsidiary charitable action would be much more in tune with traditional CST (and therefore preferable) than forced redistribution via taxation, imposed on the individual by the state.

Last not least: This parallel emergence of new initiatives promoting alternative measurements of happiness based on a new way of economics, labour, production and consumption and its overlapping with principles and values of CST should be taken into account when thinking about forming advocacy coalitions which are able to gain policy defining majorities inside pluralist and democratic societies.

1.4 The See-Judge-Act Method

In a pluralist world with many different world views struggling for dominance in the scholarly and political discourse we need a method which is suited to overcome ideological divides by agreeing on facts, evaluative norms and, then, joint action. From the Project Concept note to our research (2013a) onwards we believe that the “See-Judge-Act” Method of Cardinal Cardijn and variations drawing from it (Wijzen, Henriot, & Mejia, 2005) is best suited to find agreement: It starts with a thorough insertion into the various milieus of concern, that way avoiding the arrogance of those “knowing it all best” even before starting an analysis of the facts. Based on a joint analysis, the evaluation according to ethical norms is always bent back to the problem(s) at hand, that way avoiding the temptation to escape from the need to something which may be desirable, but is not really suited to improve the situation. Once agreement is found here, it is also possible to agree to joint actions which really make an impact. Likewise it is an adequate approach to complex problems calling for interdisciplinary solutions, that way once more implying the danger that, e.g., an economist holds other beliefs and norms than the sociologist and therefore miscommunication is a grave danger. Here, too, the starting point, at the same focal point, of this methods assists in preventing ideological blockades and approaching pragmatic solutions (Sands, 2018). Not surprising, that this method made it eventually into a CST encyclical, namely *Mater et Magistra* of Pope John XXIII, where it says:

“There are three stages which should normally be followed in the reduction of social principles into practice. First, one reviews the concrete situation; secondly, one forms a judgment on it in the light of these same principles; thirdly, one decides what in the circumstances can and should be done to implement these principles. These are the three stages that are usually expressed in the three terms: look, judge, act.” (MM 236).

Knowing about the complexity of the world and issues at hand, the Pope knows about the differences which even then can arise. Therefore, he admonishes to not stick to endless argument and to forget doing the good which is possible more often than not:

Differences of opinion in the application of principles can sometimes arise even among sincere Catholics. When this happens, they should be careful not to lose their respect and esteem for each other. Instead, they should strive to find points of agreement for effective and

suitable action, and not wear themselves out in interminable arguments, and, under pretext of the better or the best, omit to do the good that is possible and therefore obligatory. (MM 238)

2 Introduction: What is CST?

The research and advocacy project “Tax Justice and Poverty” is based on Catholic Social Teaching (CST), which is not widely known inside and outside the church. CST is a pretty ambitious affair: Being related to Natural Law tradition, it claims to know something about the natural (and accordingly divine) “order of being” and, in accordance, claims knowledge about the adequate and “just” mode to live in this world. This makes it Catholic Social Teaching or Doctrine and distinguishes it from Social Ethics: It is ontological doctrine, not de-ontological deduction (Nell-Breuning, 1980, p. 331). At the same time, even if CST is known by participants in social discourse, it encounters a lot of sceptical questions: “What value does Catholic Social Teaching nowadays have for any attempts to address current political and social issues? Is it not too general and unpractical? Is it not a toothless tiger when compared with hard social and economical facts?” etc. Well, any idea is as powerful as the number of people believing in it and wanting to put it into practice.

2.1 The Catholic view of social life – in need of constant dialogue

Given the age of the Catholic Church, CST is a relatively new development of thought. Its roots can be traced back as 1740: It was then that the popes first applied the famous three step approach of “see-judge-act” to contemporary social and political questions: A thorough analysis of the problems at hand was followed by a reflection based on scripture and church teaching and resulted into policies and action which should guide the church both as an institution and its individuals on these matters.²⁶ Serious and systematic work on developing CST into an alternative view of human society started in 1891 with the Encyclical *Rerum Novarum* of Leo XIII, who addressed the plight of workers and their families, suffering under the conditions created by the forms of capitalism in those days. Still, this approach was and is not widely known and worked with and therefore it is correct to argue that Catholic Social Teaching, until the present day, is “Our best kept secret” (de Berri & Hug, 2010).

CST was and is not an own empirical science. It is, however, open towards and interested in a dialogue with other sciences, most importantly social and natural sciences, but also – in our case – economics, since taxation represents a direct state intervention into market mechanisms. However: Insights gathered in empirical sciences are reflected on the background of divine revelation in the bible and the church’s tradition, hence CST is ‘knowledge illuminated by faith’ (Pontifical Council for Justice & Peace, 2005, p. 32f.). The temptation with CST is, that there is a disbalance between philosophy and theology on the one hand and other scholarly or scientific disciplines on the other hand: The temptation is, not to give serious consideration to facts and arguments – even though guided by ones principles and values, but rather select and handpick facts and arguments in a way that it fits ones faith based theory. This is confusing the moral with the technical: Of course is an economic system open to moral evaluation. For example, one can legitimately judge that the present economic

²⁶ In those days questions resulting from Enlightenment, see (Wijsen, Henriot, & Mejia, 2005, S. 9f.).

order harms the poor. How to improve this situation is, however, open to discussion and legitimate disagreement on technical instruments and approaches.²⁷

In all that, the church was eager for the very beginning onwards to build bridges between antagonists within the social and economic process, for example by pointing out that improvements in the social and economical setting will perhaps involve losses and renunciation by some, but in the end benefit all.²⁸ Likewise, the church always tried to build bridges between actors of different areas (e.g. economy, politics, civil society): Regarding Germany, for example, the Bishops emphasized as early as 1890 that the “social question” should not be left to market forces, but that state and church should cooperate here.²⁹

Because of its foundation on the dialogue with current scholarly debates findings of CST are (at least to some extent) time bound, since conventional approaches or mainstream views of contemporary debate might impact on the formulation of CST documents – which may be outdated after a while because current scholarly debates move on if experience or empirical findings indicate the need to do so. For that reason, CST documents of past decades are not always the best possible approach to current problems. For example: The view of developmental aid expounded on by Paul VI in his encyclical *Populorum Progressio* is influenced by the kind of “Interventionist development” approach which was popular in the 1960s, many of whose recommendations would nowadays no longer shared by the expert community (Booth, 2007c, S. 69).

The temptation with CST is, that there is a misbalance between philosophy and theology on the one hand and other scholarly or scientific disciplines on the other hand: The temptation is, not to give serious consideration to facts and arguments – even though guided by ones principles and values, but rather select and handpick facts and arguments in a way that it fits ones faith based theory. This is confusing the moral with the technical: For example, one can legitimately judge that the present economic order harms the poor. How to improve this situation is, however, open to discussion and legitimate disagreement on technical instruments and approaches.³⁰

²⁷ A good example is Leo XIII's approach to the question of a “just wage”: Against the promoters of the free market and defender of those saying that worker agree freely to the wages offered he argued that a paid wage is unfair if the worker has no bargaining power, is forced to agree and if the wage paid does not enable him and his family a decent life. Having passed this moral judgment, the Pope did not interfere into the discussions on way and means to improve the situation. Similarly: No Catholic would nowadays deny the Option for the Poor. But there is an open discussion on what is the best way to implement this option. (Woods, 2007, S. 91-96)

²⁸ See, e.g. (Frambach & Eissrich, 2015, S. 37), beginning with Leo XII pointing out that the distribution of land to all is beneficial for all. Or Pius XI “Yet when the State brings private ownership into harmony with the needs of the common good, it does not commit a hostile act against private owners but rather does them a friendly service; for it thereby effectively prevents the private possession of goods ... from causing intolerable evils and thus rushing to its own destruction;” (QA 49) Or John XXIII and Paul VI when it comes to global wealth inequality, see 3.4.2.2

²⁹ Pastoral letter of 22.8.1890 in (Frambach & Eissrich, 2015, S. 31)

³⁰ A good example is Leo XIII's approach to the question of a “just wage”: Against the promoters of the free market and defender of those saying that worker agree freely to the wages offered he argued that a paid wage is unfair if the worker has no bargaining power, is forced to agree and if the wage paid does not enable him and his family a decent life. Having passed this moral judgment, the Pope did not interfere into the discussions on way and means to improve the situation. Similarly: No Catholic would nowadays deny the Option for the

2.2 Direct and indirect importance of CST for tax related issues

We also need to bear in mind the difference between direct and indirect importance of CST for this research. Direct importance regards all quotes where the word “Tax”, “tax-like”, “mandatory levies and/or contributions”, “fiscal” etc. appear literally and those are, of course, most helpful if they do come from an authoritative institution and do not merely express a personal, though well-reflected, opinion.

Equally important for this research are indirect implication which we can gain from CST about the general structure of society and the individual persons status and well-being therein. And, linked to that, CSTs views about who is in charge for the well-being of each and every individual person and the community as such. Deriving from answers to those two questions, a whole set of criteria and guidelines will arrive which then usefully can assist and guide also the debate about voluntary and mandatory contributions within the present governmental and wider governance structures, aiming to improve most importantly the situation of the poor.

2.3 Research focusing

For that reason, first of all a view about this broader context and its indirect implications for our research into “Tax Justice & Poverty” will be done, addressed to “all people of good will”, before in a next step a more focused review, addressed rather to church members, will be undertaken in paper E/V.

Main resource for this paper is the Compendium of the Social Doctrine of the Church (Pontifical Council for Justice & Peace, 2005) which is seen to be the most generally accepted authority for CST, as will be explained below in 3.1 and 3.2. In case of supporting or clarifying material, quotes from encyclicals or other high ranking authorities will be added.

This paper has right now a heavy German bias since it is written by a German based on his view of German societal realities. But sadly and so far, no African ethicist could be interested in this research project and its focus on taxation and poverty as yet.

2.4 Principle Online Resources

This document contains numerous references to publications coming from the background of Catholic Social Teaching. Most, if not all, documents can be accessed online on the Website of the Vatican. Of particular interest are:

- [Compendium of the Social Doctrine of the Church](#)
- [Catechism of the Catholic Church](#)
- [Documents of the Second Vatican Council](#)
- [Papal Encyclicals](#)

3 CST Principles & Values

Now we refer back to the above mentioned role of CST providing instruments with which we can examine current injustices and develop alternatives. The most important instruments of Catholic Social Teaching are its Principles and values. They are

... the expression of the whole truth about man known by reason and faith, are born of “the encounter of the Gospel message and of its demands summarized in the supreme commandment of love of God and neighbour in justice with the problems emanating from the life of society”. In the course of history and with the light of the Spirit, the Church has wisely reflected within her own tradition of faith and has been able to provide an ever more accurate foundation and shape to these principles, progressively explaining them in the attempt to respond coherently to the demands of the times and to the continuous developments of social life. *These are principles of a general and fundamental character, since they concern the reality of society in its entirety ...* Because of their *permanence in time* and their *universality of meaning*, the Church presents them as the primary and fundamental parameters of reference for interpreting and evaluating social phenomena, which is the necessary source for working out the criteria for the discernment and orientation of social interactions in every area. (Pontifical Council for Justice & Peace, 2005, p. 71)

3.1 What categorization of CST principles and values exist?

Sadly, there is no unanimous consensus among various national churches, which principles are key or core among CST.

Germany, with a long tradition of CST research and eminent scholars who also drafted relevant encyclicals in this area for – e.g. – Pope Pius XII traditionally knew three principles (personality,³¹ solidarity and subsidiarity) which, in the course of discussion and *aggiornamento* were augmented by four more: (Social) Justice, Common Good, Option for the Poor and Sustainability.³² This listing is congruent with the German WIKIPEDIA entry on “Christliche Soziallehre”.

It is more complicated in the English language area. If one enters the words “principles catholic social teaching” into Google, a variety of lists is offered. Among the foremost are the following:

- English Wikipedia: 5 (Human Dignity, Solidarity & Common Good, Charity, Subsidiarity, Distributism & Social Justice)
- [UK](#): 5 (Dignity of human Person, Common Good, Solidarity, Subsidiarity, Option for the Poor)
- [US](#): 7 (Life & Dignity of Human Person, Family-Community-Participation, Rights & Responsibility, Option for Poor & Vulnerable, Dignity of Work & Rights of Workers, Solidarity, Care for God’s Creation)

³¹ No outright equivalent for the German “Personalität” or the latin “personalitas”, who rather use descriptive terms such as Human Dignity, Human Equality... Also in German usage, “Personalität” is meanwhile expressed as “Würde der Person”

³² Handout „Die klassischen Prinzipien der katholischen Soziallehre“. Online <http://www.digitale-schule-bayern.de/dsdaten/553/80.pdf>

- [AUS](#): 7 (Dignity of Human Person, Common Good, Option for the Poor, Participation, Solidarity, Stewardship, Subsidiarity)
- [NZ](#): 11 (Human Dignity, Human Equality, Respect for Life, Principle of Association, Principle of Participation, Common Good, Solidarity, Protection of the Poor, Stewardship, Universal Destination of Goods, Subsidiarity)

An additional confusion in the English language area is the mix-up between “principles” and (key) “themes”: Wikipedia talks of both, the United States Bishops Conference talks of “themes”, the others of “principles”. Additionally, the lists contain references to CST “values” (Australia).

3.2 The Compendium of Social Doctrine of the Church

It is universally agreed that ‘the principles of the Church’s social doctrine must be appreciated in their unity, interrelatedness and articulation’ (Pontifical Council for Justice & Peace, 2005, p. 71) – which would indicate that it does not really matter with which one starts since in the end everything comes together anyhow. Still, it would help in our view if these “plenitudes” could be sorted out into some agreed-upon order and coherence which could claim universal acceptance. This is of particular importance in the case of a research which addresses problematic issues in different continents and countries: If the variety of principles remains, it may be unclear for any reader, which set is followed and applied or it would require repeatedly and lengthy preliminary explanations.

It is proposed therefore to follow the concepts and arrangement offered by the Compendium of Social Doctrine of the Church. It is, after all, the publication of the Papal Council on Justice and Peace and aims explicitly to provide an authoritative framework and approach for the universal church.³³ The Compendium is organized in three parts:

- Part I of the Compendium presents how the Social Doctrine of the Church is outflow of the divine redemption, of Gods Plan, the general mission of the church and its social doctrine. It contains the general principles and values **organizing and guiding** this engagement
- Part II of the Compendium goes into detail by **applying** those principles and values to various issues of human life and society
- Part III finally spells out specific recommendations for church action.

3.3 Distinguishing principles, themes, values and virtues

For the sake of clarification, and referring to the Compendium, the following distinctions and categorization are suggested:

A **theme** denotes areas of interest and concern. The treatment here is descriptive, answering the question: “What” (is at hand/at stake)?

A **principle** denotes guidelines which help an analytic researcher and politician to evaluate a given problem, providing criteria, balancing conflicting issues and getting priorities determined and arranged, answering to the question: “How” (is the problem composed resp. is

³³ (Pontifical Council for Justice & Peace, 2005, p. xviiff.) and (Kennedy, 2007, S. 164)

it to be ranked/weighed/related to as compared with other conflicting and competing interests/issues)?

A **value** is both an organizing principle which can be used to assess conflicting issues, and at the same time an appreciated (ideal) state of affairs whose gradual implementation is aimed for.³⁴ In that manner, values can be seen to be instrumental and final, actual and potential (Kennedy, 2007, S. 173f.)

A final relevant category is moral **virtues**, as is the case of “solidarity” which is both a CST principle and moral virtue. This is due to the link between solidarity and the value of justice, which results in an ever stronger obligation to everybody to implement solidarity.³⁵

If one applies these distinctions, it follows, for example, that “family” or “rights of workers” should not be categorized as CST principles, because they are particular areas and “themes” of specification, results presented are outcomes of the application of CST principles.

Even though this paper leans from now on strongly on the Compendium, it needs to be said that the choices made by the authors of the Compendium are not at all times perfectly obvious and cogent. For example,

- From the present order of the Compendium one could infer that the Personalist Principle dealt with in chapter 3 is a category of its own, since the introduction to CST principles as such is given only at the beginning of chapter 4.
- It is unclear why the “Option for the poor” is contained under the principle of “Universal Distribution of Goods” rather than “Solidarity”.
- It is unclear why “Participation” is given a status as principle (instead being subsumed under subsidiarity) rather than “Stewardship” or “Sustainability” which would do justice to the rising awareness of environmental issues.

For the sake of authority and importance as universal point of reference, however, the structure of the Compendium is followed.

3.4 CST Principles

Since the Compendium is the yardstick of this paper, other authoritative CST documents – e.g. documents from the Councils or Encyclicals from the Popes – are not presented adequately. In the quotes from the Compendium presented in the following text, however, sometimes numbers in [square brackets] are contained, which indicate a footnote in the Compendium, referring to other CST sources. When looking up the Compendium's text in the [Internet](#), it is easy to check on these references.

³⁴ (Pontifical Council for Justice & Peace, 2005, p. 87). While “justice” in Germany or the English Wikipedia edition is listed as CST principle, the Compendium treats it, alongside freedom, truth and love, as an overarching value, however in strong connection with the CST principles.

³⁵ (Pontifical Council for Justice & Peace, 2005, p. 85). Equally, an interconnection exists between “Solidarity” and “Justice”, see e.g. ‘In fact, the Church's social doctrine places alongside the value of justice that of solidarity, in that it is the privileged way of peace.’ (Pontifical Council for Justice & Peace, 2005, p. 90). Different kinds of obligation/responsibility reference to Sandel in “Defining the terms”, i.e. Obligation from Natural Law, Solidarity and Moral.

3.4.1 The Personalist Principle

The Personalist Principle is the foundation of all other CST principles and receives therefore treatment in an own chapter of the Compendium, namely chapter 3: ‘All of social life is an expression of its unmistakable protagonist: the human person... “Human society is therefore the object of the social teaching of the Church since she is neither outside nor over and above socially united men, but exists exclusively in them and, therefore, for them”.’ (Pontifical Council for Justice & Peace, 2005, p. 49). ‘Every political, economic, social, scientific and cultural programme must be inspired by the awareness of the primacy of each human being over society[248]’ (Pontifical Council for Justice & Peace, 2005, p. 58f.). ‘This *‘socialization’* also expresses the natural tendency for the sake of attaining objectives that exceed individual capacities. It develops the qualities of the person, especially the sense of initiative and responsibility, and helps guarantee his rights”.’ (Pontifical Council for Justice & Peace, 2005, p. 65f.).

Here, an important implication shines through already: The whole is more than the sum of its individual parts, which is why there are no absolute rights/entitlement/liberties, as is rather the emphasis in Anglo Saxon traditions, but the rights of the individual needs to be balanced with responsibilities towards the whole, the common good, the community. This is why human freedom is not unlimited.³⁶

The Compendium warns: ‘In no case, therefore, is the human person to be manipulated for ends that are foreign to his own development’ (Pontifical Council for Justice & Peace, 2005, p. 59). The person cannot be a means for carrying out economic, social or political projects imposed by some authority, even in the name of an alleged progress of the civil community as a whole or of other persons, either in the present or the future. As mentioned already, such a manipulative (sinful) behaviour might consolidate into sinful structures which in turn can gain a life and reality of their own.

The consequences of sin perpetuate the structures of sin. These are rooted in personal sin and, therefore, are always connected to concrete acts of the individuals who commit them, consolidate them and make it difficult to remove them. It is thus that they grow stronger, spread and become sources of other sins, conditioning human conduct[228]. These are obstacles and conditioning that go well beyond the actions and brief life span of the individual and interfere also in the process of the development of peoples, the delay and slow pace of which must be judged in this light[229]. (Pontifical Council for Justice & Peace, 2005, p. 54)

Issues deriving from this Personalist Principle, emphasizing the value and dignity of the human person as being the centrepiece of all that is within society, are recurrent in the Compendium. Very often, the Compendium reminds that all that is created has to serve man and not the other way round. To illustrate this, the following piece is taken from the chapter dealing with the structure and organization of the economy

The market takes on a significant social function in contemporary society, therefore it is important to identify its most positive potentials and to create the conditions that allow them to

³⁶ ‘(H)is freedom is not unlimited..., for it is called to accept the moral law given by God. In fact, human freedom finds its authentic and complete fulfilment precisely in the acceptance of that law” [258] (Pontifical Council for Justice & Peace, 2005, p. 60).

be put concretely into effect. Market operators must be effectively free to compare, evaluate and choose from among various options. Freedom in the economic sector, however, must be regulated by appropriate legal norms so that it will be placed at the service of integral human freedom. "Economic freedom is only one element of human freedom. When it becomes autonomous, when man is seen more as a producer or consumer of goods than as a subject who produces and consumes in order to live, then economic freedom loses its necessary relationship to the human person and ends up by alienating and oppressing him".[732] (Pontifical Council for Justice & Peace, 2005, p. 151).

3.4.1.1 Human Rights

As a consequence and coherent "outflow" of the Personalist Principle, the church advocates and supports rights and structures protecting the individual from the misuse of power. 'The movement towards the identification and proclamation of human rights is one of the most significant attempts to respond effectively to the inescapable demands of human dignity' (Pontifical Council for Justice & Peace, 2005, p. 66).

But: it is emphasized, that no right is without limits by corresponding responsibilities and duties: '*Inextricably connected to the topic of rights is the issue of the duties falling to men and women.* ... "Those, therefore, who claim their own rights, yet altogether forget or neglect to carry out their respective duties, are people who build with one hand and destroy with the other".[324]' (Pontifical Council for Justice & Peace, 2005, p. 68f.).

It is in this context where one can find a first clear statement which might have importance and implication for the question of taxation and redistribution:

The Church's social doctrine ... repeats over and over that "the more fortunate should *renounce* some of their rights so as to place their goods more generously at the service of others" and that an excessive affirmation of equality "can give rise to an individualism in which each one claims his own rights without wishing to be answerable for the common good".[333] (Pontifical Council for Justice & Peace, 2005, p. 70)

Nobody ever argues that paying taxes is fun. It is a sacrifice on part of the wealthy, but it is a sacrifice which benefits the common good, which means all, which means also the wealthy who are asked to contribute their share in form of taxation.

3.4.1.2 The concept and nature of labour

An important dimension of human existence is labour. It is not just something to be sold for obtaining adequate money to sustain the physical life. It is, moreover, part and constituent of human dignity. At the same time, a lot depends on the circumstances under which men and women do their work – which is why John Paul II links the dignity of labour with the conditions provided by the "social order":

All this pleads in favour of the moral obligation to link industriousness as a virtue with *the social order of work*, which will enable man to become, in work, "more a human being" and not be degraded by it not only because of the wearing out of his physical strength (which, at least up to a certain point, is inevitable), but especially through damage to the dignity and subjectivity that are proper to him. (LE 9)

Obviously, unemployment, inadequate labour (“working poor”) and other forms of deprivation inspite of having a job have a destabilizing effect on society which is why the organization of labour as opponent of organized capital is so important and which is why the popes gradually increased their support of labour unions. And yet: Present day conditions offer a number of new problems due to the fact that not all labour is organized, but isolated and open to exploitation. This is why Benedict XVI in the aftermath of the 2007 World Financial Crisis indicates that the concept of commutative justice, so far regulating the give-and-take between labour and capital, has to be supplemented by adequate provisions of distributive and social justice, that way investing in “social capital”, if social cohesion has to be secured.³⁷

Clearly, this concept does not address adequately unpaid labour (e.g. care work by mothers or those caring for the sick) or honorary engagement (e.g. in civil society like sports or neighbourhood clubs). And: Given ongoing progress one has to wonder, however, how the future of labour looks when facing the rise of automation and robotization, making human labour redundant or providing means to make ddd-jobs redundant. This has and will have enormous implication for taxation: So far, a large share of taxes and mandatory SSCs is taken from dependent employment and little or nothing from machine-produced productivity. Conversely: If any form of unconditional or guaranteed minimal income is considered, this requires a load of finance.

3.4.2 Common Good of ALL

The common good is not a counter-concept to individual wellbeing, imposing merely sacrifices upon the wealthy, but the precondition for individual wellbeing of rich and poor alike.

3.4.2.1 Content of the concept

Having first stressed the centrality of the human person for all social, economical and political planning, the second CST principle emphasizes explicitly the importance of community.

The principle of the common good, to which every aspect of social life must be related if it is to attain its fullest meaning, stems from the dignity, unity and equality of all people. According to its primary and broadly accepted sense, the common good indicates “the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfilment more fully and more easily”.[346] The common good does not consist in the simple sum of the particular goods of each subject of a social entity. Belonging to everyone and to each person, it is and remains “common”, because it is indivisible and because only together is it possible to attain it, increase it and safeguard its effectiveness, with regard also to the future.’ ... *A society that wishes and intends to remain at the service of the human being at*

³⁷ ...The dignity of the individual and the demands of justice require, particularly today, that economic choices do not cause disparities in wealth to increase in an excessive and morally unacceptable manner[83], and that we continue to *prioritize the goal of access to steady employment* for everyone. All things considered, this is also required by “economic logic”. Through the systemic increase of social inequality, both within a single country and between the populations of different countries (i.e. the massive increase in relative poverty), not only does social cohesion suffer, thereby placing democracy at risk, but so too does the economy, through the progressive erosion of “social capital”: the network of relationships of trust, dependability, and respect for rules, all of which are indispensable for any form of civil coexistence... (CIV 32)

every level is a society that has the common good — the good of all people and of the whole person [347] — as its primary goal. The human person cannot find fulfilment in himself, that is, apart from the fact that he exists “with” others and “for” others. (Pontifical Council for Justice & Peace, 2005, p. 72f.)

What the common good means exactly in each epoch and time remains a matter of deliberation at a given time since not only the desirable, but also the possible needs to be considered. It is the common good, however, which justifies the state and its institutions (legislation, execution, jurisdiction): ‘*The responsibility for attaining the common good, besides falling to individual persons, belongs also to the state, since the common good is the reason that the political authority exists*[355]. The state, in fact, must guarantee the coherency, unity and organization of the civil society of which it is an expression[356], in order that the common good may be attained with the contribution of every citizen. ...’ (Pontifical Council for Justice & Peace, 2005, p. 74). Interesting enough: That the state is in charge of (social) justice, and not markets or even NGOs is, it seems, intuitively known by people, if surveys can be trusted (see E/II/6,7+8).

Every citizen is in principle in a situation to contribute to the common good in accordance with his or her ability to pay. Here, towards the wealthy, CST emphasizes that giving away something will, in the end, be a contribution to keep most of the rest of wealth and possession. Because, so the Popes from Leo XIII onward, if the wealthy do not pay adequately for the preservation of the common good, social unrest may be the consequence and, eventually, puts a risk to everything else.³⁸ Furthermore, towards the disadvantaged, the Compendium emphasized that contribution to the common good depends on adequately education, health care, nutrition and employment. Here the state has to make sure, that this is possible for all, especially the disadvantaged and poor.

For the functioning of a society, for the creation and increasing of the common good the state has to organize and coordinate institutions and to create conditions which are not possible (or profitable) to organize and coordinate by individuals or small groups, e.g. a ‘sound juridical system, the protection of the environment, and the provision of essential services to all, some of which are at the same time human rights: food, housing, work, education and access to culture, transportation, basic health care, the freedom of communication and expression, and the protection of religious freedom[350] (Pontifical Council for Justice & Peace, 2005, p. 73). This interesting passage could support arguments for comprehensive state backed public services rather than PPPs or private initiatives, the inclusion of “protection of the environment” could back up calls for Green Taxes.

The compendium finally reminds its reader that there is a universal dimension to the common good and that ‘every nation is required in duty to make towards a true worldwide

³⁸ For that see several passages in (Frambach & Eissrich, 2015), e.g. “Pius XI. spricht von der Individual-und Sozialnatur des Eigentums, ein Themenkomplex, der auch von Pius XII. in seiner Pfingstbotschaft von 1941 thematisiert wird. An das Privateigentum ist die Verteilungsfrage geknüpft, denn solange die Verteilung zu ungleich und zu ungerecht erfolgt, bietet sie Zündstoff für Unzufriedenheit, Unruhen und Unfrieden. Die Verteilungsfrage hat Systemrelevanz, denn von der Verteilung kann das Überleben eines ganzen Gesellschaftssystems abhängen.“ (S. 234)

cooperation for the common good of the whole of humanity and for future generations also[351].’ (ibid.)

3.4.2.2 Scope of application

In an increasingly intertwined work with many networks the question is whether – or to what extent – the Common Good can be thought of in a local, regional or national context only. Or does it not have to be thought of globally? Given the increasing “globality” growing out of globalization processes one has to awake to the fact that this is irreversible. This led already John XIII to state:

Whereas the standard of living is high in the former, the latter are subject to extreme poverty. The solidarity which binds all men together as members of a common family makes it impossible for wealthy nations to look with indifference upon the hunger, misery and poverty of other nations whose citizens are unable to enjoy even elementary human rights. The nations of the world are becoming more and more dependent on one another and it will not be possible to preserve a lasting peace so long as glaring economic and social imbalances persist. (MM 157)

From that follows the request for global solidarity (see below, 3.4.5) but also the realization that national states are no longer adequate to provide adequate governance against global forces such as the flows of finance, migration and terror. This, in turn, opens the way to discuss global institutions of governance from John XXIII’s encyclical *Pacem in Terris* onwards (Frambach & Eissrich, 2015, S. 148).

Similar Paul VI: He even explicitly pointed to the requirement that, given the growing interconnectedness of today’s world, poor nations nowadays are entitled to as much solidarity as were closest of kin in earlier times.

The rule, by virtue of which in times past those nearest us were to be helped in time of need, applies today to all the needy throughout the world. And the prospering peoples will be the first to benefit from this. Continuing avarice on their part will arouse the judgment of God and the wrath of the poor, with consequences no one can foresee. (PP 49)

3.4.2.3 Various levels for content?

One could, of course argue, that the content locally needs to be filled more richly than the content applicable globally. And indeed: The social security and pension system has been filled by German citizens and there is only limited justification why an unlimited number of people could become potential beneficiaries. At the same time the question is legitimate to ask: To what extent, for example, German wealth builds upon the diminishment of the Common Good elsewhere. How do wage and salaries of German worker and profits of German shareholder depend on the exploitative conditions in Export Processing Zones with low labour and environmental standards. Given the repercussions of climate change, migration and terror on the rich states it suggests that the content also globally should be thought of generously not merely in terms of alms and charity, but repayments of just and justified demands.

3.4.2.4 Common Good and State/governance

Especially nowadays there is plenty of ideology directed against state and governance since “the markets” are seen to be the superior generator and distributor of income and

wealth. It is therefore essential to point out that the state nowadays is (negatively) needed to counterbalance market failure and to define and enforce rules against those failures both nationally and globally (see 4.5), that way (positively) safeguarding a higher individual and collective wellbeing.

For that reason the Compendium argues: *‘To ensure the common Good, the government of each country has the specific duty to harmonize the different sectoral interests with the requirements of justice[358]’* (ibid.). Meaning: Special interests of the few or lobby groups are of secondary importance when it comes to the common good. This, too, has an implication for taxation, because some implications require money, e.g. scholarships or special services for the poor which assist them to get out of poverty traps. This would also have importance for the question, whether donations or foundations are preferable, because it seems as if those “charitable” institutions are but another way of the wealthy to exert and keep influence about societies course of action (see GW/I/12 and GW/II/8).

3.4.3 Universal Destination of Goods

This opens the way to CST Principle Nr. 3, that of the Universal Destination of Goods, whose origin goes back as far as the moment, when God created “the earth and all it contains for all men and all peoples so that all created things would be shared fairly by all mankind under the guidance of justice tempered by charity.”[360] (Pontifical Council for Justice & Peace, 2005, p. 75)

It is perhaps because of the developments under the neoliberal market economy, that the Compendium emphasizes the universal right of all to use the goods of the earth as the “first principle of the whole ethical and social order”³⁹ (which is extremely confusing to the reader since the first principle in the Catechisms own Table of Content is Personalism!). This right, says the Compendium, is a *‘natural right, inscribed in human nature and not merely a positive right connected with changing historical circumstances’* and it *‘has priority with regard to any human intervention concerning goods, to any legal system concerning the same, to any economic or social system or method.’* (Pontifical Council for Justice & Peace, 2005, p. 76)

The question is, however, what this means for any particular society and context. This, the Compendium concedes, needs thorough discussion and a precise definition of methods, limits and objectives. Therefore, *‘(t)he principle ... is an invitation to develop an economic vision inspired by moral values that permit people not to lose sight of the origin or purpose of these goods, so as to bring about a world of fairness and solidarity, in which the creation of wealth can take on a positive function.’* This needs a universal and international perspective, as the word “universal” implies already, and the Compendium continues:

The universal destination of goods requires a common effort to obtain for every person and for all peoples the conditions necessary for integral development, so that everyone can contribute to making a more humane world, “in which each individual can give and receive, and in which the progress of some will no longer be an obstacle to the development of others, nor a pretext for their enslavement”[367]. (Pontifical Council for Justice & Peace, 2005, p. 75)

³⁹ Compendium Nr. 172, quotation taken from *Laborem Exercens* Nr. 19

3.4.3.1 *Universal Destination of Goods and Private Property*

The question jumping to mind reading these “socialist” sounding statements is: What about private property and ownership? After all, Leo XIII or Pius XI declared private property to be an outgrowth of nature (see E/V/2.4).

Private property, the Compendium argues, is legitimate as far as it is the outcome of individual work and the application of one’s own intelligence and endeavour and as far as ‘ownership of goods be accessible to all’. Whenever ownership is not accessible to all, but merely for the few, amendments are needed and this is why:

‘Christian tradition has never recognized the right to private property as absolute and untouchable: “On the contrary, it has always understood this right within the broader context of the right common to all to use the goods of the whole of creation: the right to private property is subordinated to the right to common use, to the fact that goods are meant for everyone” [372].... *The Church's social teaching moreover calls for recognition of the social function of any form of private ownership* [376] that clearly refers to its necessary relation to the Common Good[377].’ (Pontifical Council for Justice & Peace, 2005, p. 77)

The Compendium reminds its reader that globalization brought forth a whole range of new forms of property, such as advantages based on intellectual property, patents or technology and that the “the wealth of the industrialized nations is based much more on this kind of ownership than on natural resources”[379]. (ibid. 78, more below in 4.5.1)

Not forgotten should be the famous expression of Pope John Paul II, namely, that every private property comes under a “social mortgage” which means that it has an intrinsically social function, based upon and justified precisely by the principle of the universal destination of goods’ (*Sollicitudo Rei Socialis*, Nr. 42), a fact which should also stimulate everybody’s willingness to practice Solidarity (see below, 4.5.2)

3.4.3.2 *The preferential Option for the poor*

Since it is (mostly) the power of the wealthy which afflicts the poor, the subchapter on the “preferential option for the poor” is inserted in the chapter of the Universal Destination of Goods. The word “preferential” indicates that the church does not love the wealthy persons less than the poor. It does emphasize, however, that the poor need advocacy and support in attaining their entitled place in this world. To work towards this goal and objective is the obligation of each individual Christian. This obligation results into works of alms and charity, ‘but it applies equally to our *social responsibilities* and hence to our manner of living, and to the logical decisions to be made concerning the ownership and use of goods.’ Based on the interdependence of a globalizing world, ‘given the worldwide dimension which the social question has assumed, this love of preference for the poor, and the decisions which it inspires in us, cannot but embrace the immense multitudes of the hungry, the needy, the homeless, those without health care and, above all, those without hope of a better future’[385].’ (Pontifical Council for Justice & Peace, 2005, p. 79)

3.4.3.3 *Intergenerational implications? Tension between justice & ecology?*

While that which is written in the Church’s authoritative Compendium on Social Justice is pretty outspoken about a fair distribution of goods among the living, it does not

include comparatively adequate criteria arising from the growing insight into the limitation of natural goods, challenges arising from demographic developments and the rights of future generations in leading a life at least as good as those currently on earth. This needs to change especially since Pope Francis in *Laudato Si* emphasized that the environmental, economic and social crises are not different, but complementary expressions of one and the same crisis. 'It is essential to seek comprehensive solutions which consider the interactions within natural systems themselves and with social systems. We are faced not with two separate crises, one environmental and the other social, but rather with one complex crisis which is both social and environmental' (LS 139). Equally, Pope Francis includes future generations into the equation:

The notion of the common good also extends to future generations. ... We can no longer speak of sustainable development apart from intergenerational solidarity. Once we start to think about the kind of world we are leaving to future generations, we look at things differently; we realize that the world is a gift which we have freely received and must share with others. Since the world has been given to us, we can no longer view reality in a purely utilitarian way, in which efficiency and productivity are entirely geared to our individual benefit. Intergenerational solidarity is not optional, but rather a basic question of justice, since the world we have received also belongs to those who will follow us. (LS 159)

If this is the case, however, more attention needs to be given to the balance between justice and ecological aspects both of the living and future generations.

3.4.3.4 Conclusion

The Principle of Universal Destination of Goods gives the impression of being very much in flux as far as definition and content of this principle is concerned. Whether the outbalancing of justice and ecological implications can be done within the scope of this principle, or whether this would confuse its content and therefore diminishes its impact remains to be seen. For the researchers it would make more sense to confine this principle to the social justice/distributive aspect of earthly goods, while a strengthened CST Principle of Sustainability would take care of ecological aspects and the interest of future generations (see below, 3.6).

3.4.4 Subsidiarity

With the principle of subsidiarity the church addresses the way "how" things need to be done when it comes to structuring society and organizing social, political and economic activities: It addresses the balance and tension between that, which the individual is obliged and able to do⁴⁰ and that, which needs to be addressed on a superior level because the tasks involved surpass the ability of the individual. It is here, where social groups and structure come into play which mediate between the individual persons and the impersonal and abstract forces and institutions of economy or state:

It is impossible to promote the dignity of the person without showing concern for the family, groups, associations, local territorial realities; in short, for that aggregate of economic, social, cultural, sports-oriented, recreational, professional and political expressions to which people

⁴⁰ This is very important, because CST does not simply degrade human beings to recipients of charity! Nobody is that poor or depraved that he cannot be obliged to contribute that which is possible to him or her.

spontaneously give life and which make it possible for them to achieve effective social growth[396]. ... On the basis of this principle, all' (entities) 'of a superior order must adopt attitudes of help ("subsidiarity") — therefore of support, promotion, development — with respect to lower-order societies. (Pontifical Council for Justice & Peace, 2005, p. 81)

The principle of subsidiarity protects individuals and small groups from the abuse of power and strengthens their position against entities of any superior order.

This principle is imperative because every person, family and intermediate group has something original to offer to the community. Experience shows that the denial of subsidiarity, or its limitation in the name of an alleged democratization or equality of all members of society, limits and sometimes even destroys the spirit of freedom and initiative. (Pontifical Council for Justice & Peace, 2005, p. 82)

Generally, this chapter addresses guidelines assisting in defining level of governance, i.e. the question of centralization or decentralization. It also helps to understand better the liberal view of subsidiarity (emphasizing private-individual risk and responsibility) and its CST counterpart (emphasizing the "superior" governance structures' responsibility to support and empower) (Große-Kracht, 2016, S. 3).

What is missing here is an explicit treatment of the importance of the principle of subsidiarity for the international order. It most certainly leaves open the question of global institutions or other forms of improved governance.

3.4.5 Solidarity

3.4.5.1 Compendium

Solidarity stands out at the end of the Compendium's part presenting the CST principles, leading the way into the chapter dealing with CST values. It explicitly deals with the responsibilities and obligations which human beings have towards each other as being social beings and where they have to cooperate because of goals that cannot be achieved by individuals alone: 'Solidarity highlights in a particular way the intrinsic social nature of the human person, the equality of all in dignity and rights and the common path of individuals and peoples towards an ever more committed unity.' Nowadays, solidarity acquires a new importance due to the interrelationship and interdependencies which world society attained due to the processes of globalization.

Never before has there been such a widespread awareness of the bond of interdependence between individuals and peoples, which is found at every level[413]. The very rapid expansion in ways and means of communication "in real time", such as those offered by information technology, the extraordinary advances in computer technology, the increased volume of commerce and information exchange all bear witness to the fact that, for the first time since the beginning of human history, it is now possible — at least technically — to establish relationships between people who are separated by great distances and are unknown to each other.

In the presence of the phenomenon of interdependence and its constant expansion, however, there persist in every part of the world stark inequalities between developed and developing countries, inequalities stoked also by various forms of exploitation, oppression and corruption

that have a negative influence on the internal and international life of many States. The acceleration of interdependence between persons and people's needs to be accompanied by equally intense efforts on the ethical-social plane, in order to avoid the dangerous consequences of perpetrating injustice on a global scale. This would have very negative repercussions even in the very countries that are presently more advantaged[414]. ...

Solidarity must be seen above all in its value as a moral virtue that determines the order of institutions. On the basis of this principle the “*structures of sin*”[417] that dominate relationships between individuals and peoples must be overcome. They must be purified and transformed into *structures of solidarity* through the creation or appropriate modification of laws, market regulations, and juridical systems. (Pontifical Council for Justice & Peace, 2005, p. 84f.)

Solidarity has this horizontal aspect of being interconnected, that we “all sit in one boat” and that the damage being done here or occurring there will have repercussions also to people and regions separated by political borders. But: The Compendium reminds its reader also that there is an obligation of solidarity arising from history, going back in time – once more appealing to those who are more advantaged and privileged:

The principle of solidarity requires that men and women of our day cultivate a greater awareness that they are debtors of the society of which they have become part. They are debtors because of those conditions that make human existence liveable, and because of the indivisible and indispensable legacy constituted by culture, scientific and technical knowledge, material and immaterial goods and by all that the human condition has produced. A similar debt must be recognized in the various forms of social interaction, so that humanity's journey will not be interrupted but remain open to present and future generations, all of them called together to share the same gift in solidarity. (Pontifical Council for Justice & Peace, 2005, p. 86)

This reminder will have importance later on when it comes to the obligations the wealthy people, groups and nations have towards poor, be it via donations, foundations, taxation or some mixed forms (see E/V/8.1).

3.4.5.2 *Nell-Breuning*

One of the most influential thinkers of CST in the 20th century was Oswald von Nell-Breuning – not only because of his own prolific work, but also because of his involvement in a number of decisive papal Encyclicals such as *Quadragesimo Anno*. Starting from his background rooted in Solidarism and Corporatism, Solidarity and Subsidiarity are the cornerstone of every social order, whereby he assigns to Solidarity the main, Subsidiarity the “ancillary” part (Nell-Breuning, 1968). The reason why he is mentioned here specifically is, however, the connectivity and usefulness of his conceptualization of solidarity for today's 21st century. His starting point is the origin of the concept in Roman Civil Law,⁴¹ where a number of people may have joint liability towards a creditor, but in the way that each single one is obliged to foot the entire bill in case it is presented. From that he deduces that solidarity nowadays is exactly NOT the warm human feeling that people OUGHT to be supportive with each other, but that people HAVE NO CHOICE than being supportive with each other. By

⁴¹ https://de.wikipedia.org/wiki/Solidarit%C3%A4t#R%C3%B6misches_und_heutiges_Recht

that, he points to the (rationally accessible/reasonable) fact that everything is connected with everything and all with all in the sense that “the entire humanity is sitting in one and the same boat”⁴² – and this long before the concepts of Globalization, Globality or Global Network Society made his way into people’s mind. And because this global interconnectedness (“Gemeinverstrickung”) all people everywhere will feel consequences of policy failures and have to pay dearly anyhow for their refusal to act on time (“Gemeinhaftung”) (ibid. p. 16f.).

And as the compendium points out that the Common Good needs to be thought of globally, Nell-Breuning argues likewise for Solidarity – even, and especially, in an economic order shaped by competition. The reason is that “enlightened self-interest” should realize that everybody prospers if the poor have more resource to produce and consume, which is why he thinks that Developmental Aid is no act of charity, but intelligence. He also talks about taxation: If Catholics would see the point and appreciate it, they would be prepared to pay more taxes and would push in election times that adequate and well used Developmental Aid would be an election-topic – something that politicians could not ignore (Nell-Breuning, 1983, S. 47f.)

He concedes that people may not know this and are ignorant, others may know it, but not like it, others are tempted to leave the long term gain for short term profit and therefore may act intentionally short sighted and egoistic. Be it as it is, however, all will have to suffer the consequences of this neglect because, in a sense, the facts do not care whether you are aware of them or not. (Nell-Breuning, 1983, S. 41ff)

3.4.6 Participation

What is the “common good” for all or the best for each individual human person in their diversity is best determined and defined for respective contexts if as many people as possible participate in democratic processes and deliberations, which leads to the Principle of Participation:

The characteristic implication of subsidiarity is participation[402], which is expressed essentially in a series of activities by means of which the citizen, either as an individual or in association with others, whether directly or through representation, contributes to the cultural, economic, political and social life of the civil community to which he belongs[403].

Participation is a duty to be fulfilled consciously by all, with responsibility and with a view to the common good[404]. (Pontifical Council for Justice & Peace, 2005, p. 83)

⁴² “Der Begriff ‘Solidarität’...bezeichnet eine besondere Art von Verbundenheit; ihre Eigenart besteht darin, dass alle ‚solidarisch‘ verbunden in der Weise für eine Verpflichtung einzustehen haben, dass jeder auf die ganze Leistung in Anspruch genommen werden kann, d.h. jeder hat nicht nur seinen eigenen Anteil zu erbringen, sondern auch für das Versagen der anderen einzuspringen. Der Volksmund drückt das so aus: ‚Alle sitzen in einem Boot‘ (und) bringt gut zum Ausdruck, dass es sich hier um ein Mit-einander-verbunden-Sein ...tatsächlicher Art handelt. Solidarische Verbundenheit besagt, auf Gedeih und Verderb mit einander verbunden zu sein... Man kann war dagegen aufbegehren; man kann dieser Pflicht zuwiderhandeln und versuchen, sich ihr zu entziehen; Man kann sich hier aber nicht völlig entschlagen; auch wenn man in ihr zuwiderhandelt, bleibt man in sie verstrickt... Als Ergebnis ist demnach festzustellen: Solidarität bedeutet... (1) eine Tatsache, den tatsächlichen Sachverhalt, der völlig unabhängig davon besteht, ob wir darum wissen, ob wir damit einverstanden sind, ob wir ihn wollen oder nicht, und (2) die sittlich rechtliche Forderung oder Verpflichtung, der wir ... nachkommen, der wir uns aber auch versagen und ihr zuwiderhandeln können; die Folgen dieses unseres Wohl- oder Fehlverhaltens müssen wir allerdings in den Kauf nehmen; ihnen können wir uns letztlich nicht entziehen.“ (Nell-Breuning, 1983, S. 41f.)

The Compendium emphasizes the importance of democratic structures and, at the same time, calls to attention the deficit, that democratic entitlements are empty if people cannot or do not on their own volition and ability make use of them by actively participating in the discussion of their societies. The Compendium warns that democratic institutions are misused by certain groups: ‘For example, one thinks of attempts by certain citizens to “make deals” with institutions in order to obtain more advantageous conditions for themselves, as though these institutions were at the service of their selfish needs.’ (Pontifical Council for Justice & Peace, 2005, p. 84)

This can be interpreted as some implicit criticism against lobbying, even though the word itself is not used – which might be of importance when it comes to the justification (or critique) of “preferential tax regimes”, “tax holidays” and other privileges benefitting e.g. Transnational Corporations more than others.

3.5 CST values

3.5.1 Truth, Freedom, Justice & Love

Values are both organizing principles which can be used to assess conflicting issues or choose between competing issues and at the same time moral virtues which prompt those believing in it to do more than any legal or ethical prescription asks from him as a minimum. At the same time it is an appreciated (ideal) state of affairs whose gradual implementation is aimed for.

All social values are inherent in the dignity of the human person, whose authentic development they foster. Essentially, these values are: truth, freedom, justice, love [427]. Putting them into practice is the sure and necessary way of obtaining personal perfection and a more human social existence. They constitute the indispensable point of reference for public authorities, called to carry out “substantial reforms of economic, political, cultural and technological structures and the necessary changes in institutions” [428]. Respect for the legitimate autonomy of earthly realities prompts the Church not to claim specific competence of a technical or temporal order [429], but it does not prevent her from intervening to show how, in the different choices made by men and women, these values are either affirmed or denied [430]. (Pontifical Council for Justice & Peace, 2005, p. 88)

While the value of “Truth” is – e.g. – often applied to matter of education and the value of “Freedom” is an important point of reference for evaluating the areas of political/public life and jurisdiction, the more relevant values for this research are “Justice” and “Love”.

3.5.2 Justice

It comes to a major surprise to the reader to discover, that the Compendium devotes less than one page value of Justice! Given the importance of justice in today’s world and also Christian faith this is hard to explain – and not even an attempt is undertaken in the Compendium. In a brief passage, the Compendium informs the reader about the four main dimensions of justice within the church tradition. At the same time it distinguishes church reflection from other widespread and popular concepts of justice in today’s socio-political debate:

201 According to its most classic formulation, (justice) “consists in the constant and firm will to give their due to God and neighbour”[442]. From a subjective point of view, justice is translated into behaviour that is based on the will to recognize the other as a person, while, from an objective point of view, it constitutes the decisive criteria of morality in the intersubjective and social sphere[443]. The Church's social Magisterium constantly calls for the most classical forms of justice to be respected: commutative, distributive and legal justice[444]. Ever greater importance has been given to social justice[445] ... *Social justice*, a requirement related to the *social question* which today is worldwide in scope, concerns the social, political and economic aspects and, above all, the structural dimension of problems and their respective solutions[446].

202 Justice is particularly important in the present-day context, where the individual value of the person, his dignity and his rights — despite proclaimed intentions — are seriously threatened by the widespread tendency to make exclusive use of criteria of utility and ownership. ... The full truth about man makes it possible to move beyond a contractualistic vision of justice, which is a reductionist vision, and to open up also for justice the new horizon of solidarity and love.’ (Pontifical Council for Justice & Peace, 2005, p. 90)

However, that’s basically it, and the reader is left to his own devices. Due to the importance of this concept for this research, other sources need to be consulted here to get a more comprehensive understanding

3.5.2.1 *Commutative Justice*

For the Catechism of the Catholic Church, commutative justice is the most basic form of justice, without which no other form of justice can be.⁴³ While Merriam-Webster emphasizes the “bearing on the relations between individuals esp. in respect to the equitable exchange of goods and fulfillment of contractual obligations”,⁴⁴ the US Legal Dictionary puts commutative justice for clarification into context with the other concepts of justice mentioned above:

Commutative justice refers to that which is owed between individuals, such as in conducting business transactions. Commutative justice calls for fundamental fairness in all agreements and exchanges between individuals or private social groups. It is distinguished from other forms of justice, such as contributive justice, which refers to what individuals owe to society for the Common Good; legal justice, which refers to rights and responsibilities of citizens to obey and respect the rights of all and the laws devised to protect peace and social order; and distributive justice, which refers to what society owes to its individual members, i.e., the just allocation of resources. Restitution in moral theology signifies an act of commutative justice by which exact reparation as far as possible is made for an injury that has been done to another.⁴⁵

According to Fr. John A. Hardon's *Modern Catholic Dictionary*, commutative justice refers to:

‘(t)he virtue that regulates those actions which involve the rights between one individual and another individual. For instance, if a person steals another's money, he or she violates

⁴³ Nr. 2411 of the Catechism of the Catholic Church.

⁴⁴ <http://www.merriam-webster.com/dictionary/commutative%20justice>

⁴⁵ <http://definitions.uslegal.com/c/commutative-justice/>

commutative justice. Any violation of commutative justice imposes on the guilty party the duty of restitution, that is, the duty of repairing the harm caused. In fact, strictly speaking, only violations of commutative justice give rise to this duty of restitution'⁴⁶.

It regulates the relationship between equals, e.g. insofar that work done by one person is rewarded with a “just wage” or that a product will be sold for a “just price”.

The economic well-being of a country is not measured exclusively by the quantity of goods it produces but also by taking into account the manner in which they are produced and the level of equity in the distribution of income, which should allow everyone access to what is necessary for their personal development and perfection. An equitable distribution of income is to be sought on the basis of criteria not merely of commutative justice but also of social justice that is, considering, beyond the objective value of the work rendered, the human dignity of the subjects who perform it. Authentic economic well-being is pursued also by means of suitable social policies for the redistribution of income which, taking general conditions into account, look at merit as well as at the need of each citizen. (Pontifical Council for Justice & Peace, 2005, p. 133)

Its relevance for the topic of taxation and tax justice lies in the justification of distribution of income and wealth in a given society: If inequality grows in a society, some balancing is justified due to the fundamental equality, equal rights and equal dignity of all humans. This is even more important, if any unequal distribution of income and wealth originates in “unfair” advantages of some over others or their exploitation of “unjust” structures. This is the situation, where restitution is called for.⁴⁷

In the case of redistribution of income and wealth, commutative (what individuals owe each other), contributive (what the individuals are obliged to contribute to the common good) and distributive (what the community owes to its members, independently of their ability to contribute to the community) justice come together.

3.5.2.2 *Distributive Justice*

Since neither the Catechism nor the Compendium expounds the principle of distributive justice in detail, one could assume that its importance for society has been (re-)discovered only recently. Even though the principle has been mentioned by Leo XIII and John Paul II with name, a major application of this principle can be found only in the Encyclical *Caritas in Veritate* of Pope Benedict XVI:

The market is subject to the principles of so-called *commutative justice*, which regulates the relations of giving and receiving between parties to a transaction. But the social doctrine of the Church has unceasingly highlighted the importance of *distributive justice* and *social justice* for the market economy, not only because it belongs within a broader social and political context, but also because of the wider network of relations within which it operates. In fact, if the market is governed solely by the principle of the equivalence in value of exchanged goods, it cannot produce the social cohesion that it requires in order to function well. *Without internal forms of solidarity and mutual trust, the market cannot completely fulfil its proper economic function.* (Nr. 35)

⁴⁶ Hardon, J. A. (1980). *Modern Catholic Dictionary*. Doubleday.

⁴⁷ Nr. 2411f. of the Catechism of the Catholic Church.

Pius XI argues in his Encyclical *Divini Illius Magistri* for a good school system for all on the grounds of distributive justice (e.g. Nr. 81f.), making the reader wonder once more who should pay for it, which brings back the requirement of redistribution in a society characterized by increasing inequality.

Fred Kammer, a Jesuit social ethicist, writes with a view to implement social policies advancing distributive justice and redistribution: ‘Those social policies might include progressive taxation, financial assistance to families and the poor and vulnerable, minimum wage legislation, provision of public education or health care, social insurance, and other measures designed to reduce inequalities in income or wealth—and, especially, to insure “the priority of meeting the basic needs of the poor and the importance of increasing the level of participation by all members of society in the economic life of the nation”.’⁴⁸ All this is far from easy, Kammer concedes: ‘The practice of distributive justice is a delicate balance of various competing economic, social, political, and prudential concerns’ (Kammer, 2011b). For that reason applies that ‘those in authority should practice distributive justice wisely, taking account of the needs and contribution of each, with a view to harmony and peace. They should take care that the regulations and measures they adopt are not a source of temptation by setting personal interest against that of the community’ (Catechism Nr. 2236). The latter could be interpreted as yet another warning against the lobbyism of all sorts, be it on the part of wealthy individuals or private and business groups.

For the taxation issue and for any arguments in relation to the redistribution of wealth, distributive justice is of central importance. Monsignor Edward J Ryle, writing on the taxation policy debates in the United States, considers distributive justice as ‘the virtue that should motivate, and guide public policy makers in their allocation of the benefits and burdens of living in a state. Distributive justice calls for proportionality in this allocation, i.e., those in need are to receive proportionately more of the benefits in accord with their needs, while the more affluent, e.g., are to be taxed at higher rates in accord with their greater resources’ (Ryle, S. 5).

3.5.2.3 Legal Justice

Following Fr. John Hardon's *Modern Catholic Dictionary*, legal justice is

the virtue that regulates those actions which society justly requires of the individual for the common good. According to legal justice, the State may institute just laws and perform such acts as further the welfare of the community. Thus import duties, fire and traffic regulations, anti-pollution laws, and similar provisions of the State concern legal justice.

Here it is obvious that legal justice is seen within the broader concept of social justice and its function/role for the common good as such. The important point here for our topic is that the welfare of the community as such should be the concern of the state, its legislation and its execution of laws – yet another access where also legislation and administration of taxes comes to its bearing.

⁴⁸ Quoted from (United States Conference of Catholic Bishops, 1986) Nr. 185

Clearly, more narrow views of legal justice are possible, e.g. those who are limited to the laws of the state its procedural administration, i.e. that each citizen has fair access and fair treatment within the juridical system. But this concept is not of interest for this study.

3.5.2.4 *Social Justice*

Social justice is a central issue of CST and therefore the Compendium. It states in chapter 2 that the more the rights of the poor are inflicted, the more violence and injustice gives rise to “social questions” and upheaval, the greater the church feels compelled to denounce this and remind the world that ‘a large part of the Church's social teaching is solicited and determined by important social questions, to which *social justice* is the proper answer.’ (Pontifical Council for Justice & Peace, 2005, p. 36).

The Papal, continental, national and diocesan Commissions on Justice & Peace were established exactly with this purpose in mind.

The Compendium confirms an observation of Pope XI which today is more valid than ever: “The distribution of created goods, which, as every discerning person knows, is labouring today under the gravest evils due to the huge disparity between the few exceedingly rich and the unnumbered propertyless, must be effectively called back to and brought into conformity with the norms of the Common Good, that is, social justice” (Pontifical Council for Justice & Peace, 2005, p. 74).

Social justice on that background, ‘represents a real development in general justice, the justice that regulates social relationships according to the criterion of observance of the law. Social justice, a requirement related to the social question which today is worldwide in scope, concerns the social, political and economic aspects and, above all, the structural dimension of problems and their respective solutions[446].’ (Pontifical Council for Justice & Peace, 2005, p. 90)

Footnote 446 at the end of this quotation links this text back to chapter 2 of Pope John Paul II Encyclical *Laborem exercens*: The Pope reminds his reader that CST originally was conceived to find guidelines to how to address injustices done towards workers and their families within certain nations and to find “just solutions” to mitigate their plight. Nowadays, however, the Pope argues, this scope needs to be widened dramatically, to encompass the whole world:

The disproportionate distribution of wealth and poverty and the existence of some countries and continents that are developed and of others that are not call for a levelling out and for a search for ways to ensure just development for all. This is the direction of the teaching in John XXIII's Encyclical *Mater et Magistra*, in the Pastoral Constitution *Gaudium et Spes* of the Second Vatican Council, and in Paul VI's Encyclical *Populorum Progressio*.

World inequalities are once more the yardstick for the Church's urgency, and John Paul II backs up his commitment by referring to major documents of CST in the past and establishing thus the continuity and development of the Church's doctrine on social justice.

The reader might wonder what exactly and specifically “social justice” designates and how it is defined. As in the case of the common good or the universal destination of goods it

needs to be remembered that CST provides its principles and values to be put into practice in specific situations and social questions which then are being analyzed and examined. CST itself does not do empirical research, but cooperates with those who do and is happy to be in contact and ‘friendly dialogue’ with them (Pontifical Council for Justice & Peace, 2005, p. 32ff.).

For this study, therefore, poverty, inequality and public dependency are the “social questions” at stake which needs to be analyzed in cooperation with other researcher, institutions and NGOs of a similar interest. Doing this, injustices at stake (especially unjust structures) need to be identified, more just solutions, benefitting the Common Good rather than some few people or groups, need to be developed and it is the task of this study to demonstrate, that taxation is one possible tool leading to greater social justice.

When doing this, the warning of Leo XIII towards any discussion aiming to correct inequalities nationally and internationally needs to be borne in mind: It is as relevant in the discussion about taxation today as it was in the earlier days regarding the conflicts between capital and labour:

The discussion is not easy, nor is it void of danger. It is no easy matter to define the relative rights and mutual duties of the rich and of the poor, of capital and of labor. And the danger lies in this, that crafty agitators are intent on making use of these differences of opinion to pervert men’s judgments and to stir up the people to revolt (*Rerum Novarum*, Nr. 2).

3.5.2.5 *Restorative/reparative Justice*

One further concept of justice has not been mentioned in the Compendium, but might be of relevant in the context of our research: Restorative Justice (see E/II/5.4+5). It connects to the concept of commutative justice and the idea that those, who have been disadvantaged might be entitled to restitution. The Second African Synod and Pope Benedict recommend it, for example, as an established African praxis of reconciliation, as alternative to death penalty.⁴⁹ In perspective one wonders, however, whether this concept could also be used to heal injustices and hurts done historically between rich and poor states, addressing the fact that the wealth of northern states is at least to some considerable part based on exploitation or unfair trading with poor states.⁵⁰ Likewise this concept could be used towards the wealth and fortune those heads of states, who use their term in office primarily for the fact of personal enrichment. This concept is even more important if this personal enrichment was done by piling public debts on the ruled nation.⁵¹

3.5.2.6 *Environmental or climate justice*

A very recent concept is environmental justice and its origin is in the USA,⁵² where it is linked to the idea of creation and stewardship. But also elsewhere awareness is rising due to

⁴⁹ ‘Pastoral workers have the task of studying and recommending *restorative justice* as a means and a process for promoting reconciliation, justice and peace, and the return of victims and offenders to the community.’ *Africae Munus* Nr. 83.

⁵⁰ http://en.wikipedia.org/wiki/Restorative_justice

⁵¹ Ndikomana/Boyce discuss this issue in relation to the “Odious Debts” of the DR Congo, amassed by Mobutu Sese Seko, see http://www.peri.umass.edu/fileadmin/pdf/ADP/Congo_s_Odious_Debts_01.pdf.

⁵² <http://www.usccb.org/issues-and-action/human-life-and-dignity/environment/index.cfm>

the wider knowledge of challenges of climate change and ecological degradation and its consequences for future generations and the treatment of all this in *Laudato Si*. Given *Laudato Si*'s emphasis on the social and the environmental crises not being two crises, but complementary phenomena of one comprehensive crisis it is obvious that demands arising from social and environmental justice must not be fulfilled at the expense of the other.

A related and overlapping concept is “climate justice”, which emerged in an NGO environment but whose use and interpretation is very controversial and contested.⁵³

3.5.3 Love/Charity

Every endeavour to bring more justice towards our world of injustice must be guided and directed by the value of love.

Love, often restricted to relationships of physical closeness or limited to merely subjective aspects of action on behalf of others, must be reconsidered in its authentic value as the highest and universal criterion of the whole of social ethics. ... Love presupposes and transcends justice, which “must find its fulfilment in charity”[452]. If justice is “in itself suitable for ‘arbitration’ between people concerning the reciprocal distribution of objective goods in an equitable manner, love and only love (including that kindly love that we call ‘mercy’) is capable of restoring man to himself”[453]. Human relationships cannot be governed solely by the measure of justice: “The experience of the past and of our own time demonstrates that justice alone is not enough, that it can even lead to the negation and destruction of itself ... It has been precisely historical experience that, among other things, has led to the formulation of the saying: *summum ius, summa iniuria*”[454]. ... In order that all this may take place, however, it is necessary that care be taken to show love not only in its role of prompting individual deeds but also as a force capable of inspiring new ways of approaching the problems of today's world, of profoundly renewing structures, social organizations, legal systems from within. In this perspective love takes on the characteristic style of social and political charity. ... It is undoubtedly an act of love ... by which one responds here and now to a real and impelling need of one's neighbour, but it is an equally indispensable act of love to strive to organize and structure society so that one's neighbour will not find himself in poverty, above all ... when it takes on the proportions of a true worldwide social issue. (Pontifical Council for Justice & Peace, 2005, p. 91f.)

3.6 What about a principle of sustainability?

At that stage, one critical comment needs to be done regarding the Compendium: It seems to the Tax Justice & Poverty authors that emerging need for the principle of sustainability as an important guiding principle in its own right is not clearly enough stated. The need for this principle is seen, e.g., in the degradation of the environment, the overutilization of natural resources and issues arising from demographic development – and this discussion goes back quite some time.

Given the development of insight and reflection there is, however, a justification to introduce this particular principle and there would be no shame to build on “secular” literature in this field as the Brundtland Report⁵⁴ in 1987, calling for 'development which meets the

⁵³ https://en.wikipedia.org/wiki/Climate_justice

⁵⁴ See https://en.wikipedia.org/wiki/Brundtland_Commission

needs of the present without compromising the ability of future generations to meet their own needs’ or the consensus emerging from there, being confirmed by numerous UN conferences, for example the 2012 Rio Conference, where the Outcome Document confirms the commitment of states to ‘sustainable development and to ensuring the promotion of an economically, socially and environmentally sustainable future for our planet and for present and future generations.’⁵⁵ Important is also that the principle does not merely covers the present, but, facing the limitation of resources, also the wellbeing of future generations (“intergenerationality”).

Of course, it can be argued that sustainability is part of the principle of common good which summarizes, after all, ‘the sum of all social conditions’ (see above, 5.3.2). Likewise, could be included in the principle of the Universal Destination of Goods, if “Universality” includes future generations or it can be seen as emerging from Chapter 10 (Safeguarding the Environment). But if, e.g. the principle of Universal Destination of Goods is paired with the demands arising from “Solidarity” or “Justice”, practical consequences can endanger the foundations needed for the life of future generations.

On this background, the explicit definition of a principle of sustainability makes sense because it may clash with other established CST principles and values. For example: The temptation is big that requirements of justice for the living is going against the need of taking into account problems arising from the limited availability of resources and the need of future generations to have a basis of living as well.

Clearly, the discussion, whether sustainability merits a place in its own right besides the established universal principles of solidarity, personality and subsidiarity is recent and ongoing. On the other hand: Especially in view of the ecological interdependence of the world and the unequal distributed profits and damages of e.g. climate change compels the adoption of this principle also for the discussion of social, economical and other norms worldwide (Pehlemann, 2007, p. 38ff)

For that reason it is proposed to follow all those who include “Sustainability” already into the list of guiding CST Principles and Values, e.g. Germany, Australia or New Zealand (see 3.1) or even Catholic NGOs such as the German Federation of Catholic Entrepreneurs (Bund Katholischer Unternehmer, 2012).

3.7 Other CST themes in the Compendium

Deriving from the principles and values presented in chapter 3 and 4 of the Compendium are those themes which are of specific importance for the Catholic Social Teaching and who are frequent topics of church statements. The Compendium lists the following:

- The Family (Chapter 5)
- Human Work (Chapter 6)
- The Economy (Chapter 7)
- The Political Community (Chapter 8)

⁵⁵ See <http://www.uncsd2012.org/content/documents/814UNCSD%20REPORT%20final%20revs.pdf>

- The International Community (Chapter 9)
- Safeguarding the Environment (Chapter 10)
- The Promotion of Peace (Chapter 11)

Insofar the Compendium contains criteria and guidelines helpful for the research on Tax Justice & Poverty, relevant quotations and references will be inserted and discussed later in this text.

4 The Rodrik Paradoxon revisited

In E/I/4.6 we stated already that from our research point of view we would like to resolve the Rodrik Paradoxon towards state and democracy, not markets. What does CST have to say on that? The variation of CST is the trias Economy, State and (civil) society, as for example Caritas in Veritate tried to elaborate in view of the challenges of Globalization

4.1 Abstract market forces overrule responsible market actors

Even conversation partners among the wealthy admit uneasiness regarding the way our world is developing. Their excuse, however, is often like ‘I cannot go against the markets, otherwise I am losing out’. Or ‘I would love to act differently, but alone I don’t stand a chance against market forces.’ The former is suggested both by wealthy private and corporate player who often excuse their decisions that they have to act in accordance with the “markets” whom they either have to please or whom do not leave them alternatives to act.⁵⁶ It is also seemingly supported by Pope John Paul II phrase of “structures of sin”.⁵⁷ Or Pope Francis’ statement “This economy kills”.

It is a difficult question to distinguish whether our world today is at mercy of abstract market forces, pushing around actors like billard-balls, or whether it is still a playing field of some few, powerful actors who determine the rules of the game.

Regarding the preceding remarks of John Paul II, it is correct to say that many individual decisions and behaviour “consolidate” into mass behaviour against which “dissenters” can no longer set a counterbalance. Eventually, this growing and one-sided dynamic impacts on people and impacts upon them like abstract forces. It can carry people and institutions away from its origins and eventually turn into a destructive force inspite of all good intention which set it off originally. And the more this happens or is permitted to happen, the more difficult it is to catch it and put it on a lead again. And yet is at the beginning of each of those structural dynamics the person and its individual decision and responsibility: on the basis of each decision remains the moral responsibility of the individual

⁵⁶ Hartmann in Druyen/Lauterbach/Grundmann, p. 233: Eliten argumentieren oft sie müssten wegen Sachzwängen bzw. als Getriebene der Finanzmärkte so handeln, v.a. Aktiengesellschaften und Hedgefonds. Aber: Auch Familienunternehmen spielen kräftig mit wie die Quandts bei Altana und BMW bewiesen haben

⁵⁷ ‘It is important to note therefore that a world which is divided into blocs, sustained by rigid ideologies, and in which instead of interdependence and solidarity different forms of imperialism hold sway, can only be a world subject to structures of sin. The sum total of the negative factors working against a true awareness of the universal common good, and the need to further it, gives the impression of creating, in persons and institutions, an obstacle which is difficult to overcome.’ Sollicitudo Rei Socialis Nr. 36. In this context one should also take note of the work done by sociologists such as Niklas Luhman.

because there is always an alternative. Similarly, Pope Francis is not condemning the “corporate system” as such, but practices of corporate actors. Consequently, he also commends best practice, e.g. by commending individual philanthropists or entrepreneurs for what they do good. According to CST, the human person is at the centre of human history and there is no excuse to delegate those responsibilities to “market forces”. It is rather a question of how and with whom those forces can be reined again.

4.2 Capital and markets have to serve, not to rule

The conflict between Man, Market or Money is as old as the bible: Was it the Golden Calf in the Old Testament who symbolized opposition to God and his commands, it is nowadays the dominance of utility, profit margins or the growth of the GDP which serves as yardstick for important decisions. Damage is even worse if, by remaining within the trias of Rodrik, elites of the economy and elites of the state enter into coalition or non-transparent collusion as we found for Bavaria, Kenya and Zambia. Then this entanglement can lead to the point of “state capture” by elite and lobbyists at the expense of democracy.

Before going further, however, it is important to note that, for example the market is not bad as such. But: The market is cruel, if it is left entirely free, if capital rules over labour, if competition is without regulation and amounts to the survival of the fittest. Or put it the other way round: Market and competition is good but within boundaries: Like the legal system is setting boundaries for the rule of the strongest, the market needs boundaries within which producing and trading has to be done.

The globalizing market economy did indeed decrease dramatically material poverty worldwide and this is a good thing. But in the process there were side effects on which experts might disagree: a steep rise in inequality and the exploitation and degradation of the environment being the most obvious.

CST does also not criticize money or wealth as such. It does warn, as Jesus and the prophets, of the love of money for its own sake – which again leads to the problem of largely “unproductive” concentration of wealth in the hand of very few people or to the development of a “finance industry” which no longer sees in money an instrument to create jobs, reduce poverty and advance production of goods in the “real economy”, but tries to make more money out of money – an important development which led to the crash of the World Economic and Financial Crisis in 2008/2009.

4.3 The priority of labour above capital

The conflict between capital and labour is at the beginning of the “social question” which started off CST with Leos XIII Encyclical *Rerum Novarum*. The conflict is unresolved at still a pressing and urgent one. Nell-Breuning argues that the history of this conflict evolves around three possible solutions to the conflict:

1. A capitalistic resolution, i.e. capital dominates (e.g. in capitalist societies)
2. A “labouristic” resolution, i.e. labour dominates (e.g. in socialist societies)
3. A middle way, which is advanced by CST.

The problem is that, “intuitively” capital has a privileged position in the conflict because it is automatically assumed that capital’s responsibility towards labour ends when decent wages are being paid which enable families a decent living. All earned surplus goes to capital owner for its “investment needs”. This, Nell-Breuning argues, is not conform to CST: the formation and accumulation of capital is a social project, not one of capital owner only.⁵⁸ The CST way to determine business policy is that of partnership and participation. Participation in business means sharing in the businesses success, preferably also in its assets.⁵⁹ This is admittedly a question of power both regarding a specific business, but also regarding the economic sector as such, as has been stressed by Pope Pius XII as follows. You know the view of the economic system

...wherein, generally, some provide capital while others provide labor for a joint economic activity. And in a happy phrase he described it thus: "Neither capital can do without labor, nor labor without capital." [53]. With all his energy Leo XIII sought to adjust this economic system according to the norms of right order; hence, it is evident that this system is not to be condemned in itself. And surely it is not of its own nature vicious. But it does violate right order when capital hires workers, that is, the non-owning working class, with a view to and under such terms that it directs business and even the whole economic system according to its own will and advantage, scorning the human dignity of the workers, the social character of economic activity and social justice itself, and the common good. Accordingly, ... we have in mind the good not only of those who dwell in regions given over to "capital" and industry, but of all mankind. ... (It is obvious that not only is wealth concentrated in our times but an immense power and despotic economic dictatorship is consolidated in the hands of a few, who often are not owners but only the trustees and managing directors of invested funds which they administer according to their own arbitrary will and pleasure. (QA 100f.)

Clarifying Nell-Breuning emphasizes that this and related Catholic position do not mean to “tame” capitalism and move capital owner towards more benevolence regarding ones labour force, as could be concluded from the previous and is also argued by other CST representatives. He insists that what the popes elaborated in their encyclicals indeed means that of partnership and participation in success and assets (Nell-Breuning, 1980, p. 237).

Those statements pose a number of challenges towards today global economic structures of capital ownership organized via private wealth owner, shareholder and/or anonymous Private Equity funds on the one side, and a, increasingly powerless “labour class” on the other. For example, it would back a “machine tax” since machines are getting more important for the creation of value while they replace labourer, and it has certainly implications for the taxation of digital businesses since they so far do not at all contribute adequately to the Common Good expenses.

4.4 Liberal or social market economy?

But the market ideology did not stop here. Over the past decades one can observe how market and money lead to efforts to “streamline” our entire social life to the requirements of

⁵⁸ „Kapitalbildung ist gesellschaftliche notwendig, darum ist sie nicht Aufgabe einer einzelnen gesellschaftlichen Gruppe, am allerwenigsten einer Minderheitengruppe, sondern Aufgabe aller, der Gesellschaft im ganzen.... Die Kapitalbildung denen vorbehalten, die bereits über Kapital verfügen, heißt, die heute aus „Kapital“ und „Arbeit“ bestehende Klassengesellschaft verwewigen.“ (Nell-Breuning, 1980, p. 229)

⁵⁹ “Partnerschaft“ bedeutet...eine Art von Beteiligung am Unternehmen, die mindestens Anteil am Erfolg, vorzugsweise aber auch am Vermögen einschließt, das heißt der Arbeitnehmer ist zugleich Anteilseigner.“ (Nell-Breuning, 1980, p. 234)

economical production and growth.⁶⁰ Today, almost everything on earth has a price tag to it, even those items which at one stage were considered to be sacred or beyond sale: Air, water, food, body parts, sacred burial grounds, slave trade, forced labour, sexual exploitation, real estate on the moon, the dictate of fashion and commercials devaluing our personal tastes social traditions, a two class health care, education, old age care for those with money and those without, the different social appreciation of paid work or unpaid work (or work done by men or women – never mind how heavy and draining they are)...

For (all too) many years – surfing on the success of the market to satisfy so many human desires – market ideology was the dominant school of thinking that the “Invisible Hand” of the market knows best on how to distribute and allot assets and how to create and distribute wealth. What this “victorious” paradigm did to western societies in particular and the world at large in terms of a shift in eminent values has been sufficiently examined in many places. There is agreement about the following issues which are, seen to be more critical than ever:⁶¹

- Excessive individualism
- Suspicion and resistance towards as well as depreciation of the state and its institutions
- Decreasing influence of the nation states, increasing power of transnational economical and financial institutions as well as “the markets”, advanced and speeded up by technical achievements of “globalization”
- Materialism and consumerism
- Ecological crises due to exploitation of natural resources and climate change
- Global division of labour, decrease in decently paid fulltime-jobs, increase of the working poor, decrease of the value and ‘clout’ of labour as opposed to capital, global labour migration
- Wealth without work
- Increasing inequality nationally and globally

Increasingly, market ideology, logic and ethics permeates all sectors of private and public life, values such as solidarity, community, common and/or public goods are decreasing in importance and the cohesion of national and global society gives way to more and more competition. Just one example: The more (former) public goods and services are privatized and the more people can afford to pay the prize, the more ‘leftover’ public goods and services decline in quality. Coupled with these facts, it is important to realise that some services are just better off being provided by the state than private companies, keeping the sense of community and the social contract. When the “commonwealth” of public service and public institutions disintegrates, it impacts the cohesion of the community, makes solidarity decline and the “level playing field” of equal opportunities for all to disappear, since e.g. education or health care for the poor no longer permits them to compete at eye level with those who have more or all (Sandel, 2010).

⁶⁰ E.g. by supplying the simplistic “homo oeconomicus” for developing policies or making its utilitarian thinking spread in all areas of social (also non-economical) life (see Pope John Paul II in 4.7).

⁶¹ Hengsbach, F. (2012) Die Zeit gehört uns. Frankfurt: Westend; Chapter 5 of (Collins & Wright, 2010)

The victorious train of neoliberalism revealed its shortcomings during the World Financial and Economical Crisis, when ‘the collapse of the banking sector in 2008 when the Lehman Brothers went bankrupt and others like Merrill Lynch, AIG, Freddie Mac, Fannie Mae, HBOS, Royal Bank of Scotland, Bradford & Bingley, Fortis, Hypo and Alliance and Leicester all came within a whisker of doing so and had to be rescued. It was the year the neo-liberal economic orthodoxy that ran the world for 30 years suffered a heart attack of epic proportions’⁶² – not that it made much of a and that politics acted determinedly to change that...

4.5 Correcting excesses and failures of markets

Because of all that, even in Anglo-Saxon, neoliberal contexts, one finds balanced or even state preferring views. In 1986 already, U.S. Catholic Bishops said in their pastoral letter on the economy: “Some degree of inequality not only is acceptable, but also may be considered desirable for economic and social reasons, such as the need for incentives and the provision of greater rewards for greater risks”. But in the same letter, they also found the “disparities of income and wealth in the United States to be unacceptable”. Here, the bishops seem to go a middle way between John Rawls requirements of formal institutional justice and state redistribution via taxation when they write:

The concentration of privilege that exists today results far more from institutional relationships that distribute power and wealth inequitably than from differences in talent or lack of desire to work. These institutional patterns must be examined and revised if we are to meet the demands of basic justice. For example, a system of taxation based on assessment according to ability to pay⁽³²⁾ is a prime necessity for the fulfillment of these social obligations. (p.18)

For equity and (re-)distribution of income, therefore, the taxation system is important.

Fr. Duncan criticized market reforms, including tax reductions to private wealth holder and its replacement by indirect taxes. In a consultation with Pope John Paul II about economic matters in Rome to prepare for the centenary of the *Rerum Novarum*, Kenneth Arrow ‘was in no doubt that competitive markets’ would ‘distribute goods very inequitably’. He also pointed to the fact that ‘the tendency to reduce taxes on the wealthy in many developed countries’ (thus more regressive) with the hope of improved economic benefits in the previous decades had ‘shown no obvious gains in efficiency while poverty has increased.’ The ‘relaxation of moral standards and an over-vivid exaltation of the markets and of the value of greed in the last decade have led to new abuses.’ He argued that the market could not be the final arbiter. ‘Actions of individuals must be governed by moral considerations of consequences and by legal controls’. Another participant in the consultation Jacques Dreze saw the role of the Catholic Church, and especially the Vatican, as ‘to remind us relentlessly of the special attention paid by Jesus Christ... to the poorest, the least privileged, the most excluded’. He looked to the Church to rouse the moral commitment of people to tackle poverty and hunger (Duncan, 2003, p. 15). → Sadly, not much of that shows in CA, where the word “tax” or “levies” do not occur...

⁶² Matheson, N. (2008, December 28) Three weeks that changed the world. *The Guardian*. Retrieved from <http://www.theguardian.com/business/2008/dec/28/markets-credit-crunch-banking-2008>

4.5.1 Limits to Private Property

In the present form of (neoliberal) capitalism, private property ranks high and assumes some absolute and untouchable status to which other goods are subordinated. This is rooted in the Anglo-Saxon understanding of Private Property, which rests on labour and performance-based acquisition and, from there, transforms into absolute entitlement and control (see, e.g. John Locke). Thomas Aquinas was always cautious not to link private property to the natural order, but always related and subordinated it to the common good.⁶³

A very balanced view is put forward by Pius XI in *Quadragesimo Anno*. First he sets out that private property is not absolute. Then, that the state must not (arbitrarily) tax away property. But next he explains slyly that the state may bring private property into harmony with the needs of the Common Good so that a balance of needs and interests in the end benefits all (without, however, saying via what way this could be done):

Moreover, Leo XIII wisely taught "that God has left the limits of private possessions to be fixed by the industry of men and institutions of peoples." [32] That history proves ownership, like other elements of social life, to be not absolutely unchanging, We once declared as follows: "What divers forms has property had, from that primitive form among rude and savage peoples, which may be observed in some places even in our time, to the form of possession in the patriarchal age; and so further to the various forms under tyranny (We are using the word tyranny in its classical sense); and then through the feudal and monarchical forms down to the various types which are to be found in more recent times." [33] That the State is not permitted to discharge its duty arbitrarily is, however, clear. The natural right itself both of owning goods privately and of passing them on by inheritance ought always to remain intact and inviolate, since this indeed is a right that the State cannot take away: "For man is older than the State," [34] and also "domestic living together is prior both in thought and in fact to uniting into a polity." [35] Wherefore the wise Pontiff declared that it is grossly unjust for a State to exhaust private wealth through the weight of imposts and taxes. "For since the right of possessing goods privately has been conferred not by man's law, but by nature, public authority cannot abolish it, but can only control its exercise and bring it into conformity with the common weal." [36] Yet when the State brings private ownership into harmony with the needs of the common good, it does not commit a hostile act against private owners but rather does them a friendly service; for it thereby effectively prevents the private possession of goods, which the Author of nature in His most wise providence ordained for the support of human life, from causing intolerable evils and thus rushing to its own destruction; it does not destroy private possessions, but safeguards them; and it does not weaken private property rights, but strengthens them. (QA 49)

Accordingly, Pope John Paul II started in *Laborem Exercens*, saying "Christian tradition has never upheld this right as absolute and untouchable. On the contrary, it has always understood this right within the broader context of the right common to all to use the goods of the whole of creation: The right to private property is subordinated to the right to common use, to the fact that goods are meant for everyone". (Chap.14). One notes, of course, that John Paul talks of subordination, no longer harmony.

⁶³ <https://de.wikipedia.org/wiki/Eigentumstheorien>

Accordingly: Even today, there is nothing wrong with private property as such. God provided the goods of this earth to all, but the question is how to make best use of it for most or even all, since the goods need to be worked upon etc. before they are able to be distributed and consumed. Here and so far, no better way of organizing this process could be found as the institution of private property and market based economy, which is reflected in the CST saying “*usus commuis, administratio et dispensatio particularis*” (Nell-Breuning, 1980, p. 196ff.). This is not optimal, but nothing better is known yet. The system is justifiable as long as it serves people best and as long as the ownership of property is an ownership in things (Sachen) only, but not an ownership/control over people. This is a delicate, but important border. If ownership shifts to include/control people, intervention even into legal ownership up to the point of expropriation is justifiable (see Pope Paul VI, PP Nr. 24 and Oswald of Nell-Breuning (1980, p. 202).

Equally it is expressed by the Catholic and former Federal Constitutional Judge Böckenförde:⁶⁴

“Woran krankt also der Kapitalismus? Er krankt nicht allein an seinen Auswüchsen, nicht an der Gier und dem Egoismus von Menschen, die in ihm agieren. Er krankt an seinem Ausgangspunkt, seiner zweckrationalen Leitidee und deren systembildender Kraft. Deshalb kann die Krankheit auch nicht durch Heilmittel am Rand beseitigt werden, sondern nur durch die Umkehrung des Ausgangspunktes. An die Stelle eines ausgreifenden Besitzindividualismus, der das als natürliches Recht proklamierte potentiell unbegrenzte Erwerbsinteresse der Einzelnen, das keiner inhaltlichen Orientierung unterliegt, zum Ausgangspunkt und strukturierenden Prinzip nimmt, müssen ein Ordnungsrahmen und eine Handlungsstrategie treten, die davon ausgehen, dass die Güter der Erde, das heißt Natur und Umwelt, Bodenschätze, Wasser und Rohstoffe, nicht denjenigen gehören, die sie sich zuerst aneignen und ausnützen, sondern zunächst allen Menschen gewidmet sind, zur Befriedigung ihrer Lebensbedürfnisse und der Erlangung von Wohlfahrt. Das ist eine grundlegend andere Leitidee; sie hat die Solidarität der Menschen in ihrem Miteinander (und auch Gegeneinander) zum tragenden Bezugspunkt. Die grundlegenden Setzungen, aus denen sich die ökonomischen, aber auch außerökonomischen Handlungsabläufe konstituieren, sind von daher abzuleiten...

Nimmt man dies zum Ausgangspunkt, wirkt sich das in vielfacher Weise aus: auf die Zuordnung der Bodenschätze und natürlichen Rohstoffe, auf den Umgang mit den Bedarfsgütern und der Umwelt, auf eine führende Rolle jedweder Arbeit gegenüber dem Kapital wie auch auf Grenzen der Akkumulation von Eigentum, auf die Anerkennung der Mitmenschen – auch der künftigen Generationen – als Subjekte und Partner im Bereich von Nutzung, Handel und Erwerb statt Objekte möglicher Ausbeutung. Dadurch wird ein verbindlicher Rahmen vorgegeben. Innerhalb dieses Rahmens können und sollen durchaus Erwerbssinn und Eigennutz, die Garantie von Eigentum, ihren pragmatischen Sinn und ihre Funktion als Antriebskräfte des wirtschaftlichen Prozesses haben. Aber sie bleiben eingebunden in das vorausliegende Konzept der Solidarität, das inhaltliche Orientierung gibt und unbegrenzter Ausdehnung Grenzen setzt.“

4.5.2 “Social and ecological mortgage”

Related to this is the very catholic approach to market failures is addressing the issue of social and ecological mortgage upon income and wealth (Fisch A. , 2016a). “Rent Seeking”, “Shareholder Value” and other forms of profit seeking tend to neglect social, labour

⁶⁴ Böckenförde, E.W. (2009, April 23) Woran der Kapitalismus krankt. Retrieved 7 March 2015 from Retrieved from <https://rauskucker.wordpress.com/2009/07/06/woran-der-kapitalismus-krankt/>

or environmental standards when investing or “doing business”. The concept of “Social mortgage” is widely known since John Paul II coined the expression in *Sollicitudo Rei Socialis*:

Private property, in fact, is under a "social mortgage,"⁷⁹ which means that it has an intrinsically social function, based upon and justified precisely by the principle of the universal destination of goods. Likewise, in this concern for the poor, one must not overlook that special form of poverty which consists in being deprived of fundamental human rights, in particular the right to religious freedom and also the right to freedom of economic initiative. (Nr. 42)

Basically, the term covers today not only the unjust treatment of labourer, but also the cost-free provisions of society, e.g. security and infrastructure.

The term “Ecological mortgage” is more recent or even only emerging since Pope Francis Encyclical *Laudato Si*, since it was him who bound the social and ecological together as two sides of one complex crisis. Here it would refer to the non-(adequate)pricing of externalities such as water, air and soil.

As a rule of thumb: The higher wealth gains, the higher the obligations and compensations required towards the social and ecological mortgage. Whether this mortgage shall be paid via taxation or other instruments and/or regulation remains wide open to debate.

4.5.3 (Free) market, (Excessive) competition and state regulation

Markets are good, but it needs to be balanced.⁶⁵ Linked to this is the question of international competition: The Compendium warns that international competition may restrict the states ability to regulate important developments (Nr. 370, 420).

The most outspoken critic of excessive competition and free markets was, possibly, Pius XI, calling explicitly for market regulation by “public authorities”. He wrote in *Quadragesimo Anno*:

109. Free competition has destroyed itself; economic dictatorship has supplanted the free market; unbridled ambition for power has likewise succeeded greed for gain; all economic life has become tragically hard, inexorable, and cruel. To these are to be added the grave evils that have resulted from an intermingling and shameful confusion of the functions and duties of public authority with those of the economic sphere - such as, one of the worst, the virtual degradation of the majesty of the State, which although it ought to sit on high like a queen and supreme arbitress, free from all partiality and intent upon the one common good and justice, is become a slave, surrendered and delivered to the passions and greed of men.

110 Free competition, kept within definite and due limits, and still more economic dictatorship, must be effectively brought under public authority in these matters which pertain to the latter's function. The public institutions themselves, of peoples, moreover, ought to

⁶⁵ „Der freie Markt kann der Gesamtheit nur dann Vorteile bringen, wenn von Seiten des Staates eine Organisation besteht“, die Regeln und Rahmenbedingungen setzt, die aber „auch direkt eingreift, wenn es dem Markt nicht gelingt, in puncto Effizienz die gewünschten Resultate zu erbringen und wenn es gilt, das Prinzip der Umverteilung in die Tat umzusetzen“, wozu der Markt mit seinen Mitteln nicht in der Lage ist. „In diesem Fall ist es umso wichtiger, dass Staat und Markt einander ergänzen.“ (Kompendium Nr. 353).

make all human society conform to the needs of the common good; that is, to the norm of social justice.

4.5.4 Concentration of power in the hands of few

Free markets favour the right of the strongest which is, then, some kind of social Darwinism and leads to the concentration of power in the hands of few rather than securing the participation of equal player on a level playing field as market theory would hope for. Those critical points are most clearly summarized by Pius XI in QA as follows:

105. In the first place, it is obvious that not only is wealth concentrated in our times but an immense power and despotic economic dictatorship is consolidated in the hands of a few, who often are not owners but only the trustees and managing directors of invested funds which they administer according to their own arbitrary will and pleasure.

106. This dictatorship is being most forcibly exercised by those who, since they hold the money and completely control it, control credit also and rule the lending of money. Hence they regulate the flow, so to speak, of the life-blood whereby the entire economic system lives, and have so firmly in their grasp the soul, as it were, of economic life that no one can breathe against their will.

107. This concentration of power and might, the characteristic mark, as it were, of contemporary economic life, is the fruit that the unlimited freedom of struggle among competitors has of its own nature produced, and which lets only the strongest survive; and this is often the same as saying, those who fight the most violently, those who give least heed to their conscience.

4.5.5 Market distortion by lobbyism, corruption and “entanglement”

From the previous follows a related area even though this is not explicitly mentioned which, for example, topical treatment of “lobbyism” or “corruption” never beholds the big picture.⁶⁶ Defender of “free, but self-regulating” market forces insist that any interference of “incompetent” politicians and bureaucracies endanger the wealth creating and distributing function of “the markets”. Here the Tax Justice research provides ample proof that those “free” markets never exist, but that they are distorted by powerful lobby-groups, corruption and personal entanglement between economic/financial elites on the one side, and political/administrative on the other side. Whether it is by lobbygroups that certain text blocks enter legislation and permit mass fraud like the “Cum Ex” trade or whether it is corruption buying tax exemptions for one business rather than the other or whether it is personal friendship which saves an entrepreneur from paying 30 million Euro taxes: These are principle distortions of free markets which are done by those in power simply for the fact that they are able to do it. Against that, strong and transparent institutions are the only adequate answer.

4.6 Guarding goods beyond mere material accumulation

To the increasing number of examples for “market failures” one needs to add that markets only consider goods which are priced – which, however, often are not those who matter most to people. People suffer increasingly under the way things are running in today’s

⁶⁶ “Lobbyism” has no entry in the CST Compendium, “corruption” is only seen in its importance to the life of the state and the political system, see e.g. Nr. 192 or 411.

society. If one asks them about “What would be different, if the economy were organized to serve people, not people serve the economy?”, answers are given such as

- I would have more time to spend with people who matter to me
- I would feel less fear for my children
- Environmental concerns would rank higher
- I would spend less time on earning money and more time on playing with children or productive work for the community

Answers like this illustrate the widespread appreciation of values beyond economic reasoning and the calculation of market transactions (Collins & Wright, 2010, p. 23) and that there is a deep longing in people to “put things right” again. The question is: How to do it?

Obviously, even before the World Economic and Financial Crisis, neoliberalism and his emphasis on the individual, its liberties, preferences and choices has been countered by other philosophical approaches. One important approach is, especially in the United States, Communitarianism with authors such as John Rawls, Alasdair MacIntyre, Michael Sandel, Charles Taylor, Michael Walzer and others. It recognises the rights of the individuals and their dignity while emphasising their civic responsibilities and duties towards others. But also the Catholic Church offers analysis, guidance and alternatives.

Here, the state has to protect those goods, and spaces where they can live by, for example, prohibiting that Sundays are no longer being used as day of rest, but as a day of labour and consumerism as all other days. This is as important as financial payments, investment and redistribution. For example John XXIII

Toward a Balanced Internal Economy. Among citizens of the same political community there is often a marked degree of economic and social inequality. The main reason for this is the fact that they are living and working in different areas, some of which are more economically developed than others. Where this situation obtains, justice and equity demand that public authority try to eliminate or reduce such imbalances. It should ensure that the less developed areas receive such essential public services as their circumstances require, in order to bring the standard of living in these areas into line with the national average. Furthermore, a suitable economic and social policy must be devised which will take into account the supply of labor, the drift of population, wages, taxes, credit, and the investing of money, especially in expanding industries. In short, it should be a policy designed to promote useful employment, enterprising initiative, and the exploitation of local resources. Mater et Magistra 150

The economic well-being of a country is not measured exclusively by the quantity of goods it produces but also by taking into account the manner in which they are produced and the level of equity in the distribution of income. (Pontifical Council for Justice & Peace, 2005, p. 133)

The idea that the market alone can be entrusted with the task of supplying every category of goods cannot be shared, because such an idea is based on a reductionist vision of the person and society.[730] Faced with the concrete “risk of an ‘idolatry’ of the market”, the Church's social doctrine underlines its limits, which are easily seen in its proven inability to satisfy important human needs, which require goods that “by their nature are not and cannot be mere commodities”,[731] goods that cannot be bought and sold according to the rule of the

“exchange of equivalents” and the logic of contracts, which are typical of the market. (Nr. 349) (Pontifical Council for Justice & Peace, 2005)

4.7 Excursus: Sample Papal Statements

For quite some time church institutions and officials recognized that one reason behind existing miseries is a conflict not just on ideologies, but fully fledged value systems with their respective ethical guidance for deliberations and decisions. Pars pro toto, three quotes from the last three popes on that issue follow:

Pope John Paul II in 2001: He perceived globalization, as it is developing under the influence of market ideology, as increasingly threatening towards the cultural achievements of humanity:

One of the Church's concerns about globalization is that it has quickly become a cultural phenomenon. *The market as an exchange mechanism has become the medium of a new culture.* ... We are seeing the emergence of patterns of ethical thinking which are by-products of globalization itself and which bear the stamp of utilitarianism. But ethical values cannot be dictated by technological innovations, engineering or efficiency; ... *Ethics cannot be the justification or legitimation of a system, but rather the safeguard of all that is human in any system.* Ethics demands that systems be attuned to the needs of man, and not that man be sacrificed for the sake of the system.⁶⁷

Pope Benedict XVI puts it as follows

Economic activity cannot solve all social problems through the simple application of commercial logic. This needs to be directed towards the pursuit of the common good, for which the political community in particular must also take responsibility. Therefore, it must be borne in mind that grave imbalances are produced when economic action, conceived merely as an engine for wealth creation, is detached from political action, conceived as a means for pursuing justice through redistribution (Caritas in Veritate Nr.36).

Pope Francis took up this train of thought shortly after he was appointed Pope in an address to five newly accredited ambassadors to the Vatican, two of which represented countries who are accused of being Tax Havens:

The worship of the golden calf of old (cf. *Ex* 32:15-34) has found a new and heartless image in the cult of money and the dictatorship of an economy which is faceless and lacking any truly humane goal. The worldwide financial and economic crisis seems to highlight their distortions and above all the gravely deficient human perspective, which reduces man to one of his needs alone, namely, consumption. Worse yet, human beings themselves are nowadays considered as consumer goods which can be used and thrown away. We have begun a throw away culture. ... Concealed behind this attitude is a rejection of ethics, a rejection of God. Ethics, like solidarity, is a nuisance! It is regarded as counterproductive: as something too human, because it relativizes money and power; as a threat, because it rejects manipulation and subjection of people: because ethics leads to God, who is situated outside the categories of the market. ...

⁶⁷ John Paul II (2001) Address of the Holy Father to the Pontifical Academy of Social Sciences Friday, 27 April 2001. Internetressource < http://www.vatican.va/holy_father/john_paul_ii/speeches/2001/documents/hf_jp-ii_spe_20010427_pc-social-sciences_en.html >

Ethics – naturally, not the ethics of ideology – makes it possible, in my view, to create a balanced social order that is more humane. In this sense, I encourage the financial experts and the political leaders of your countries to consider the words of Saint John Chrysostom: “Not to share one’s goods with the poor is to rob them and to deprive them of life. It is not our goods that we possess, but theirs” (*Homily on Lazarus*, 1:6 – PG 48, 992D). Dear Ambassadors, there is a need for financial reform along ethical lines that would produce in its turn an economic reform to benefit everyone. This would nevertheless require a courageous change of attitude on the part of political leaders. I urge them to face this challenge with determination and farsightedness, taking account, naturally, of their particular situations. Money has to serve, not to rule!⁶⁸

Not surprisingly: Pope Francis stuck to his views. He incorporated parts of that which he told those ambassadors into his Apostolic Exhortation *Evanglii Gaudium* (see Nrs. 55+57) which was published on 24 November 2013.

4.8 Excursus on Pope Francis: Marxist, Pauperist or rooted in CST?

The longer pope Francis is pope and the more he speaks about inequality, globalization and poverty, the more accusation are levelled against him which so far have not been levelled against previous popes. Tornielli/Galeazzi look into this phenomenon and open their book with the Preface titled “Is the Pope a Marxist? Francis, the Economy that “kills” and the Catholic Amnesia” and argue that there is little noteworthy about Pope Francis positions if one knows concepts of Christianity and Marxism in General and Catholic Social Teaching in particular: Also the previous popes were strong on certain issues, e.g. the priority of labour over capital and financial imperialism (e.g. Pius XI in his Quadragesimo anno Nr. 109), the relative position of private property as opposed to the common good (John Paul II in *Laborem Exercens*), outsourcing of labour, and capital flight (Benedict XVI in *Caritas in Veritate*).

Tornielli/Galeazzi point out that due to the long pontificate of John Paul II and the dominant struggle of his time, when the final battle between US Capitalism and Soviet State Socialism was raging, the impression could consolidate that Catholicism and the US form of free market capitalism and enterprise are allies and partners. This, however, would be a grave misconception and ignore the long strand of Catholic Social Teaching.

Pope Francis is certainly special insofar that he comes from a country which experienced an extreme form of neoliberal capitalism and suffered various crises of poverty and unemployment. Here Bergoglio as archbishop of Buenos Aires was engaged in the debate and called out ‘We are tired of systems that generate poor people for the church then to look after.’⁶⁹ Pope Francis’ situation is also special that for the first time ideas can be spread and noted via electronic media including the Social Web with a speed unknown to earlier generations. This makes it easier to pick, choose and spread certain ideas on the expense of others or a more differentiated context – both in a positive and negative manner. The fact that Francis acquired a popularity which makes him a dangerous proponent of good catholic world

⁶⁸ Speech held 2013, June 16. Retrieved from <http://www.news.va/en/news/pope-financial-reform-along-ethical-lines>

⁶⁹ Chapter 2 if (Tornielli & Galeazzi, 2015)

views is certainly also behind the nervousness certain circles of society display when they feel obliged to attack Pope Francis as Marxist or Pauperist. Pope Francis takes it cool. In the interview he gave to Tornielli/Galeazzi in chapter 15 he says:

The sentence of *Evangelii Gaudium* that most struck a chord was the one about an economy that “kills.” And yet, in the exhortation I did not say anything that is not already in the teachings of the social doctrine of the church. Also, I didn’t speak from a technical point of view. I simply tried to present a picture of what happens. The only specific reference was to the so-called “trickle-down” economic theories, according to which every economic growth, encouraged by a free market, will inevitably bring about greater equity and global inclusiveness. The promise was that when the glass was full, it would have flowed over and the poor would have benefited from it. Instead, what happens is that when the glass is full it mysteriously gets larger, and so nothing ever comes out of it for the poor. This was the only reference to a specific theory. I repeat, I do not speak as an economical expert, but according to the social doctrine of the church. And this does not mean that I am a Marxist. Perhaps whoever has made this comment does not know the social doctrine of the church and, apparently, does not even know Marxism all that well either.

4.9 Conclusion: Changing times and the need for more state

The largest and most critical question in this context is the question regarding the importance and role of the state in relation to markets and the economy. Starting point is once more the so far best, most current and most comprehensive treatment of the issue of taxes and other mandatory charges within a CST context.⁷⁰ This book, written within an Anglo-Saxon framework, is very market friendly and very state skeptical, the most important weakness of the state being identified as its incapability to regulate and confine itself. The emphasis is on individual freedom, moral autonomy, choice and capabilities, whereas the state represents coercion, perhaps even the danger of getting and holding people in dependence via an overwhelming Social Assistance state.⁷¹ Accordingly the book favours a very lean state with very limited tasks and limited capacities of redistribution, rather advocating subsidiary structures both nationally and internationally: Also internationally, for example, the authors hold that the approach to development is pretty much top-down, while it should be here, as elsewhere, to be bottom-up so that there is ownership and sustainability.⁷² The authors are fair enough to see that there are also principles from CST which ‘sit less easily with the liberal model. For instance, the social obligations of property ownership are mentioned from 1891 onwards, yet remain undefined and vague’ (O’Brien, 2007, p. 243). Accordingly: ‘An understanding of taxation must be set in the context of the principle of private property and that of the universal destination of goods’ (Booth, 2007d, p. 111), even though one wonders where the “principle of private property” originates in CST.

⁷⁰ (Booth, 2007a), and there especially Booth, 2007d and (O’Brien, 2007, p. 243)

⁷¹ (O’Brien, 2007, p. 233). Particular criticism towards the Welfare State, which creates and furthers dependency instead of self-organized Charity (Sirico, 2007). However, the German CST tradition always distinguishes between a “Wohlfahrtsstaat” and “Versorgungsstaat” (Große-Kracht, 2016)

⁷² For example *Gaudium et Spes* 87f.: Solidarity with poor countries is seen to be protection by richer countries. This is a top-down approach of Solidarity whereas the original concept, also the one with the Popes, is a bottom-up approach with the family as starting point, followed by voluntary associations (O’Brien, *Subsidiarity and Solidarity*, 2007, p. 245)

However: Time moves on, and this book has been written and published before the 2007 World Financial and Economic Crisis struck. The 2007 crisis and its aftermath as well as Offshore Leaks, Swiss Leaks and Luxemburg Leaks exposes many regulatory deficits of today's markets vis a vis governments (see also I/IV/5+6). Fundamental assumptions of the so-far dominating market economy are no longer working adequately (Trickle Down Economics) or produce collateral damage which outweighs its admittedly existing successes (e.g. ecological damage following the reduction of poverty in China).

A rather innocent starting point in the eyes of the Tax Justice & Poverty team is Pope John Paul II and his foundational reflections about market and state in his encyclical *Centesimus Annus*. In 1991, and on the background of the just collapsed Marxist in Eastern Europe, John Paul is asking for the right form of capitalism:

First of all it is definitely true that he saw the market inside clear boundaries as “the most efficient instrument for utilizing resources and effectively responding to needs” (CA, 34). But this positive attitude towards the market relies on important conditions. It first of all must not overlook the fact that there are goods like the natural and human environments which “cannot be safeguarded simply by market forces” (CA, 40). Dismissing this condition carries “the risk of an ‘idolatry’ of the market, an idolatry which ignores the existence of goods which by their nature are not and cannot be mere commodities”. When asking for the right form of capitalism,

(t)he answer is obviously complex. If by "capitalism" is meant an economic system which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector, then the answer is certainly in the affirmative, even though it would perhaps be more appropriate to speak of a "business economy", "market economy" or simply "free economy". But if by "capitalism" is meant a system in which freedom in the economic sector is not circumscribed within a strong juridical framework which places it at the service of human freedom in its totality, and which sees it as a particular aspect of that freedom, the core of which is ethical and religious, then the reply is certainly negative. CA 42

This then is what John Paul II sharply criticizes as a “radical capitalistic ideology” (CA, 42) that does not consider the realities of marginalization and exploitation in our world and “blindly entrusts their solution to the free development of market forces”. This magical trust in the market contributes especially to the pauperization of the people in the global south. Looking at the way capitalism and the “free market economy” has evolved one has most certainly many reasons for reassessment, especially regarding the negative characteristics given by John Paul II.

A more critical view, for example is therefore emerging with the writings of Benedict XVI. It was Alexander Rüstow, one of the fathers of social market economy, who emphasized that the frame of the market is much more important than the market itself because it is the precondition for its proper functioning. The market relies culturally on a “network of relationships of trust “ as it was justly highlighted by Pope Benedict XVI in his encyclical *Caritas in veritate*:

If the market is governed solely by the principle of the equivalence in value of exchanged goods, it cannot produce the social cohesion that it requires in order to function well. *Without internal forms of solidarity and mutual trust, the market cannot completely fulfil its proper economic function.* And today it is this trust which has ceased to exist, and the loss of trust is a grave loss. (CIV, 35).

This is even more clearly with Pope Francis. Not surprising, he has to defend himself against the accusation of being a Marxist – which he denies while emphasizing that he is advocating gospel values which precede Marxism by centuries.⁷³

Even though, there are areas where one would readily agree with the authors assembled in Booth 2007a. For example, when it comes to the priority of individuals and small groups in addressing and resolving local problems in accordance with the principle of subsidiarity. But here, too, the question is whether the state is not obliged to provide some professional support to single mothers and families to assist them in their own efforts to escape poverty. Here, however, discussion is only about degrees and not in principle.

More grave are deficits which states nowadays encounter as opposed markets on the national and international level: The very argument brought against the state, namely that the state is incapable of regulating itself, is now visible for global markets: they, too, are not capable to regulate themselves, partly also, because they are no longer properly working but distorted by increasingly powerful private, corporate and criminal actor. This is even more visible in regard of global development: This research finds that indeed developing countries are in no need of ODA and external assistance since their countries generate more than adequate funds which could be used for developmental purposes. The problem is that those states lack efficient governance structures to capture and collect those monies which in consequence leave their countries as IFFs. And here, too, the principle of subsidiarity, which is often quoted by the authors of Booth 2007a in support for lean governance structures, is challenged: It also says that superior structures need to come in if inferior structures are not capable to deal with an obviously damaging situation. This is most certainly the case when looking at aggressive tax avoidance (e.g. transfer pricing) or outright IFFs. In other words: For some areas this requires the end of tax competition between states and increasing tax cooperation, in some areas it calls for an end of regionalization and nationalization but rather the transfer of state sovereignty upon a higher level of governance.

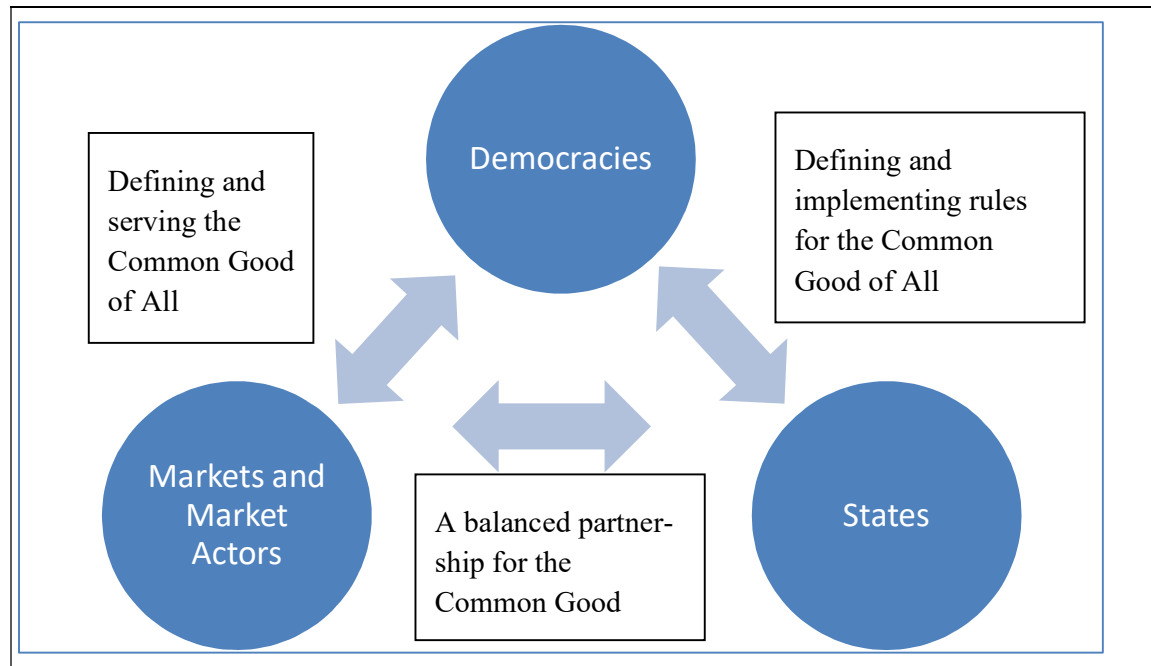
Here, most certainly, the authors of this research disagree in principle with the authors assembled in Booth 2007a.

Concluding and last not least we have to be mindful, that church leader, Pope Francis included, admit that the institution of market and private property is essential for the creation of wealth and its distribution in economy and society.⁷⁴ At the same time, and given the unavoidable inequalities arising within a market based system the question is legitimate: How can a distribution of goods be improved and a minimum standard be secured?

⁷³ This discussion is best captured and summarized in (Tornielli & Galeazzi, 2015)

⁷⁴ As to the support by Pope Francis see *Evangelii Gaudium* (e.g. Nr. 57) and *Laudato Si* (Nr. 93f.).

Even if state and democracy are preferred to “the markets”, the latter need to be given a strong role in society since the downfall of communism proved that central planning is no alternative.



If this is the case, of course, the state needs revenue to fulfill its service towards the Common Good of all. Accordingly and within this larger picture, taxation and tax revenue based redistribution is one of those ways, while the extent of taxation and redistribution is open to discussion. Following, some criteria are given, applying to the formulation of tax instruments and tax policy, which are largely uncontested in principle and, at best, contested in the range of implications and applications.

5 Applying CST to specific issues

If looking at the list of principles and values, it is apparent that some principles outline extreme positions within which specific assessments and evaluations of unjust situations have to take place. For example:

- Requirements of Personalism/the Rights of Persons are in tension with the Common Good/Universal Destination of Goods
- Solidarity with Subsidiarity
- Justice with Sustainability
- Love (of everybody) with the Preferential Option for the Poor⁷⁵

⁷⁵ See also Mayerhofer, Th. (2009) Integrative Wirtschaftsethik und Katholische Soziallehre. Ein zukunftsweisender Dialog? Dissertation, pp.183ff. Internetresource retrieved from <http://www.opus-bayern.de/uni-passau/volltexte/2009/1283/>

But exactly in trying to balance certain realities about human nature and trying to prevent extreme positions shows the trans-cultural wisdom contained in CST. And: Truth, freedom and participation being left as values and principles of CST, those three delineate the (public) space within which such a balance between individuals and groups should be negotiated. More specifically:

While, e.g., exaggerated individualism is one problem of western culture, an overemphasis on community is an obstacle to development in the African context. Structures of solidarity may lead to the overemphasis of a caring Welfare State which, in wanting to do good, stifles the need for own initiative and effort, which is why Solidarity needs to be balanced with the principle of Subsidiarity and (one may add) why the principle of Participation is very important to engage as many citizens as possible in the endeavour to develop the common good. The command of God to Love ALL our neighbours is unambiguous in the Bible, but at the same time there is the need to devote extra care to the poor and vulnerable and to be aware that resources are never enough to take adequate need of all people everywhere, so that spending priorities are unavoidable.

Some thoughts follow on important issues arising in the context of the Tax Justice & Poverty research, as far as they are not addressed in E/I or E/V.

5.1 Rights of the existentially needy

As might be remembered from E/III/2.1, Natural Law provides a strand of justification for those finding themselves in existential distress (without any responsibility for their being poor) to take care of themselves due to the Right to Self Defence.⁷⁶ In that case, they may do whatever is needed to cover their existential-material needs, even if this requires breaking some laws and especially if the wealth of others has been gained illicitly or even illegally.

The idea, that the poor have rights to satisfy their existential needs and that those rights supersedes the right of private property, has also links to Catholic Social Teaching. Regarding a foundational review of the exaggerated importance of the right to private property has been given above (4.5.1) with Böckenförde, a famous incident is the that of the Cardinal of Cologne defending poor people stealing coal during winter or the theft of food in the case of hunger.⁷⁷ The acceptance of this in national law is different: While in Italy, the Supreme Court condoned theft of food, it is still under penalty in Germany.⁷⁸ And yet one should bear in mind the defensibility of this act and, starting from there, wonder, whether other deeds such as migration or more violent acts could also be subsumed under this right of self-defence. This could one incentive for pro-active initiatives to diminish poverty and inequality, be it based on own initiative or “urged” by state imposed obligations.

Beyond those grave thoughts, the rights of the needy could also be implemented via higher mandatory taxes and levies, providing either for higher cash handouts, including some

⁷⁶ “Notwehr”, nicht “Selbstverteidigung”! (Nass, 2016)

⁷⁷ “Fringsen”

⁷⁸ http://www.focus.de/finanzen/recht/richter-gibt-lizenz-zum-stehlen-italiener-duerfen-jetzt-lebensmittel-klaeuen_id_5502864.html

sort of Basic Income or via the provision of support and services (education, health care...) by the state or subsidiary institutions.

5.2 Obligations for the wealthy

Given the view that market economy, resting on the pillars of individual entrepreneurship and private property, is so far and as such the best known way yet to allocate goods and create income and wealth for as many people as possible there is, there is consequently no reason to be against differences in income and wealth as such and in principle (Nell-Breuning, 1980, p. 195ff.).

CST starts with the undeniable fact that within nations some social groups and in the national community of states, some earn and possess more than they need for a decent living. There is also an allowance for niceties and embellishments, e.g. culture and leisure. At the same time a limit to earnings and possession is seen in the unsatisfied needs of the poor, both domestically and abroad. Here the classic position of CST was that “affluence” (Überfluss) needs to be donated to the poor, and it was emphasized that the obligation does not say that *some part of affluence* should be donated, but *affluent income and possession as such*. Here, modern CST changed its view and stated that this position was valid under static ways of economic production. Adjustments need to be developed to contemporary ways of dynamic economic production which produces far more goods than needed for immediate consumption. Here Nell-Breuning points to Pius XI's statement in Quadragesimo Anno, saying

51. Expending larger incomes so that opportunity for gainful work may be abundant, provided, however, that this work is applied to producing really useful goods, ought to be considered, as We deduce from the principles of the Angelic Doctor,[37] an outstanding exemplification of the virtue of munificence and one particularly suited to the needs of the times.

On this background, Pope Pius XII warning sounds very up to date:

How much capital is lost through waste and luxury, through selfish and dull enjoyment, or accumulates and lies dormant without being turned to profit! There will always be egoists and self-seekers; there will always be misers and those who are short-sightedly timid. Their number could be considerably reduced if one could interest those who have money in using their funds wisely and profitably, be they great or small. It is largely due to this lack of interest that money lies dormant. You can remedy this to a great extent by making ordinary depositors collaborators, either as bond or share-holders, in undertakings whose launching and thriving would be of great benefit to the community, such as industrial activities, agricultural production, public works, or the construction of houses for workers, educational or cultural institutions, welfare or social service.⁷⁹

Nell-Breuning agrees and concludes that the adequate use of income also justifies proceeds arising from “unearned income” if, and only if, they are adequately used:

Rechte (zweckhafte, sinnvolle) Verwendung ist letztlich auch die grundsätzliche finale Rechtfertigung des arbeitslosen Einkommens. Aber auch überhöhtes und als solches anstößiges Leistungseinkommen lässt sich durch rechte Verwendung sozusagen im

⁷⁹ For this paragraph and the quotation of Pius XII talk on “The Function of Banking see (Percy, 2007)

Nachhinein noch rechtfertigen; wird es von seinem Empfänger der rechten Verwendung zugeführt, dann ist das Unglück nicht groß, dass es ihr, statt unmittelbar auf geradem Weg, erst auf diesem Umweg zugeflossen ist. (Nell-Breuning, 1980, p. 219)

5.3 Obligations of wealthy states towards developing countries

Several questions pertaining the treatment of taxing wealth holder in a certain country have implications towards the relationship between countries: What, for example, if taxation with the intent to collect more funds for assisting developed countries prompts a business to relocate in a developing country, itself profiting from cheaper labour costs, while that country profits from newly created jobs? Within a global context this is commendable since by that probably more poverty is removed in the developing country than is created in the developed country by the closure. The outcome would benefit the developing country twice (first, because of higher revenue, second, because of relocation) while damaging the developed country (if, of course, social and ecological standards are being observed).

All in all: how to determine the proper balance between the obligation to assist and the backlash of potential ruinous policies for ones own country?

A solution to balance policy intentions with positive and negative collateral effects could be the Principle of Double Effects (See E/II/7.3) and/or the “Principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances,”⁸⁰ which could be applied as some variation of the Principle of the Ability to Pay. The latter is defined as follows

Common but differentiated responsibilities (CBDR), principle of international environmental law establishing that all states are responsible for addressing global environmental destruction yet not equally responsible. The principle balances, on the one hand, the need for all states to take responsibility for global environmental problems and, on the other hand, the need to recognize the wide differences in levels of economic development between states. These differences in turn are linked to the states’ contributions to, as well as their abilities to address, these problems. CBDR was formalized in [international law](#) at the 1992 [United Nations Conference on Environment and Development](#) (UNCED) in Rio de Janeiro.⁸¹

Besides environmental issues this principle could also mediate between the Common Good/Universal Destination of all goods/Solidarity on the one side and Subsidiarity on the other in related areas of interconnectedness, e.g. between arms producing countries on the one side and refugees on the others. Admittedly it is mostly not intended by arms manufacturer that weapons come into wrong and irresponsible hands. But the fact that German weapons do appear in the Syrian war highlights a German co-responsibility for that which is going on in Syria and, as refugee movement, reaches German borders. Similar arguments could be found for the root causes of sicknesses or terror. The higher contribution of developed countries could be made acceptable by pointing out that also developed countries profit from those

⁸⁰ Nr 59 of the Addis Ababa Action Agenda.

⁸¹ Eppstein, Ch. at Enyclopedia Britannica. Retrieved from <http://www.britannica.com/topic/common-but-differentiated-responsibilities>

expenses, e.g. that climate change is mitigated, refugees stay at home, sicknesses are contained before spreading via modern means of transport.

5.4 Justice is more than philanthropy

The more is known about the behaviour of private, corporate and criminal wealth holder, the more is obvious that those create more damage than they alleviate with their private philanthropy or CSR, i.e. that they profit more for themselves than they give away (e.g. that they first exploit poor countries or cheat with taxes and only redeem themselves subsequently by donating), and/or that that, what they give away, is in no relationship to that which would be raised by taxation (see GW/II/15).

And because these structural problems cannot be resolved by alms and charity alone, we need to address the social and political dimensions of the problem of poverty.

In her teaching the Church constantly returns to this relationship between charity and justice: “When we attend to the needs of those in want, we give them what is theirs, not ours. More than performing works of mercy, we are paying a debt of justice”[392]. The Council Fathers strongly recommended that this duty be fulfilled correctly, remembering that “what is already due in justice is not to be offered as a gift of charity”[393]. (Pontifical Council for Justice & Peace, 2005, p. 80)

And Pope Francis clarifies:

Working for a just distribution of the fruits of the earth and human labor is not mere philanthropy. It is a moral obligation. For Christians, the responsibility is even greater: it is a commandment. It is about giving to the poor and to peoples what is theirs by right. The universal destination of goods is not a figure of speech found in the Church’s social teaching. It is a reality prior to private property. Property, especially when it affects natural resources, must always serve the needs of peoples. And those needs are not restricted to consumption. It is not enough to let a few drops fall whenever the poor shake a cup which never runs over by itself. Welfare programs geared to certain emergencies can only be considered temporary responses. They will never be able to replace true inclusion, an inclusion which provides worthy, free, creative [and] participatory... work.⁸²

5.5 Limits to unacceptable wealth concentration, expropriation

CST seems gradually awake to the fact that “voluntary and moral obligations” resonate not much with private, corporate and criminal wealth holder, another reason why “mandatory obligations” such as taxes grow in importance.

Related to this is the question, whether there is an unacceptable limit to income and wealth concentration. Unacceptable limits in current discussions seem to be

- If the rule that the increasing wellbeing of those at the top at the same time improves the situation of those at the bottom no longer applies (see E/III/2.2.3).

⁸² Francis (2015, July 10) Speech at the World Meeting of Popular Movements. Retrieved from http://en.radiovaticana.va/news/2015/07/10/pope_francis_speech_at_world_meeting_of_popular_movements/1157291

- If inequality is no longer an inspiration for better performance, but that those left behind lost hope of catching up (see E/III/2.2.6)
- If wealth concentration results in undesirable side-effects, e.g. state capture (see E/I/3.8).
- If the system as such creates (as much or more) harm as it creates good, e.g. destroying ecological capital while trying to maintain “growth” under the explicit goal to share growth gains “more inclusive”, which, in theory and prima facie, would satisfy demands of social justice.

Accordingly, Paul VI warned in *Populorum Progressio* forms of “land grabbing”, “land banking” and speculation arising from it:

24. If certain landed estates impede the general prosperity because they are extensive, unused or poorly used, or because they bring hardship to peoples or are detrimental to the interests of the country, the common good sometimes demands their expropriation. Vatican II affirms this emphatically.⁸³ At the same time it clearly teaches that income thus derived is not for man's capricious use, and that the exclusive pursuit of personal gain is prohibited.

An Anglo-Saxon/American view is given by the US Bishops in their letter on the Economy:

185. Catholic social teaching does not require absolute equality in the distribution of income and wealth. Some degree of inequality is not only acceptable, but may be considered desirable for economic and social reasons, such as the need for incentives and the provision of greater rewards for greater risks. However, unequal distribution should be evaluated in terms of several moral principles we have enunciated: the priority of meeting the basic needs of the poor and the importance of increasing the level of participation by all members of society in the economic life of the nation. These norms establish a strong presumption against extreme inequality of income and wealth as long as there are poor, hungry, and homeless people in our midst. They also suggest that extreme inequalities are detrimental to the development of social solidarity and community. In view of these norms we find the disparities of income and wealth in the United States to be unacceptable. Justice requires that all members of our s political, and social reforms that will decrease these inequities. (United States Conference of Catholic Bishops, 1986, p. 42)

The most eminent representative of German Catholic Social Teaching, Nell-Breuning, agrees that wealth as such is not the problem, but the use of wealth. To him, it is unacceptable that wealth gives to some an “edge” when it comes to the determination of the common good of all, i.e. if the possession of wealth turns into power over others. This, he argues, is normally not the consequence of market laws, but preceding-preparing political decisions.⁸⁴ If this is true, and evidence also of this research indicates that this may be the case, political decisions can also be used to restore the balance. Here Nell-Breuning is quite radical: If wealth is used to control and dominate people rather than providing them space for freedom and capacity for wellbeing, confiscatory measures are justified since in this case the ownership of property is

⁸³ Original FN (24) *Church in the World of Today*, no. 71: AAS 58 (1966), 1093 [cf. TPS XI, 308].

⁸⁴ ‘Innerhalb ein und derselben (Volks-)Wirtschaft ist zwar gewiss nicht die einzige, aber doch wohl die gewichtigste Ursache des Matchungleichgewichts die ungleiche Verteilung des Besitzes, die ihrerseits ihren Ursprung wohl seltener in der ökonomischen Entwicklung als in politischen Ereignissen der Vergangenheit hat.’ (Nell-Breuning, 1980, p. 173f.)

turning into the ownership of human beings. Confiscation of legally owned property is here justified due to its social component and in the interest of the common good.

Beschränkungen oder andere Eingriffe in rechtmäßig erworbenes Eigentum bis zu dessen Entzug („Enteignung“) aus Gründen des Gemeinwohls ... sind nicht als „Eingriffe“ zu werden, das heißt, sie verletzen das Eigentumsrecht nicht, fließen vielmehr unmittelbar aus...der seiner Individualfunktion vollkommen gleichwertigen Sozialfunktion des Eigentums. ... (Es ist)...Tatsache, daß eine äußerst ungleiche Verteilung des gegenständlichen Eigentums, namentlich an Produktionsmitteln, näherhin dessen Zusammenballung in der Hand einiger weniger...bei gleichzeitiger Entblößung der vielen...in weiten Bereichen zu dem Ergebnis geführt hat, das Eigentum, das Herrschaft über Sachen sein soll, zu einem Herrschaftsinstrument über Menschen zu verfälschen. Soweit das zutrifft, ist der rechte Sinn des Eigentums, nämlich den...Menschen Freiheitsräume zu erschließen, ins genaue Gegenteil verkehrt (Nell-Breuning, 1980, p. 201f.)

If wealth concentration indeed is such that it is no longer about the possession of things, but the rule of people, then he would agree that, for example, a confiscatory taxation is not only legitimate, but mandated. At the same time, Nell-Breuning is realistic enough that merely decisions may, in such a situation of power-disbalance may no longer be adequate to bring correction. One has also to think about instruments to counter the power of the wealthy in order to implement corrective decisions, among which taxation can play a role.⁸⁵

5.6 The best level of governance

The Compendium argues when discussing subsidiarity that entities of superior order should only intervene in exceptional situations, but, at the same time, they should provide support to lower level entities so that they are capable to fulfil their tasks. Once more the question is that of when exactly such a situation is given. For example, if it secures the human rights of many (e.g. the principle of “Responsibility to Protect” or the “Principle of common, but differentiated responsibility”). And, if such interference is concerned, it follows the question whether the international community has a right or obligation to assist with the establishment of global authorities or other governance structures. Given the urgency for more international cooperation in order to effectively implement and enforce a number of desirable aspects of relevance for this research, the question is how this could be implemented.

5.6.1 Global

The globalization of effects arising from the mobility of finance, economic processes, migration and climate change, individual states are no longer able to handle problems arising from there. Given the emerging unity of destiny of the human family a number of tasks have to be addressed jointly, which is why the Principles of Solidarity and Subsidiarity call for a global coordinating and political authority. At the same time this call does not only comprise an authority in charge of preserving peace and cooperation, but also an authority which

⁸⁵ ‘Wie es aber Macht erfordert, um das Geschoss auf die Flugbahn zu bringen... so genügt auch nicht der von uns gefasste Entschluss, bestimmte Wirtschaftsgesetze in der Richtung auf ein von uns angestrebtes Ziel ins Spiel zu bringen, sondern bedarf es der Macht, um einen solchen Entschluss in die Tat umzusetzen... Das kann Macht in sehr verschiedener Gestalt sein, Macht in Gestalt von Eigentum an Produktionsmitteln..., oder von Kaufkraft, mit der man Nachfrage ausüben ... kann, um den Anbieter in die Knie zu zwingen, oder Organisationsmacht, mittels derer man Arbeitskämpfe durchführen kann, oder in Gestalt von Waffengewalt...‘ (Nell-Breuning, 1980, p. 175)

secures economical development and progress, i.e. which makes sure that markets aim for the increase of the Common Good of All.

For this reason, another name for peace is *development*.¹⁰⁵ Just as there is a collective responsibility for avoiding war, so too there is a collective responsibility for promoting development. Just as within individual societies it is possible and right to organize a solid economy which will direct the functioning of the market to the common good, so too there is a similar need for adequate interventions on the international level. CA 52

This is what John XXIII did in 1961 already in his encyclical letter *Pacem in terris* when calling for a global political and juridical authority. John XXIII and Paul VI were clearly in favour of expanding the UN institutions to that extent, including its equipment with means to enforce their authority. First the relevant passages from *Pacem in Terris*:

135. We are thus driven to the conclusion that the shape and structure of political life in the modern world, and the influence exercised by public authority in all the nations of the world are unequal to the task of promoting the common good of all peoples.

136. Now, if one considers carefully the inner significance of the common good on the one hand, and the nature and function of public authority on the other, one cannot fail to see that there is an intrinsic connection between them. Public authority, as the means of promoting the common good in civil society, is a postulate of the moral order. But the moral order likewise requires that this authority be effective in attaining its end. Hence the civil institutions in which such authority resides, becomes operative and promotes its ends, are endowed with a certain kind of structure and efficacy: a structure and efficacy which make such institutions capable of realizing the common good by ways and means adequate to the changing historical conditions.

137. Today the universal common good presents us with problems which are world-wide in their dimensions; problems, therefore, which cannot be solved except by a public authority with power, organization and means co-extensive with these problems, and with a world-wide sphere of activity. Consequently the moral order itself demands the establishment of some such general form of public authority.

138. But this general authority equipped with world-wide power and adequate means for achieving the universal common good cannot be imposed by force. It must be set up with the consent of all nations. If its work is to be effective, it must operate with fairness, absolute impartiality, and with dedication to the common good of all peoples. The forcible imposition by the more powerful nations of a universal authority of this kind would inevitably arouse fears of its being used as an instrument to serve the interests of the few or to take the side of a single nation, and thus the influence and effectiveness of its activity would be undermined. For even though nations may differ widely in material progress and military strength, they are very sensitive as regards their juridical equality and the excellence of their own way of life. They are right, therefore, in their reluctance to submit to an authority imposed by force, established without their co-operation, or not accepted of their own accord.

....

144. We are, of course, aware that some of the points in the (Universal) declaration (of Human Rights) did not meet with unqualified approval in some quarters; and there was justification for this. Nevertheless, We think the document should be considered a step in the right

direction, an approach toward the establishment of a juridical and political ordering of the world community. It is a solemn recognition of the personal dignity of every human being; an assertion of everyone's right to be free to seek out the truth, to follow moral principles, discharge the duties imposed by justice, and lead a fully human life. It also recognized other rights connected with these.

145. It is therefore Our earnest wish that the United Nations Organization may be able progressively to adapt its structure and methods of operation to the magnitude and nobility of its tasks. May the day be not long delayed when every human being can find in this organization an effective safeguard of his personal rights; those rights, that is, which derive directly from his dignity as a human person, and which are therefore universal, inviolable and inalienable. This is all the more desirable in that men today are taking an ever more active part in the public life of their own nations, and in doing so they are showing an increased interest in the affairs of all peoples. They are becoming more and more conscious of being living members of the universal family of mankind.

Pope Paul VI added in *Populorum Progressio* more clearly than John, that this global institution also needs means to enforce a just and fair global order:

78. Such international collaboration among the nations of the world certainly calls for institutions that will promote, coordinate and direct it, until a new juridical order is firmly established and fully ratified. We give willing and wholehearted support to those public organizations that have already joined in promoting the development of nations, and We ardently hope that they will enjoy ever growing authority. As We told the United Nations General Assembly in New York: "Your vocation is to bring not just some peoples but all peoples together as brothers. . . Who can fail to see the need and importance of thus gradually coming to the establishment of a world authority capable of taking effective action on the juridical and political planes?" (66)

Finally, Benedict XVI, in the wake of the 2007 World Financial and Economic Crisis, argued in *Caritas in Veritate* for a comprehensive world authority at UN level, equipped with adequate enforcement capacities to implement a governance structure living up to global interdependence in the financial and economical area:

67. In the face of the unrelenting growth of global interdependence, there is a strongly felt need, even in the midst of a global recession, for a reform of the *United Nations Organization*, and likewise of *economic institutions and international finance*, so that the concept of the family of nations can acquire real teeth. One also senses the urgent need to find innovative ways of implementing the principle of the *responsibility to protect*^[146] and of giving poorer nations an effective voice in shared decision-making. This seems necessary in order to arrive at a political, juridical and economic order which can increase and give direction to international cooperation for the development of all peoples in solidarity. To manage the global economy; to revive economies hit by the crisis; to avoid any deterioration of the present crisis and the greater imbalances that would result; to bring about integral and timely disarmament, food security and peace; to guarantee the protection of the environment and to regulate migration: for all this, there is urgent need of a true world political authority, as my predecessor Blessed John XXIII indicated some years ago. Such an authority would need to be regulated by law, to observe consistently the principles of subsidiarity and solidarity, to seek to establish the common good^[147], and to make a commitment to securing authentic integral human development inspired by the values of charity in truth. Furthermore, such an authority would need to be universally recognized and to be vested with the effective power to ensure

security for all, regard for justice, and respect for rights^[148]. Obviously it would have to have the authority to ensure compliance with its decisions from all parties, and also with the coordinated measures adopted in various international forums. Without this, despite the great progress accomplished in various sectors, international law would risk being conditioned by the balance of power among the strongest nations. The integral development of peoples and international cooperation require the establishment of a greater degree of international ordering, marked by subsidiarity, for the management of globalization^[149]. They also require the construction of a social order that at last conforms to the moral order, to the interconnection between moral and social spheres, and to the link between politics and the economic and civil spheres, as envisaged by the Charter of the United Nations.

Similarly, in the aftermath of the 2007 Global Financial and Economical Crisis, the Pontifical Council for Justice and Peace revived this idea on 24 October 2011 with its Note "Reform of the international financial system with a view toward a general public Authority" and spelled it out in view of an urgently needed reform of the "International Financial and Monetary Systems in a way that Responds to the Needs of all Peoples."⁸⁶ It speaks first positively about the UN System and the requirement of "already functioning multilateralism". It then calls for a more effective coordination and supervision, and continues with discussing the suggestion of some sort of a central world bank with regulatory powers:

Specific attention should be paid to the reform of the international monetary system and, in particular, the commitment to create some form of global monetary management, something that is already implicit in the Statutes of the International Monetary Fund. It is obvious that to some extent this is equivalent to putting the existing exchange systems up for discussion in order to find effective means of coordination and supervision. This process must also involve the emerging and developing countries in defining the stages for a gradual adaptation of the existing instruments.

In fact, one can see an emerging requirement for a body that will carry out the functions of a kind of "central world bank" that regulates the flow and system of monetary exchanges, as do the national central banks. The underlying logic of peace, coordination and common vision which led to the Bretton Woods Agreements needs to be dusted off in order to provide adequate answers to the current questions. On the regional level, this process could begin by strengthening the existing institutions, such as the European Central Bank. However, this would require not only a reflection on the economic and financial level, but also and first of all on the political level, so as to create the set of public institutions that will guarantee the unity and consistency of the common decisions.

These measures ought to be conceived of as some of the first steps towards a public Authority with universal jurisdiction; as a first stage in a longer effort by the global community to steer its institutions towards achieving the common good. Other stages will have to follow in which the dynamics familiar to us may become more marked, but they may also be accompanied by changes which it would be useless to try to predict today.

5.6.2 Regional (EU, AU)

Right now EU due to developments in the Anglo-Saxon World and China (Alt, 2018c)

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http://www.vatican.va/roman_curia/pontifical_councils/justpeace/documents/rc_pc_justpeace_doc_20111024_nota_en.html

Regional cooperative (carbon) partnerships, e.g. regarding Climate Change (WBGU, 2011), see (Alt, 2018f)

6 CST: also a “third way” to organize (global) society?

6.1 “Solidarism” and “Corporatism”

While it was and is widely accepted that CST provides some “third way” for organizing the economy between capitalist and socialist norms and criteria (see 1.1), it is hardly known that CST provided at some time an even more comprehensive vision for organizing human society as such, the economic order included, thus yet a more comprehensive vision of relationship between the individual and public (state) governance structures.⁸⁷ The reason behind was that in the eyes of its proponents social policies do not suffice to bridge the “class chasm” between labour and capital, but that a more comprehensive social reform is needed to advance the Common Good of all, not building on individual rights and entitlements, but on the requirement of solidarity between human persons, preceding any forms of state organization (Mörhing-Hesse, 2016).

6.1.1 History and theoretical background

The idea behind this vision is “Solidarism” as first developed by Heinrich Pesch, who in turn was inspired by a French variation suggested by thinker such as Leon Bourgeois. He (as did Nell-Breuning, see above 3.4.5.2) started from analysing the de-facto interdependencies of human beings but, different from the French, did not end in some contractual theory, but linked it to a scholastic natural law foundation (Große Kracht, 2007). Practically he and his followers tried to replace “class struggle” by “corporate cooperation”: they suggested to “incorporate” diverging interests in binding them together in professional groups,⁸⁸ in a joint professional endeavour to advance on a sub-state, social level, the Common Good of All, establishing a middle ground between free markets and over-regulating states likewise, thus being an “embodiment” and expression of the principle of subsidiarity. The organization according to professional groups suggested itself on grounds of a “moral necessity”, because human beings were in need to take on and exercise a profession in order to nourish themselves and their families (Mazurek, 1980, S. 94). The entire concept was most authoritatively presented in Pius XI's Encyclical Quadragesima Anno, Nrs. 79ff. and is therefore also known under the name “Corporatism”.

Corporatism thus refers to a specific relationship between a political community on the one side, and organized (mostly) along economic lines, interest groups within this community to whom the political community assigns certain privileged roles within the public and social life.⁸⁹ Thus, this order has legal, political and economical implications. Given pre-, anti- and

⁸⁷ (Mazurek, 1980) (Nell-Breuning, Katholische Soziallehre “ständestaatlich”?, 1980) (Emunds, 2010)

⁸⁸ The problem is to find a proper labeling of these groups: While Pius XI talked in QA 81f. of “Industries and Professions” (in German “berufsständisch”), which lead to a misinterpretation towards a “Ständestaat”. John XXIII talked in MM 65 of “intermediary and corporate bodies” (in German “Leistungsgemeinschaftliche Gebilde”).

⁸⁹ Korporatismus ist “ein bestimmtes Verhältnis zwischen einer politisch verfassten Gemeinschaft und in ihr bestehenden, zumeist nach ihrer wirtschaftlichen Tätigkeit definierten organisierten (,Interessen‘)

post liberal variations, there are many theories and practical applications of this concept – and given its most prominent implication, namely the “Ständestaat” of the pre-fascist Austria, is burdened with a bad reputation.⁹⁰

Still, Solidarism and corporatism received some international attention and even positive feedback when *Quadragesimo Anno* was published (Frambach & Eissrich, 2015, S. 92ff.). Most prominently it was actively promoted e.g. by Nell-Breuning and his contemporaries. Especially in his booklet “*Baugesetze der Gesellschaft*” he tried to rescue the concept by pointing out that Solidarity is the Basic Law of modern society and developed for illustrative purposes the concepts “*Gemeinverstrickung*” (mutual interconnectedness) and, because of that, “*Gemeinhaftung*” (mutual liability) or, more simple, he explained the consequences from the everyday image of “We are all sitting in the same boat” (Nell-Breuning, 1968, S. 16f.). To him, Solidarism is the perfect middle between the two extremist world views in the 20th century, namely individualism and collectivism.

Ideally, and in the discussions after the end of World War II, Nell-Breuning fought for a variation aiming for a free, post-liberal, socially balanced economic order (Hagedorn, 2018, S. 41ff.), and to some extent he succeeded de-facto since some corporatist elements are indeed incorporated in the German post-war order:⁹¹ Professional segments of society organize themselves, the social partnership aims to secure that labourer are not inferior to employer when determining the course of enterprises on the local, regional or central level. Social partners are autonomous in their social bargaining, discussions are normally very democratic, decision procedures secure that capital owner do not steamroll labourer and weaker participants. The professions are listed as those covering the elementary needs (Food, housing, clothing) and the higher cultural needs (health, education, arts, media) and, of course, industrial production (Nell-Breuning, 1980, S. 129f.). Those professional corporations are legally on a level compared to municipalities (“corporations of public law”). They are autonomous in their own area when determining their contribution to the Common Good of all, implying minimal standards in employment and payment, sanctions against free-rider, the quality of products, strategies against competitors, consumer relations etc. The states task is the co-ordination of all professional groups for the sake of the Common Good of All and provide for the general legal and policy framework securing their otherwise autonomous activities (Emunds, 2010, pp. 7-9).

Naturally, within such a system of stakeholder/shared ownership, where labourer and employer determine jointly the course of the business, standards, investment and the distribution of profits etc., taxation and mandatory social security contribution, of course,

Gruppen, das diesen eine privilegierte Rolle im staatlichen und gesellschaftlichen Leben zuweist. Streek, zitiert in (Hagedorn, 2018, S. 45)

⁹⁰ “Bezüglich katholisch-korporatistischer Theoriebildung und Normativität ist folgender ‘Kurzschluss’ weitverbreitet: katholischer Korporatismus *gleich* berufsständische Ordnung, *gleich* ständestaatliche Ordnung, *gleich* anachronistischer Feudalstaat mittelalterlichen Gepräges oder faschistischer Korporativstaat.“ Its reputation is so bad, that it even impacted on the reading and interpretation of that which is written in *Quadragesimo Anno*, even though one of its author, Nell-Breuning, always defended the encyclical against misinterpretation. (Hagedorn, 2018, S. 25+39)

⁹¹ See (Hagedorn, 2018) This is different from Austria, whose social and economic system was more influenced by socialist thinking, even though the outcome resembles the German one (Mail from Jonas Hagedorn, 21 January 2019).

have a very different role as it has under the present neoliberal/capitalist/free or social market economical, order.

Eventually, however, Nell-Breuning noted that this concept is not “catchy” enough to compete with the established concept of Social Market Economy (ibid. 44f.). Therefore: When history took its course and the discussion focussed more than ever on the concept of Social Market Economy. And yet: As late as 1983 he emphasized that to his mind, Solidarism is “absolutely right” and would constitute the best possible social order, mediating between the human person and the common good, because it no longer defines economic possession to be the determinant in economy and society (Nell-Breuning, 1983, S. 92).

If thought through in all consequences, a solidarist or corporatist state would not need a system of social solidarity and security, since this would have been taken care of by the very structure of society, due to the “Gemeinverstrickung” and “Gemeinhaftung”, by implementing mutual care by applying the principles of solidarity and subsidiarity. The mutual obligation to support each other was based on the foundation of solidarity between human workers which Nell-Breuning equalled with solidarity between members of a given society: He was hoping that, eventually, each member of society lives from income from work, while reducing the importance of income from capital and wealth. The very moment, however, when one argues that this or that group (senior citizens, worker, refugees) need “more” solidarity, the premises of the entire system are broken since those are then already extracted from the solidarity of all. And here a problem arises: Even though this kind of interconnectedness is nowadays more obvious than ever, the realization of solidarity is linked to a certain group of people and a certain space – and those people living in this space define who belongs to them and who not (Mörhing-Hesse, 2016, S. 76ff.)

6.1.2 Current relevance?

Also today experts knowledgeable about this concept do not really give those ideas a future.⁹² But why is this so? After all, the “de-facto interdependencies” (Pesch) or “mutual interconnectedness” (Nell-Breuning) is even more obvious without society drawing adequate lessons from it. And: Some elements of this strand of thought are still useful and/or present, for example the proposal to enable labourer to obtain wealth and property, also in the businesses where they are employed (see E/V/4.3)

⁹² So, for example, Hermann Josef Große Kracht in a mail of 30 April 2018 to the author „Ob man ... im Blick auf konkrete wirtschafts- und sozialpolitische Gestaltungsaufgaben – noch in die Schule des Solidarismus eintreten kann: ich glaube, wie Sie, eher nicht. All die Ideen der letzten Jahrzehnte, von beruflichen Leistungsgemeinschaften bis hin zu einem starken Korporatismus von Arbeitgeberverbänden und Gewerkschaften, sind heute wohl nicht mehr anwendbar, fürchte ich. Außerdem leidet die kath. Tradition unter ihrer übertriebenen Angst vor ‚Staatsomnipotenz‘. Da hätte sie viel stärker in die Schule der etatistischen Sozialdemokratie gehen müssen, ohne deshalb gleich zu staatsmonopolistischen Lösungen kommen zu müssen.

Wie auch immer: für die konkreten Problemlagen, die Sie nennen, ist vom alten Solidarismus wohl nicht viel zu holen. Aber für den Kampf um die kulturelle Hegemonie und die notwendige Umstellung der zentralen Leitideen moderner Gesellschaften von ‚individueller Freiheit und Eigenverantwortung‘ zu ‚sozialer Solidarität und Gemeinwohlorientierung‘ sind Erinnerungen an den Solidarismus m.E. wichtig und unverzichtbar; und wenn hier was voranginge, wäre schon viel gewonnen....

An updated version could be envisioned when recurring to the original link of Solidarism with contractual theory (Große Kracht, 2007) since Contractual Thinking is re-emerging in high places (WBGU, 2011).

Or: Möhring-Hesse reflects on the ethical foundation of the “Sozialstaat” and argues, that a “solidaristic” foundation could be feasible, based on two argumentative-ethical concepts: democratic solidarism, or solidarity between self-interested market-participants:

- Democratic Solidarity is based on the de-facto interconnectedness of citizens, united by the destiny of their common political community. Here, citizens (“citoyens”) are entitled to participation and owe each other respect. This concept is weakened for two reasons. First, there is enormous resistance towards any attempt to widen systems of social assistance beyond the nation state (see, e.g. resistance regarding the introduction of a social dimension into the EU or Eurozone), and second, since there is a decrease in solidarity to be observed nowadays.
- Self-interested market actors (“bourgeois”) are interconnected by the interaction in markets: Each market participant needs to be enabled and able to participate in the market and this entitlement is simultaneously linked to the enabling burden to be paid by those who have much – both in terms of finance and in reducing their power by collecting revenue. De-facto, however, a system like that would not be very different from the present, liberally inspired model (Möhring-Hesse, 2016, S. 82f.).

Either way, the question remains, of course, who will force those in power into this contract since they consider themselves to be at the top of the world already and try to defend their claims.

Finally: even more thought is required when considering that the element of paid labour is diminishing over the coming years. So far, social identity and the very existence of systems of social assistance are built upon mandatory social security contributions – here, digitalization will reduce human labour drastically, calling for a separation between the “value” of human labour and a fair (equal?) distribution of financial contributions of existing systems of solidarity.

6.2 Pope Francis

Somebody else wrestling with a comprehensive aggiornamento and approach to the concept of a “Third Way” under the conditions of Globalization is Pope Francis in his *Evangelii Gaudium* and *Laudato Si*. At the same time, there is no recognizable root in Solidarism and Corporatism. Rather, the Pope takes the world as it is and comments on it by referring to principles of CST and their relevance.

In *Evangelii Gaudium* he proposes a contemporary “grid of tension”, circumscribing areas of conflict and how to resolve them.⁹³ Here Francis, by phrasing them, indicates already the direction where resolution can preferentially be found:

- Time is greater than space
- Unity prevails over conflict
- Realities are more important than ideas
- The whole is greater than the parts

Those grids can complement those traditionally contained already within CST (Alt, 2018), namely the ones between

- human personality and dignity and the Common Good and
- Subsidiarity and Solidarity

Indeed, those grids provide a good coordinate system for evaluating a number of important issues:

- The first grid assists resolving the tension between desirable short term with reasonable long term expectations and gains, applicable, for example to resolve exploitation for the benefit of a short term hike of shares or the long term benefit of all, or the defence of wealth of one region with borders and military against others as opposed to peaceful development and trade relations of all.
- The second emphasizes that conflict is necessary and helpful by ventilating new ideas and bringing about progress, but should not be the end of things.
- Realities are more important than ideas is a key in the discussion of present Megacrisis and neoliberalism being the cause, not solution, of them
- Last not least the well known tension between the absolute value of the human person and the necessity of a community for unfolding it,
- Finally the tension between solidarity and subsidiarity: if the tension is resolved too strongly towards solidarity and state action it stifles creativity and responsibility of the lower level, if subsidiarity is too strongly emphasized it amounts to regionalism with disregard to the greater whole to whom its wealth may be attributable.⁹⁴

Those principles, the pope argues, “can guide the development of life in society and the building of a people where differences are harmonized within a shared pursuit. I do so out

⁹³ Chapter III Common Good and peace in Society (EG Nrs. 217ff.), see also (Gillen, 2018).

⁹⁴ „Solidarität bedeutet... (1) eine Tatsache, den tatsächlichen Sachverhalt, der völlig unabhängig davon besteht, ob wir darum wissen, ob wir damit einverstanden sind, ob wir ihn wollen oder nicht, und (2) die sittliche rechtliche Forderung oder Verpflichtung, der wir ... nachkommen, der wir uns aber auch versagen und ihr zuwiderhandeln können; die Folgen dieses unseres Wohl- oder Fehlverhaltens müssen wir allerdings in den Kauf nehmen; ihnen können wir uns letztlich nicht entziehen.“ (Nell-Breuning, 1983, S. 41) Entsprechend gilt: "Ohne Subsidiarität kann die Solidarität leicht zum Wohlfahrtsstaat entarten, während die Subsidiarität ohne Solidarität Gefahr läuft, Formen eines egoistischen Regionalismus zu fördern." (Kompendium der Soziallehre der Kirche Nr. 351).

of the conviction that their application can be a genuine path to peace within each nation and in the entire world.” (EG 221)

The principles of *Laudato Si* are, when looking at them (CIDSE, 2017) not too different from those listed above in 3:

- Human dignity and quality of life
- Interconnectedness and integral ecology
- Common Good and Universal Destination of Goods
- Preferential Option for the Poor
- Participation and Dialogue
- Solidarity and Justice
- Dialogue and hope

Except the last one, they are a repetition or regrouping of the historically established ones, omitting important ones such as Subsidiarity.

7 Educate and challenge the public

Whoever paid attention at the introduction to chapter 5 above will have noticed that one principle of CST was missing among the four pairs listed: “Participation”. In a sense, this is what Kant calls the “condition of possibility” for the implementation of all the others: If people are not empowered and motivated to fight for a social just and ecological sustainable order, and if things are left to “the markets” and their High Priests, not much will change. Before the people are capable to participate in an informed manner, they need information and education – and this is where one strength of the Catholic Church lies: In its educatory and research institutions. Why this is important?

One of the biggest disadvantages of democracy is that the majority gets right, even though the majority might not be in the right - and politicians have the task to enact the majority will.⁹⁵ How could the church regain a position to have some sort of policy defining majority and enter her own values and principles into policy discussion.⁹⁶ There are two options for the Church to choose:

First, fighting for regaining a policy defining majority based on a Christian set of values alone. Here the Church would first focus on her own faithful and try to win “converts”. She could also align herself with other Christian Churches (perhaps even other religions), whose values are similar to CST, and try to obtain again a policy shaping majority in a pluralist society – e.g. by educating and mobilizing their own members. If the Christian/religious segments of society could regain this credible democratic power, they could put forward their ideas both in Advocacy and by influencing national parties and elections. It could be assumed, however, that this process would take quite some time.

⁹⁵ ‘So ist das eben in der Demokratie, in der die Mehrheit recht bekommt, auch wenn sie nicht recht hat’ (Schmidt, 2011, p. 48)

⁹⁶ Es wird „regelmäßig der Vorwurf erhoben, der Staat gebe die Grundwerte preis... Dann folgt der Appell an die Träger staatlicher Gewalt: Rettet die Grundwerte! ... Haben sich Aufrufe der Bischöfe... nicht in allererster Linie in den Innenraum der Kirche... zu richten?“ (Schmidt, 2011, p. 41f.).

Second, seeking common ground and forming coalitions in view with other groups, trying that way to implement policies which at least in part can effectively oppose neoliberal market economy. Here the church could enter in strategic or (depending on the topic under discussion) tactical coalitions with other “people of good will”, namely people adhering to other religious, moral and ethical world views (see 1.3).

A very broad and widely accepted framework for cooperation with non-Catholic or even non-Christian groups is nowadays the Human Rights framework. This set of rights is not only useful to advance individual rights, but, because of its set of social and political rights, also useful to advance issues of social or international justice. For the Church, Human Rights (if corresponded by responsibilities and obligations) are highly appreciated (Pontifical Council for Justice & Peace, 2005) and quite a number of church based scholars and political activists frame, therefore, their political interests rather in the language of Human Rights than the language of principles and values of CST.⁹⁷ This second approach represents some sort of compromise, some concession to the changed character of society, but it promises quicker results than the first approach which effectively would be based on a middle and long term effort to “re-evangelize” a society. There are two advantages: First, there is debate among the different groups of a pluralist society what exactly the content and meaning of certain Human Rights is. Here the church could, for example, push for most inclusive and comprehensive interpretation (Alt, 2001). And: Topic-orientated coalitions while attempting to ameliorate unjust situation (see E/II/8) can be formed flexibly and quickly and, if organized coherently and persistently, achieve still some remarkable results in a democratic society.⁹⁸

All this has implications for the church’s role in educating the public, because it is a fact, that too many people, especially among the poor, are not able to develop and exercise their capabilities needed to take part in public reasoning, are easy to manipulate via social media and fake news and are therefore caught in dependency. Here the church has to do whatever is within in her power to empower them, so that they are able to claim and do what is their inalienable prerogative. Here, naturally, is a big task for the church’s many educational institutions and media whose usefulness needs to be re-examined in relationship towards its own members and the wider public.

But there is a certain importance of the church to look at their own resources if the goal is to make 1 billion Catholics to be carriers of change: People need to be made aware of global injustices, the need to act, the abilities to act and the huge potentials of the Church and its members to be a motor of change and catalyst of activity. People have to be educated again about the basic meaning of virtues, values, natural and moral law which might then increase their willingness to act in a greater solidarity and charity. This implies, of course, taxation issues. For example, how important for taxation is the idea that the strong are obliged to carry a load for the common good which is in accordance to their ability to contribute. Or: Also

⁹⁷ (Chiti, 2013) or the research “Global aber Gerecht”. Publications like that explain, of course, their underlying framework of faith based values and principles somewhere else, but their main argument phrased in Human Rights terminology clearly aims for allies outside the church.

⁹⁸ Take, for example, the international Campaign to Ban Landmines, which gained momentum after the Churches allied with NGOs, the European attempt for a “Tax Against Poverty” or the German movement towards social rights for undocumented migrants.

Christians need to understand their “tax burden” rather in the sense of “contributions to the Common Good of all”, which is why compliance is essential. Or: Why taxation is an important instrument to advance social, economic and ecological transformation etc.

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