

# RENDER UNTO CAESAR



Perspectives on taxation from Catholic  
social thought and teaching



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## **Questions related to taxation and government spending are hotly contested in the political sphere.**

It may be thought that the Catholic Church should keep out of such debates and leave them to politicians. However, as was said at the presentation of the *Compendium of the Social Doctrine of the Church* by Cardinal Renato Raffaele Martino: “The Church is an expert in humanity”. And so, the light of faith, scripture and tradition can and should help us understand better how to address challenges in the area of politics and economics. When entering these arenas, however, the Church’s moral teaching has to be blended with technical expertise and practical wisdom.

It is in this spirit that the Department for Social Justice offers this new document on taxation. The authors have been chosen to provide a range of views so as to promote debate on, and better understanding of, this important subject. All the authors employ Catholic social teaching and their own expertise to help us understand how we can engage in debates about taxation and the role of government in economic and social life. We are very grateful to the authors of the different chapters, who come from many different walks of life.

In the first part of the document, the authors focus more on issues of principle. In the second part, there is a set of reflections in which authors look at more practical challenges such as tax avoidance and evasion; inter-generational justice and government borrowing; taxation and the family; the importance of employers paying a just wage; and the provision of welfare.

For many reasons, this is a challenging time for governments across Europe, and difficult decisions may well have to be taken. It is vital that such decisions are informed by Christian moral teaching. We need the contributions of so many Catholics who work to promote the common good in the world of politics, guided by the Church’s teaching and by careful consideration of the complex issues they are working to address. As the late Pope Francis wrote, politics is a “lofty vocation” and one of the highest forms of charity insofar as political activity seeks the common good.<sup>1</sup>

I trust that the perspectives outlined in this document will inform debate in the public square, and that Catholics up and down the country will engage in and enrich the debates that take place in Westminster, the devolved assemblies and at local level.



**Bishop Richard Moth**

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<sup>1</sup> Pope Francis, *Evangelii Gaudium* (2013) 205. This sentiment was also repeated in his encyclical letter *Fratelli Tutti*.

## Catholic social teaching and economic life

BY PHILIP BOOTH, DIRECTOR OF POLICY AND RESEARCH, CATHOLIC BISHOPS' CONFERENCE OF ENGLAND AND WALES.

**Catholic social teaching sees the role of the state in a positive light, built on the fact that human beings are, by nature, social. Although we express our need for socialisation through many other institutions within society, government has a particular role.**

An earlier Bishops' Conference document described how the state should serve society by promoting the common good while respecting the legitimate liberties of individuals, families and civil society. Furthermore, the state should act in such a way that it secures the conditions required for all people to attain our true material and spiritual good.<sup>2</sup> The Church believes that governments should have a positive role in promoting the common good through decisions related to economic life. However, government should discharge their duties without taking away the responsibilities of other institutions, including the family, the Church, civil society, schools and business. Indeed, the state should assist those other institutions in the discharge of their responsibilities.

While the Church does not accept the primacy of economic matters over matters of the spirit, she holds that “economic activity is necessary and, if it is at the service of man, it can be ‘a source of brotherhood and a sign of Providence’. It is the occasion of concrete exchanges between man, of rights recognised, of services rendered and of dignity affirmed in work”.<sup>3</sup> The Church therefore has an interest in temporal matters, and the light of faith can be shone on economic matters to help our understanding of them. As was said by Cardinal Renato Raffaele Martino at the launch of the *Compendium of the Social Doctrine of the Church* (2004), the main official document summarising Catholic social teaching: “The Church is an expert in humanity”.<sup>4</sup>

The Church ministers to humanity. As such, the Church has passed judgement throughout the ages on whether economic actions are morally wrong, virtuous or neither. Despite this, issues to do with the role of government in the economic sphere are complex, and there is not necessarily a clear right or wrong answer to many of the questions that arise: Catholics in public life are called to use the virtue of prudence to make judgements about political and economic matters on which there may be no clear answer.

<sup>2</sup> Committee for Public Life, Catholic Bishops' Conference of England & Wales, *Taxation and the Common Good* (2004) 13.

<sup>3</sup> Pope Paul VI, *Octogesima Adveniens* (1971) 46. See also Pope Paul VI, *Populorum Progressio* (1967) 86.

<sup>4</sup> Cardinal Martino, ‘Presentation’, *Compendium of the Social Doctrine of the Church* (2004).

## Government and the need to tax

Given that the state has responsibilities in the economic and political sphere, it must have access to the resources to fulfil those responsibilities. In almost all cases in modern states, these resources will come from taxation. At the same time, government must not exhaust the resources of other institutions in society, including the family, through excessive taxation.

From her institution, the Church has preached the virtue of solidarity, which demands that citizens show a “firm and persevering determination to commit oneself to the common good; that is to say to the good of all and of each individual, because we are all really responsible for all”.<sup>5</sup> In so far as this is expressed through the political realm, the virtue of solidarity requires that we willingly meet our obligations to contribute to the cost of government and do not take decisions based on our own self-interest which can lead to the democratic process – or indeed government itself – becoming corrupted.

In this context, the question of taxation is an especially complex one. Although the Church has always taught that the better off in society have serious obligations to poorer members, the respective roles of individual responsibility, charity, civil society and the state in ensuring those obligations are fulfilled is both contested and contingent on time and place.

Furthermore, to make judgements on the size and shape of the tax burden, we have to consider a number of questions. What goods and services should the state ensure

are provided? Should the state provide or pay for these goods and services directly or help families to obtain them from a diverse range of providers, including the Church (which is the model followed in both health and education in many countries)? Should the state finance these services for everybody, or should it provide a safety net for those who cannot pay for them? To what extent should the state redistribute income or use other policies to help the least well-off? How should the tax burden differ between families of different shapes and sizes and between individual taxpayers and of corporations? Should government spending be financed by debt? What levels of government should be responsible for raising taxes and providing services?

It is difficult to find direct answers to these questions in Scripture. However, the tradition of Catholic social thought and teaching does provide some guidance in relation to the principles that should be followed in the wide variety of different circumstances in which governments find themselves.

The right level of taxation for a rich country with an ageing population is unlikely to be the same as the right level of taxation for a poorer country with a large proportion of people working in agriculture or in the informal economy. Pope Leo XIII, for example, warned about the danger of excessive taxation in his landmark encyclical *Rerum Novarum* (1891) when taxation was around one-fifth of today's levels.<sup>6</sup> However, recent documents on Catholic social teaching have promoted more strongly the idea that the government

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<sup>5</sup> Pope John Paul II, *Sollicitudo Rei Socialis* (1987) 38.

<sup>6</sup> Pope Leo XIII, *Rerum Novarum* (1891) 47.

should ensure that all have access to welfare, education and healthcare and play a role in financing such access.

As noted above, the state should not necessarily be the first provider: the state should create conditions so that families, the Church, civil society and commercial organisations can ensure that all people have access to what they need for a dignified life. Higher levels of taxation may support this objective in some cases and undermine it in others. In recent years, Catholic social teaching documents have both criticised reductions in welfare spending and criticised the impact of welfare provision by the state as being bureaucratic and damaging to society in other respects. Once again, prudent discernment is required in the practical circumstances in which we find ourselves. This is one reason why Catholics divide between political parties and have divergent views on the role of the state and taxation.

### **Taxation in the Catholic-Christian tradition**

In Part One of this document, four chapters examine Scripture and various strands of Catholic social thought as they relate to taxation.

In the first of those chapters, Gareth Rowe and Anna Rowlands explore the development of Catholic social teaching on taxation. From the outset, the authors stress our natures as social beings:

“Our origins are social (the divine unity of persons in the Trinity); our nature is social (we cannot achieve the goods we most yearn for in life alone but only in relationship to

or with others); and our destiny is social (blissful union with God and the communion of saints at the end of time). The life of association, collaboration and social creativity is part of our nature and expresses our purpose.”

They explain how the tradition of Catholic social teaching has evolved. Some key principles that have developed in that tradition are that taxation should be moderate and fair; taxation should be related to the ability to contribute; and, in later years, an international dimension has been introduced: taxes should be levied in richer countries to assist the development of poorer countries. Later social encyclicals have built on these themes to emphasise the preferential option for the poor, inter-generational solidarity, and care for our common home. All three of these concerns might lead us to conclude that taxes on activities that cause environmental harms are justified.

The Church has made clear, Rowe and Rowlands point out, that society should be organised in such a way that all citizens have the basic goods and services for a dignified life. Where people would otherwise be without such goods and services (which include food, shelter, clothing, healthcare and education), in accordance with the preferential option for the poor and the universal destination of goods, the state should step in and ensure provision is made whilst taxing citizens in accordance with their ability to contribute.

Rowe and Rowlands also explain how there is a moral dimension to taxation. Taxes should be levied in such a way that



they promote the common good. This is not a purely transactional matter of taxpayers providing resources to the state so that the state can provide goods and services that we cannot obtain through other means. The whole process of taxation and the use of resources by government should be based on moral principles. The resources of government should be used in a way that builds, rather than undermines, the common good of society as a whole. This may raise questions about how taxes are spent on defence or on certain types of healthcare. The twentieth-century Catholic social activist Dorothy Day raised some of these questions, as discussed in the first chapter.

The modern Catholic social teaching discussed by Rowe and Rowlands developed out of centuries of Catholic social thought and witness. St Thomas Aquinas was a particularly influential figure in this respect. The chapter by André Alves examines the thought of St Thomas and, also, of the late scholastics of the 16th and 17th century. This Thomistic way of thinking influenced strongly the early social encyclicals of the Catholic Church of the late nineteenth and early twentieth centuries.

The practice of the virtue of justice was key to the teaching of St Thomas and the late scholastics. It would be unjust

for governments to tax their citizens excessively and for purposes other than the fulfilment of duties necessary for the promotion of the common good. It is important to recognise the fallibility of governments and that their responsibilities should be appropriate and not unlimited.

The idea that Catholic social teaching is a balanced tradition certainly comes through the late scholastics who taught that taxes

should be moderate and who warned about the need for moderation when it came to government expenditure. They also warned about the grave dangers associated with the mismanagement of a country's public finances.

Where taxes are levied, the late scholastic tradition suggests that they should be related to

ability to pay – perhaps proportionate to that part of income that was earned above the level necessary to meet basic family obligations. In times of national emergency, it may well be appropriate to levy higher levels of tax.

Throughout Catholic social teaching, including in the work of St Thomas and the early social encyclicals, it has been stressed very strongly that the obligations of the rich to the poor do not end with taxation. The rich will have to answer to God if they do not use their riches to support the poor more broadly.

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An important contribution of the late scholastics was their analysis of inflation. Where inflation arises as a result of governments or central banks creating money, it can impose an arbitrary burden on particular groups in society, often afflicting the poor. In effect, it acts as a tax on those who are on low incomes, which might not be uprated with inflation, as well as on those on fixed incomes who will often be amongst the older generation.

Richard Turnbull follows with a chapter on taxation and Sacred Scripture. It is difficult to draw lessons from Scripture because the political situation was so different from our own. Government was often an instrument of oppression and, in New Testament times, an instrument of imperialist oppression in the Holy Land. Taxation was often levied on the poor for the very purpose of funding their oppression. Nevertheless, Turnbull is able to draw some conclusions that might inform contemporary Catholic thought on taxation.

It is clear from biblical sources, he argues, that the role of the state should be limited and that there is a vital role for the family and voluntary initiative in meeting material need. At the same time, taxation is a lawful activity of a properly constituted government, and we should pay taxes that are due. Taxes in Biblical times took various forms, though there is little evidence of progressive taxation. In this context, it is worth noting that the progressiveness of a fiscal system does not depend on the shape of the tax system alone: how tax receipts are spent is important too. A system that taxes an equal proportion of all incomes, in order

to provide for the poor, might assist the less fortunate more than one that is progressive in terms of tax rates but where the proceeds are used for forms of government spending that benefit the better-off.

Ruth Kelly starts her analysis by examining how we might think about the functions of the state post-Covid-19. She argues that social interconnections have become degraded as a result of a more individualistic mindset, including amongst young people. She expresses concern that the state has taken over many of the functions of civil society and the family. In addition, government policies have not nurtured the family. Kelly points to statistics highlighted by the former Chief Rabbi, the late Jonathan Sacks, relating to the decline in marriage and the increased tendency for people to be living alone or away from their parents.

In developing her argument, Kelly contrasts the French and British Enlightenments. The latter saw an important role for the family, civil society and religious institutions in creating a healthy society, and this was once reflected in government policy in Britain. She calls for a restoration of that way of thinking and a rebuilding of society from the bottom up and explains how this is entirely consistent with the tradition of Catholic social teaching. It also resonates with our experience of so many successful social initiatives during the Covid-19 pandemic.

In many ways, Kelly's chapter echoes part of Pope Benedict XVI's encyclical, *Deus Caritas Est* (2005) in which he writes:



“Love—caritas—will always prove necessary, even in the most just society. There is no ordering of the State so just that it can eliminate the need for a service of love... There will always be suffering which cries out for consolation and help. There will always be loneliness. There will always be situations of material need where help in the form of concrete love of neighbour is indispensable. The State which would provide everything, absorbing everything into itself, would ultimately become a mere bureaucracy incapable of guaranteeing the very thing which the suffering person—every person—needs: namely, loving personal concern. We do not need a State which regulates and controls everything, but a State which, in accordance with the principle of subsidiarity, generously acknowledges and supports initiatives arising from the different social forces and combines spontaneity with closeness to those in need. The Church is one of those living forces...”<sup>7</sup>

There is a dilemma, though. Once the family and civil society institutions that provided support and welfare for those in need have degraded and the state has taken on their functions, it is not realistic for the state then simply to withdraw: it is not easy to move from where we are to where we might want to be. Ruth Kelly provides some proposals that might help move us in the right direction. Her proposals include ensuring that the tax system does not continue to disadvantage families in which family members work in the home looking

after their children or elderly relatives. She also proposes giving greater fiscal autonomy to lower levels of government, in line with the principle of subsidiarity.

## Summary of principles concerning Catholic thought on taxation

Overall, we could summarise the chapters in Part One as follows:

- The state has a right to levy taxes to finance its legitimate functions in the promotion of the common good. This includes appropriate support for the less-well-off.
- Taxes should, nevertheless, be moderate given that families have financial obligations, including obligations to help others through charity, and contribute to welfare in other ways.
- The preferential option for the poor should never be forgotten and, therefore, tax should be levied on the basis of ability to pay, taking into account the obligations facing families.
- Laws in relation to tax are to be obeyed except in very extreme circumstances. As *Gaudium et Spes* (1965), the Pastoral Constitution on the Church in the Modern World born out of the Second Vatican Council, put it:

<sup>7</sup> Pope Benedict XVI, *Deus Caritas Est* (2005) 28(b) (emphasis in original).

“Many in various places even make light of social laws and precepts, and do not hesitate to resort to various frauds and deceptions in avoiding just taxes or other debts due to society... Let everyone consider it his sacred obligation to esteem and observe social necessities as belonging to the primary duties of modern man.”<sup>8</sup>

This obligation was also stated clearly in the Bible (Romans 13:7): “Pay to all what is owed to them: taxes to whom taxes are owed, revenue to who revenue is owed, respect to whom respect is owed, honour to whom honour is owed.”.

- Richer states should levy taxes on their population to help the development of poorer states.
- Distributive justice and the promotion of the common good require that taxation policy takes account of the needs of future generations, the protection of the natural environment and family obligations.
- The principle of subsidiarity demands that higher levels of government should not undertake functions that could be undertaken by lower levels of government and that governments should support civil society and families in the pursuit of their legitimate objectives and not exhaust their resources.

## Reflections on current issues in taxation policy

The chapters in Part One of this publication lead to some clear conclusions, but they do not tell us how tax policy should be designed in all the myriad different circumstances that apply at different times and in different places. Part Two of this document contains eight reflections on specific themes which are grouped together and summarised below. Three reflections are on the subject of taxation, work, welfare and the family. The next two look at government borrowing and justice between the generations. The final three examine tax evasion and avoidance, amongst other topics.

### Taxation, work, welfare and the family

Pope St John XXIII said that the family “must be regarded as the natural, primary cell of human society. The interests of the family, therefore, must be taken very specially into consideration in social and economic affairs.”<sup>9</sup> In the UK, the existence of the family unit is more or less ignored and sometimes penalised in the tax system, as the first reflection by Andrei Rogobete shows. In countries such as France and Germany, two families with the same income will pay the same level of tax whatever the split of income between the main adults in the family. In Britain, single-earner families, and families in which one adult has a lower level of earnings than the other adult, can pay far more tax than dual-earner households. This penalises families that take on caring responsibilities in the home

<sup>8</sup> Pope Paul VI, *Gaudium et spes* (1965) 30.

<sup>9</sup> Pope John XXIII, *Pacem in Terris* (1963) 16.

for children or the elderly. It also violates an important principle of taxation – tax levied should take account of the resources available to a family. In addition to this problem, the way tax and welfare systems in the UK interact often leads to a situation where it can be financially beneficial for parents of children to live apart rather than together. Of course, we hope that families do not take such decisions purely on financial grounds. However, it is surely imprudent, unjust and undermining of the common good to penalise family formation financially. Furthermore, if family formation is penalised, the principle of subsidiarity is similarly undermined as the state will inevitably have to take on some of the functions that would normally be undertaken by the family – such as the care of children or the elderly. This, in turn, will raise the burden on those families that have to pay increased taxes as a result.

The second reflection is by Russell Sparkes, an academic and practitioner. He examines the history of Catholic social teaching and action in relation to the provision of welfare (health, education and income provision in times of need). This is highly relevant to taxation because the main explanation for current levels of taxation is the level of spending on welfare. Sparkes suggests that our approach to welfare has moved away from the tradition of Catholic social teaching and that this makes us poorer spiritually as well as materially. He notes that the Church is still the largest provider of healthcare in the world and yet, in the UK, we have rejected pluralist models of healthcare provision involving the Church in favour of (in his words) a system of “health provision [that] is probably unique in Europe for lacking

any substantial church, charitable or mutual provision”. Sparkes refers to recent Catholic social teaching on the welfare state, and to some of the comments of Pope Francis, which have criticised a “welfare mentality” whilst calling all Christians to fulfil their obligations to the poor. It is rare to question the functions of the state in modern political discourse, but Sparkes does that. In doing so, he is not neglecting the Catholic concern for the poor. Instead, he is asking us to reflect, in good conscience, on whether society, the community and the family should play a more active role in promoting the welfare of all citizens.

Marc Besford, former President of Young Christian Workers, brings an extra dimension to the discussion in the third reflection. He emphasises Catholic teaching on the just wage and cites the absence of a just wage as a cause of poverty. Besford quotes Pope Benedict XVI’s encyclical *Caritas in Veritate*:

“In many cases, poverty results from a *violation of the dignity of human work*, either because work opportunities are limited (through unemployment or underemployment), or ‘because a low value is put on work and the rights that flow from it, especially the right to a just wage and to the personal security of the worker and his or her family’”. (*Caritas in Veritate* 63, emphasis in original)

This is an important contribution to the discussion. A high proportion of tax revenue is used to provide services or income enhancements to the less well-off. We should consider whether this is made necessary as a result of the treatment of



workers by their employers. There are other dimensions to this problem. An employer cannot necessarily provide a family wage to somebody who works part-time and, arguably, other failings in government policy raise costs considerably for families.<sup>10</sup> This could open up a wider debate about many areas of public policy. But Besford's point is important: we should not view questions of distributive justice solely through the prism of taxation; we should ask whether other aspects of injustice lead taxes to be higher than necessary.

### **Government borrowing and justice between the generations**

Section V of Pope Francis's encyclical on the environment, *Laudato Si'*, is entitled "Justice between the generations". One generation does not have a right to systematically consume in such a way that it impairs the ability of future generations to live a flourishing life. This argument can be used as a justification for taxes on activities that harm the environment, as noted in Part One.

Another aspect of justice between the generations relates to the accumulation of government debt. As is discussed in the reflection by Philip Booth, there may be situations in which government borrowing is justified. However, questions can be raised about the accumulation of debt by governments to finance current consumption spending in normal times.

This has been happening in a number of developed countries for many years and imposes a burden on future generations. Government debt interest in the UK is now a greater cost than spending on defence and public safety (the traditional main functions of government) combined. Debt interest costs are also an order of magnitude greater than foreign aid spending. They are, argues Booth, a real burden for coming generations.

Patrick Riordan SJ takes a different perspective on this issue and suggests that the main problem for a government that borrows in its own currency is that the borrowing can lead to inflation. Riordan accepts that, if it does so, this is still problematic. For example, it would lead to a government not properly fulfilling one of its main responsibilities as stated in the *Catechism of the Catholic Church* (CCC 2431).<sup>11</sup> However, Riordan believes that borrowing should be and can be restrained before that problem arises.

An interesting aspect of inter-generational justice arises from the effects of welfare systems financed by the taxes of the working generation rather than through savings. This feature of modern welfare systems, combined with the very large declines in the birth rate experienced by Western countries in the last 40 years, is creating serious challenges for governments. We are entering the "demographic winter" to which Pope

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<sup>10</sup> See, for example, Caritas Social Action Network (CSAN) and The Benedict XVI Centre for Religion and Society, St Mary's University, Twickenham, '*Perspectives on political, social and human aspects of the housing crisis*' (January 2019).

<sup>11</sup> CCC 2431: "Economic activity, especially the activity of a market economy, cannot be conducted in an institutional, juridical, or political vacuum. On the contrary, it presupposes sure guarantees of individual freedom and private property, as well as a stable currency...".

Francis has referred on a number of occasions.<sup>12</sup> The smaller number of people of working age will have to pay much higher levels of taxes than their predecessor generations to finance the pensions and health and social care provision of the standard which older people have been led to expect. The question can be asked as to how easy it will be, in those countries where birth rates have fallen the most, for governments to fulfil their legitimate functions. Concerns could also be expressed about whether this problem will lead to inter-generational conflict within our democratic systems. As this difficult issue unfolds, the Church must encourage all who participate in the democratic process to exercise the virtues of prudence, temperance and courage in public life.

### **Tax evasion and avoidance**

The question of tax evasion and avoidance is raised by Gerald Grace, Justin Thacker and David Palmer. Tax evasion involves not paying taxes that are legally due and is a form of theft. It is almost always morally wrong. Those who practice tax evasion should be held to account through the criminal justice system. The *Catechism of the Catholic Church* includes tax evasion as one of the offences against the seventh commandment.<sup>13</sup> Culpability for evading taxes is not reduced if the criminal justice system is not effective in enforcing tax laws.

Tax evasion is practised by criminal networks and by some very wealthy people. However, Catholic social teaching calls all

of us to holiness in economic, social and political life. Significant amounts of tax are evaded by individuals and small businesses as well as by larger corporations. This can occur through micro-businesses putting spouses on payrolls and exaggerating their salaries, inflating business expenses, or by accepting and not declaring payments in cash. It is important that Christians neither practise nor encourage this behaviour.

Tax avoidance is a more complex subject. There are some forms of avoidance that are benign and involve taking advantage of rules designed to encourage prudent or otherwise virtuous behaviour. Many people, for example, avoid tax by paying part of their salary into a pension scheme or by donating to charities. However, other forms of avoidance stretch the law to its limit and are clearly breaking the spirit, if not the letter, of the law and would be reprehensible. Again, it is clear that large corporations and rich individuals are culpable when it comes to aggressive tax avoidance. However, none of us should be passive bystanders. We should all willingly pay taxes that are due. And, where we vote as shareholders or act as consumers, we should do our bit to call those who avoid taxes aggressively to account. As Archbishop Peter Smith noted in the foreword to the last Bishops' Conference document on taxation: "Our willingness to pay it is a sign of our solidarity with one another and of our humanity."<sup>14</sup>

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<sup>12</sup> For example, see Pope Francis, *Address to the participants in the second edition of the General States of Natality* (12/5/2022).

<sup>13</sup> CCC 2409.

<sup>14</sup> Committee for Public Life, Catholic Bishops' Conference of England & Wales, *Taxation and the Common Good* (2004).

## Taking part in politics and facing difficult challenges

Pope John XXIII wrote, in *Pacem in Terris*:

“Here once more we exhort our sons to take an active part in public life, and to work together for the benefit of the whole human race, as well as for their own political communities. It is vitally necessary for them to endeavor, in the light of Christian faith, and with love as their guide, to ensure that every institution, whether economic, social, cultural or political, be such as not to obstruct but rather to facilitate man's self betterment, both in the natural and in the supernatural order.” (*Pacem in Terris* 146)

These are strong words. Members of the Church have a duty to reflect on the role of government and taxation and then vote in such a way that does not serve personal interests but, instead, serves the common good of society as a whole.

We face difficult questions to which there are no clear answers in Catholic social teaching. How high should taxes be? On what should tax revenue be spent? How should taxes be levied, especially taking into account the need to nurture the family and civil society as well as provide for those in greatest need? To what extent should taxes be used to curb behaviour that is destructive of the natural environment? What should be the role of the state as compared with society, the community and the family in the provision of support for those in need? Prudent discernment is required to apply

the principles of Catholic social teaching to these questions. Our authors have provided commentary and reflections that will help us in the process of discernment.

As noted above, one phenomenon that makes these debates especially difficult in the world's richer countries is that of population ageing which means that a relatively smaller working population is paying taxes to support a growing older population. In the United Kingdom, some people argue that families are paying record levels of taxation. Others argue that welfare and other government services to people of working age are being reduced. Both groups are correct, and the explanation for this situation, at least in part, is the ageing of populations. As also noted above, Pope Francis has described countries in this predicament as facing a “demographic winter” and also as being “often rich in resources, but poor in hope”. In our own country, the fiscal strains are projected by the Government's Office for Budget Responsibility to become significantly worse over time.

We must ensure that this situation does not become a source of inter-generational conflict or despair. Indeed, we can only meet these challenges by co-operation between the generations at every level in society. These great challenges, however, remind us that we should treasure children and certainly not simply regard them as a financial cost, and that we should treasure wider family structures too. Perhaps this fact itself needs to be better reflected in our fiscal systems.

There are other significant trends. Action that will be taken in relation to climate change will have an impact on



government spending and the cost of energy for families and businesses. And the fragmentation of families leads to greater costs for state welfare systems and raises questions about where the responsibility for support should lie.

In these challenging times we need to exercise the virtues at all levels in political society. This is a responsibility of voters, political party supporters and politicians. We

need to have the courage to take decisions that might not be in our own interests; we need to temper our appetites that lead us to desire more material riches now at the expense of the future; we should act with justice so that the burden of taxation is appropriately spread, taking account of future generations; and we should reflect prudently so that we take wise decisions in these challenging circumstances.

Pope Francis has regularly called for dialogue and asked that “particular interests or ideologies

will not prejudice the common good”.<sup>15</sup> While Catholic social teaching does not prescribe a set of specific policies for fulfilling this vision, it does suggest a set of principles that should inform debate so that public policy can reflect those principles in the context of the ‘signs of the times’. To get from the principles

to practical policy, we

need dialogue which should be conducted with generosity of spirit. It is hoped that this document will contribute to that dialogue.

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**We should treasure children and certainly not simply regard them as a financial cost, and we should treasure wider family structures too.**

<sup>15</sup> Pope Francis, *Laudato Si'* (2015) 188.

## Chapter One: Taxation in Catholic Social Teaching

BY GARETH ROWE, CAFOD, DURHAM RESEARCH FELLOW AND ANNA ROWLANDS, ST. HILDA PROFESSOR OF CATHOLIC SOCIAL THOUGHT AND PRACTICE, UNIVERSITY OF DURHAM.

“The council exhorts Christians, as citizens of two cities, to strive to discharge their earthly duties conscientiously and in response to the Gospel spirit. They are mistaken who, knowing that they have here no abiding city but seek one which is to come, think that they may therefore shirk their earthly responsibilities. For they are forgetting that by the faith itself they are more obligated than ever to measure up to these duties, each according to their proper vocation.”

(*Gaudium et Spes* 43)

### Introduction

The question of taxation and its ethics is a concrete concern that wins and loses elections, motivates heated public debate and is a matter of personal vested interest for any citizen. The task of this chapter is to look to the tradition of Catholic social teaching for assistance and inspiration in working out what a just and loving approach to taxation might look like. It will explore, briefly, some of the wider context in which such a discussion is placed and then offer a careful, sober reading of the encyclicals and key texts of the tradition on the question of taxation.

Taxation is the name we give to the process by which a government levies charges on its population for the purpose of raising public revenue to finance expenditure. Taxation provides for the economy of public life – the provision of infrastructure, services and investment in human capital. It is a form of economic exchange between citizen and temporal authority (government) for the sake of the creation and maintenance of a polity. In this sense, the question of taxation sits within the wider context of what the Catholic social teaching tradition has to say about the moral purpose of a polity (the common good), the nature of just economic exchanges and the basis of human dignity.

The basic anthropology of Catholic social teaching insists that human beings are dignified persons who are created out of love and with a divine purpose. We reach our purpose, destiny or end as human persons by learning how to live lives of solidarity and care for others, as well as by expressing the excellence of which each unique person is capable. Our origins are social (the divine unity of persons in the Trinity); our nature is social (we cannot achieve the goods we most yearn for in life alone but only in relationship to or with others); and our destiny is social (blissful union with God and the communion of saints at the end of time). The life of association, collaboration and social creativity is part of our nature and expresses our purpose. This is partly what we mean

when we say there is a common good for which we strive: this phrase operates, as we can see from what we have just said, at numerous levels.

The question of taxation, therefore, is more than a mere technical calculation of self-interest or a narrow transaction between citizens and the state.

For these reasons, taxation has raised important moral questions for Catholics. Such questions have inspired radical action on the part of some: famously, Dorothy Day made a clear distinction in the twentieth-century Catholic Worker Movement between just and unjust taxation. She would pay local forms of taxation which enable the infrastructure of local common life, but she withheld federal taxes from the central US government on the basis that the purposes for which that tax revenue was used included military funding of which she did not approve. The question for Day was “what kind of polity is my taxation revenue being used to create?” She appeared before court hearings and wrote at length in her Catholic Worker newspaper about the grounds for her refusal to pay tax, and she did so by drawing on Catholic social thought. Her view of taxation was anything but transactional—it was about the covenant between the person and the polity. In a later part of the Catholic social teaching tradition, under Pope Benedict XVI, a version of this question is raised through a consideration of ‘fiscal subsidiarity’. This is not a refusal of taxation demands, but raises the question, in line with Day, about the role of citizens in formulating moral judgements and decisions about the raising and use of taxation – the question of the role of citizens in determining the focus,

purpose and use of publicly-generated revenue.

We shall explore below the official Catholic social teaching which has attempted to offer a balanced appraisal of the question of taxation. Drawing on a wider teaching on justice from the Thomistic tradition (that justice is contributive, distributive and commutative) enables the encyclicals to make certain assumptions. Our duties in justice include the following: making an active contribution to the societies in which we live and seeing ourselves as personally responsible for their just conduct; ensuring that there is a balance of benefits and burdens in a society such that those who face particular vulnerabilities are cared for and do not face unfair burdens; and that the manner in which taxation might fall does not place greater burden for maintaining a polity on the poorer members. This would seem to imply that regressive taxation systems could not really be justified.

Justice also implies that the basic needs of the human person can be met through the organisation of a society. Thus, all must have food, shelter, health, education and work. Being able to work, under fair conditions, to provide for yourself and your family in an adequate manner is part of a dignified existence. Contributing from the bounty, beyond meeting immediate material and moral needs, to the common good, to ensure that the material and moral needs of all are met, is part of a just order. This understanding can also be drawn from the Catholic Church’s teaching on the universal destination of goods: that the goods of the earth are intended for the benefit of all, such that there is an abundance in the world that, if fairly



stewarded and managed, can – and should – provide for all. Taxation might be part of ensuring that goods are distributed, or, if things have become skewed, redistributed towards a genuine universal destination. Commutative justice emphasises fairness of person-to-person exchange.

Having outlined a little of the wider context, we move now to a more specific consideration of the Church's social encyclical tradition and certain Bishops' Conference letters that address the question of taxation directly.

### A balanced tradition?

We have started this chapter with a broad definition of how taxation is understood within a culture. The Catholic social teaching tradition has its own specific language to describe this. In 2004, the Bishops of England and Wales defined taxation in relation to the Catholic social teaching tradition in the following way: "Taxes, whether direct (for example, income tax) or indirect (for example, Value Added Tax) are a vehicle through which we, as responsible citizens, work with government to promote the common good."<sup>16</sup> How were the Bishops able to develop such a definition and what are the implications of this definition for the

future of taxation as an ethical concern?

When the religious authorities of the day tried to trap Jesus into making a radical, anti-imperial statement, tax was the lever they chose. After asking them whose face is on the imperial coinage, Jesus observed that they should "render to Caesar the things that are Caesar's, and to God the things that are God's."<sup>17</sup> By using a balanced statement in this way, Jesus affirms the legitimacy of temporal authority and its right to levy taxation but makes it clear that this right is not absolute; only the claims of God are absolute.<sup>18</sup> This balancing of the liberty of political authority with the freedom of the human person under God sits behind the encyclical tradition in the post-Vatican II era. Three years prior to the publication of *Rerum Novarum* in 1891, Pope Leo XIII examined the nature of human liberty directly. He stated that, while liberty did not consist in individuals doing as they please, neither did it allow "those who are in authority... to lay unreasonable and capricious commands upon their subjects".<sup>19</sup> This balance is noticeable in the encyclicals prior to the Second Vatican Council in which discussion of taxation is always subsumed under wider teaching.

16 Committee for Public Life, Catholic Bishops' Conference of England and Wales, *Taxation for the Common Good* (2004) 17.

17 [Mark](#) 12:17 (ESV) cf. [Matthew](#) 22:15-22; [Luke](#) 20:20-26.

18 Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church* (2004) 379.

19 Pope Leo XIII, *Libertas Praestantissimum* (1888) 10.

## The first phase: intra-national taxation (*Rerum Novarum*, *Quadragesimo Anno*, *Mater et Magistra*)

*Rerum Novarum*, usually taken to be the first social encyclical, does not treat taxation directly but includes it in a discussion of private property. The encyclical balances the interests of the worker and the owner.<sup>20</sup> It acknowledges that, under the conditions of that time, these were likely to be different people: there is a “wide chasm” between the worker and the owner of wealth.<sup>21</sup> However, the encyclical proposes that workers themselves become owners through thrift, saving and investing from their wages, and notes that this is only possible if taxation is not excessive. It suggests three benefits will arise from this: a convergence between the classes and reduction in wealth disparity, incentivising of an increase in productivity, and reduced economic migration. Thus, *Rerum Novarum*’s key teaching in relation to tax is that it is to be moderate and fair.<sup>22</sup> Taxation is only conceived of negatively as a drain on resources – principally workers’ pay – in the document. It never goes beyond this to consider taxation as a positive tool to bring about the

redistribution of wealth.

Neither of the two subsequent social encyclicals explicitly go beyond *Rerum Novarum*’s understanding of taxation. Both are redolent of their times.

*Quadragesimo Anno* (1931) seeks to steer a course between ‘individualism’ and ‘collectivism’ and sees, under both capitalism and communism, a hollowing out of civil society and the emergence of an overweening state which undermine the common good as understood by St Thomas Aquinas.<sup>23</sup> It repeats Leo XIII’s teaching on the inadmissibility of excessive taxation but does so in more hyperbolic language.<sup>24</sup> Yet it also allows the state the right to bring “private ownership into harmony with the needs of the common good”, thereby perhaps opening the door to progressive taxation.<sup>25</sup> Thirty years later, the main contribution of *Mater et Magistra* (1961) to the tradition’s understanding of tax is its clear articulation of the principle that “the burdens [of taxation] be proportioned to the capacity of the people contributing”, but it does so in the context of an increasingly wide gap between the city and the countryside and concern for the higher risks and vulnerabilities faced by farmers.<sup>26</sup>

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20 See Pope Leo XIII, *Rerum Novarum* (1891) 20: “[T]he employer must never tax his work people beyond their strength”; and *Ibid* 47: “The State would therefore be unjust and cruel if under the name of taxation it were to deprive the private owner of more than is fair.”

21 *Ibid* 47.

22 *Ibid* 32.

23 Pope Pius XI, *Quadragesimo Anno* (1931) 46; 112; 83-84.

24 Compare Pope Leo XIII, *Rerum Novarum* (1891) 47: “a man’s means be not drained and exhausted by excessive taxation” and Pope Pius XI, *Quadragesimo Anno* (1931) 49: “it is grossly unjust for a State to exhaust private wealth through the weight of imposts and taxes.”

25 Pope Pius XI, *Quadragesimo Anno* (1931) 49.

26 Pope John XXIII, *Mater et Magistra* (1961) 132.

In these early encyclicals, taxation is conceived of only on a national level: within countries. Only after the Second Vatican Council does the tradition begin to consider taxation in the light of disparities between countries.

### **The second phase: international taxation (*Populorum Progressio*, *Justice in the World*, *Caritas in Veritate*)**

*Populorum Progressio* (1967) sets taxation in the light of international development. It suggests how taxation could be used to reduce economic disparities between countries, essentially making the same suggestion twice but viewing it through two different lenses. Firstly, it uses the pragmatic lens of revenue generation: it challenges people in wealthier countries to accept higher levels of taxation so that their governments have the revenue needed to engage in international development.<sup>27</sup> Secondly, it uses a moral lens through which the worth of different goods is viewed, suggesting that it is “luxuries and... wasteful expenditures” that should be taxed in order to promote development and peace.<sup>28</sup> Here, the tradition begins to explore targeted taxation, recognising that unnecessary expenditure could be taxed at a punitive rate. Although not further developed in the encyclical, there is also, perhaps, the suggestion of promoting behavioural change by such taxation.

The idea that taxation could be used to

effect an international redistribution of income or wealth reaches its apogee in the 1971 World Synod of Catholic Bishops’ document *Justice in the World* which calls for “a graduated taxation of income as well as for an economic and social plan for the entire world”.<sup>29</sup>

This suggestion is made during the height of the social democratic era which followed the Second World War, a period in which nation-states around the world were actively using progressive taxation to promote social change. By 2009 the world was very different. The encyclical *Caritas in Veritate*, published not long after the early events of the global financial crisis, restricts itself to a single mention of taxation: “fiscal subsidiarity”.<sup>30</sup> This is the idea that taxpayers can decide how the state spends a proportion of the money they pay in taxes.

### **Contribution of the U.S. bishops: *Economic Justice for All*: Pastoral Letter on Catholic Social Teaching and the US Economy**

The US Conference of Catholic Bishops published a pastoral letter called *Economic Justice for All* in 1986. It is one of the most comprehensive treatments of taxation within a single church document in the twentieth century. This set taxation in the wider context of justice in the US and world economy. A central theme of the document is the preferential option of the poor which, it states, should be “the central priority for policy choice”.<sup>31</sup> The

27 Pope Paul VI, *Populorum Progressio* (1967) 47.

28 *Ibid* 84.

29 World Synod of Catholic Bishops, *Justice in the World* (1971) 66.

30 Pope Benedict XVI, *Caritas in Veritate* (2009) 60.

31 United States Conference of Catholic Bishops, *Economic Justice for All* (1986) 260.



document both develops the thinking on taxation found in earlier texts and also makes more specific suggestions as to what an ideal tax system would look like under present conditions. A key contribution of the letter is the claim that “the tax system should be continually evaluated in terms of its impact on the poor”.<sup>32</sup> It sets out three principles to guide this evaluation. Firstly, the tax system should raise enough revenue to meet the needs of society and especially the poor. Secondly, tax should be progressive with the greatest burden on those most able to pay. Thirdly, no income taxes should be paid by the poorest families.<sup>33</sup> Despite this focus on a tax system based on the ability to pay and the needs of the poorest,<sup>34</sup> the letter retains the balance of the encyclicals by noting that business can serve society under the right tax system, especially by preserving the environment, employing the disadvantaged and creating jobs.<sup>35</sup>

### **CBCWE Publication: *Taxation for the Common Good***

The Committee for Public Life of the Catholic Bishops’ Conference of England and Wales published *Taxation for the Common Good* in April 2004. It examined UK taxation in some considerable detail. Its central thesis was that “in principle,

taxation is neither a burden nor a necessary evil, but... a positive contribution to the common good, a responsibility of citizenship.”<sup>36</sup> This represents a further development of the tradition and provides the most coherent grounding in the Catholic social teaching tradition to date. After acknowledging that taxes in ancient and mediaeval times were often punitive and used to fund armies, it goes on to recognise a human vocation to live together in society and grounds modern taxation in this vocation.<sup>37</sup> Taxation, it says, should embody the values of solidarity and justice. It notes how supposedly private profit is, in reality, dependent on public goods such as education and roads, and notes that taxation provides distributive justice which helps to ensure the dignity of the person.<sup>38</sup> The document also reminds us that the common good demands that the needs of future generations are taken into account.<sup>39</sup> This focus on the future, and inter-generational responsibilities, perhaps indicates how the tradition is currently developing.

### **The third phase: integral taxation?**

None of the major documents of Pope Francis treat taxation directly.<sup>40</sup> What should we make of this absence? The

<sup>32</sup> *Ibid* 202.

<sup>33</sup> *Ibid*.

<sup>34</sup> *Ibid* 76.

<sup>35</sup> *Ibid* 117-118.

<sup>36</sup> Committee for Public Life, Catholic Bishops’ Conference of England & Wales, *Taxation for the Common Good* (2004)173.

<sup>37</sup> *Ibid* 4-6; 13.

<sup>38</sup> *Ibid* 23; 30.

<sup>39</sup> *Ibid* 25.

<sup>40</sup> There is a passing reference to “tax evasion” in Pope Francis, *Evangelii Gaudium* (2013) 56 under the subtitle, “No to the new idolatry of money”

Catholic social teaching tradition is contextual, seeking to apply Church teaching to the social problems of the present day. We see this in the development sketched out here from a first intra-national phase, which treats tax in the context of labour and capital, through a second international phase which focuses on international development. We can also see a development in the tradition from seeing tax negatively as a necessary burden to seeing it as a positive tool to promote the common good.

In the apostolic exhortation,

*Evangelii*

*Gaudium* (2013),

Pope Francis spoke of a polyhedral globalisation which balanced global convergence with local distinctiveness.<sup>41</sup> Here, the common good is conceived integrally as a reconciled diversity of the global and the local. In his encyclical *Laudato Si'* (2015), Pope Francis characterised the earth as “our common home”.<sup>42</sup> The encyclical describes a combined environmental and social crisis which threatens the common good of the earth and its peoples.<sup>43</sup>

41 Pope Francis, *Evangelii Gaudium* (2013) 236.

42 Pope Francis, *Laudato Si'* (2015) 1.

43 *Ibid* 139.

44 For example, see the Green Fiscal Policy course available on the [One UN Climate Change e-learn website](#).

Although the encyclical does not treat taxation directly, taxation has clear implications for this global common good. Of the two parts of the crisis, the implications of taxation for the social element have been addressed throughout the tradition. This now needs to be supplemented by the environmental

aspects. There is a growing awareness of the importance of green fiscal policy in secular thought through, for example, contributing towards the Sustainable Development Goals promoted by the United Nations. Such thought already evokes a key strand of the

Catholic social

teaching tradition – the preferential option for the poor – through its focus on reducing vulnerability to environmental degradation, alleviating poverty through investment in health, education and infrastructure, and reducing inequality.<sup>44</sup> There has also been much discussion in the social sciences, over the decades, of taxes designed to reflect environmental harms caused by consumers or producers. This is reflected in *Laudato Si'*. Quoting

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**Catholic social teaching tradition is contextual, seeking to apply Church teaching to the social problems of the present day.**

the earlier encyclical, *Caritas in Veritate*, Pope Francis mentions that the economic and social costs imposed on others by the using-up of shared environmental resources should be borne by people who take those decisions and not by other people or by future generations.<sup>45</sup> Elsewhere, *Laudato Si'* also mentions the “obligation of those who cause pollution to assume its costs”.<sup>46</sup> These are not purely questions of economic efficiency. The principles of distributive justice point in the direction of the use of mechanisms, including taxes, to ensure that people bear the cost of their behaviour when it comes to the exploitation of environmental resources. The use of taxes in this way still allows decision-making to take place at lower levels in society whilst people are guided in such a way that they promote the nurturing of environmental goods.

As the third phase develops, Catholic social thought and teaching has much more to contribute to illuminating questions related to taxation. It provides a coherent set of principles ordered to the common good which can inform specific proposals right now, such as progressive taxation, inclusion of the poor and inter-generational solidarity.<sup>47</sup> But Catholic social thought and teaching also remain open to transcendence and the possibility of another world where things are done differently.<sup>48</sup> To borrow the political economist Luigino Bruni’s eloquent definition of the civil economy tradition, Catholic social teaching “is not that alternate system, neither in thought nor practice. It is, however, a laboratory of thought and practice in which we can attempt to imagine it.”<sup>49</sup>

45 Pope Francis, *Laudato Si'* (2015) 195 cf. Pope Benedict XVI, *Caritas in Veritate* (2009) 50.

46 Pope Francis, *Laudato Si'* (2015) 167.

47 Committee for Public Life, Catholic Bishops’ Conference of England & Wales, *Taxation for the Common Good* (2004) 24; 25; 141.

48 Anna Rowlands, *Towards a Politics of Communion: Catholic Social Teaching in Dark Times* (2021) p. 4.

49 L. Bruni and S. Zamagni, *Civil economy: another idea of the market* (2016) p. 4.



## Chapter Two: Taxation in Catholic Scholastic Thought

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### The legitimacy of taxation – St Thomas Aquinas

Approaching the tradition of Catholic social thought on taxation is not an easy task as the subject did not historically merit detailed treatment in the works of key authors in this tradition. As with many other questions in Catholic social thought and teaching, a logical starting point is the work of St Thomas Aquinas. While the theme of taxation was not analysed in detail by Aquinas, it is nevertheless possible to identify some key insights from his work.

Firstly, Aquinas recognised that, although undesirable, taxation may be necessary and legitimate in cases where the rulers do not have sufficient means to provide for “common utility”:

“You asked whether it is licit for you to make exactions from your Christian subjects. In regard to this, you ought to consider that the princes of the earth were instituted by God not to seek their own gain, but to look after the common utility of the people... For this reason the revenues of certain lands were established for princes, that, living on them, they might abstain from the despoiling of their subjects... Yet it sometimes happens that princes do not have revenues sufficient for the custody of the land and for other duties which reasonably fall upon them; and in such a case it is just that the subjects render payments from which their common utility can be cared for. And thence it is that in some lands, by ancient custom, the lords impose fixed taxes on their subjects, which, if they are not immoderate, can be exacted without sin... Wherefore the prince, who serves the common utility, can live on common property, and can look after the common affairs either from his assigned revenues or, if they are lacking or insufficient, from those which are collected from individuals.” (Thomas Aquinas, *De Regimine Judaeorum* (trans. E. Lewis, *Medieval Political Ideas*, 1954), p. 111

If princes could provide for themselves through revenue from their own property, this would be preferable but, considering that would not always be feasible, “common utility” and the fulfilment of duties that “reasonably fall upon them” may justify princes obtaining regular revenues through the imposition of taxes on the population. It is, however, important to note that Aquinas qualifies the legitimacy of taxes by their moderation. So, for Aquinas, the same principle of “common utility” that justifies the legitimacy of taxation (and that one could reasonably argue is more present in contemporary societies than was the case in Aquinas’ time) also imposes a duty of imposing moderate taxes.

And this is not simply a recommendation but rather a serious condition for the legitimacy of taxation since, in Aquinas' judgement, it is in fact only moderate taxes that can be "exacted without sin".

This whole discussion may seem rather antiquated. Modern states do not generally have independent sources of income which they then, in the way described above, supplement via taxation. However, some general principles can be extracted. It is the duty of governments, whether democratically elected or not, to undertake certain functions to promote the common good. The state needs resources to do that. The taking of those resources in taxation involves the state taking the property of its citizens, but that is appropriate if taxation is moderate and the proceeds are used for the legitimate functions of the state.

Thus, a more general - but indirect - case for taxation can be made in a Thomistic framework if one considers that rulers have a duty to promote the common good by enacting legislation that is in accordance with right reason and natural law and that, in accordance with natural law, private property is subordinate to the universal destination of goods. This implies that, in circumstances where it can be reasonably ascertained that protecting and promoting the common good requires imposing taxes by legitimate authorities, such taxes can potentially be deemed necessary. In turn, Aquinas' views on justice (which largely build upon Aristotle) also indirectly impose duties of proportionality and moderation on the political authorities that impose taxes.

## Taxation and the late scholastics

The late scholastics were a group of largely Iberian scholars who followed the method of St Thomas Aquinas. Their main work took place in the 16th and 17th centuries. Much of it focused on the practical pastoral challenges that arose from the development of the Spanish and Portuguese empires. They reflected upon the rights and duties of monarchs, human rights and slavery, property rights, just prices and the problem of inflation arising from the discoveries of silver and gold. Their work has been highly influential in the development of Catholic social teaching, and important figures such as Bartolomé de las Casas and Francisco de Vitoria live on in the names of universities and research centres (including the Las Casas Institute at Blackfriars Hall, University of Oxford).

The late scholastics further developed the Thomistic framework for thinking about the rights and duties of the state, reflecting upon taxation and public finance, amongst other issues. They regarded taxation as an acceptable means for legitimate governments to raise revenue for their necessary expenses. Simultaneously, they issued acute warnings about the need for moderation on public expenditure and the grave dangers associated with the mismanagement of a country's public finances.

In the words of the Spanish Dominican priest and late scholastic philosopher, Domingo de Soto:

"... rulers who oppress their peoples with taxes and that demand them not

for a legitimate cause, but because of hate or in order to hand out benefits and favors, are reprehended not only by philosophers and historians, but also by the sacred books.” (Domingo de Soto, *Book III, Q. VI, A. VII* (quoted in A. A. Alves and J. Moreira, *The Salamanca School*, 2013), p. 84)

Soto additionally warned that rulers will have a tendency for “demanding taxes in greater quantity than the state needs” and argued for proportional, rather than progressive, taxation on the grounds that “one should pay as much more as more abundant riches he possesses and more profits he reports”. It should be noted that, in a modern tax framework, exemptions from tax will often be given for income up to a certain level and this can vary according to family obligations. If a uniform rate of tax is paid on income above this level, the system will, in fact, involve the rich paying more as a proportion of income than the poor. Soto also warned that if public expenditure is not contained, the population will end up being oppressed through excessive taxation: “as the need of the king’s expenditures grows from day to day, the people is also molested from day to day with many taxes.”

It should not be thought that these ideas simply apply to ancient times when rulers were not democratically elected. It can still be inferred that it remains wrong in democracies to vote for programmes that involve the imposition of taxes on others to benefit one’s own causes unless these can be objectively justified in the light of the common good.

## Taxation in extraordinary circumstances

The Catholic social thought tradition also provides important insights on taxation in extraordinary circumstances, such as times in which a country suffers a foreign military invasion or when a natural catastrophe occurs. Aquinas explicitly distinguished between taxation in ordinary circumstances and in these exceptional moments:

“... the same reason seems to apply if some new situation arises in which it is necessary to spend more for the common utility... for instance, if enemies invade the land or some such situation arises. For then, in addition to the accustomed exactions, the princes of the lands can licitly exact from their subjects some payments on behalf of the common utility. But if they wish to exact more than has been instituted, for the sake of having their own desire or on account of inordinate or immoderate expenses, this is not at all licit for them.” (Thomas Aquinas, *De Regimine Judaeorum* (trans. E. Lewis, *Medieval Political Ideas*, 1954), p. 111)

Within the tradition of Catholic social thought, it may also be prudent to associate Aquinas’ teachings on taxation in extraordinary circumstances with the late scholastic Domingo Soto’s recommendation for rulers to observe the rule that “as soon as the need [that gave rise to a particular tax] ceases, the tax may also cease to be demanded” (Domingo de Soto, *Book III, Q. VI, A. VII* (quoted in A. A. Alves and J. Moreira, *The Salamanca School*, 2013), p. 84).



## Inflation as stealth taxation

It is particularly interesting that several influential late scholastics regarded inflationist policies as a de facto form of taxation – and one that was particularly harmful and unjust. The systematic debasement of money, through governments increasing its supply and lowering its value, has the effect of reducing the purchasing power of the money holdings of citizens and those on fixed incomes whilst generating resources for public expenditure. It was, therefore, regarded as a form of stealth taxation. Economists still see it in this way today, though the mechanisms by which this happens are more complicated and involve central banks.

In line with the justification laid out above for taxation in extraordinary circumstances, inflation was to be tolerated in times of great crisis but persistent inflationary policies that led to the continual devaluation of money were gravely condemned. The sixteenth-century Spanish Jesuit and late scholastic Juan de Mariana SJ explained this as follows:

“... we grant the king the authority to debase money without the people’s consent, in the pressing circumstances of war or siege – provided that the debasement is not extended beyond the time of need and, that when peace has been restored, he faithfully makes satisfaction to those who suffered loss.” (Juan de Mariana SJ, *A Treatise on the Alteration of Money*, Q. III (quoted in A. A. Alves and J. Moreira, *The Salamanca School*, 2013), p. 132))

Other than in these exceptional

circumstances, systematic policies leading to currency debasement and inflation were actually equated by Juan de Mariana with theft perpetrated by public authorities:

“The king is not free to seize his subjects’ goods and thus strip them from their lawful owners. May a prince break into granaries and take half of the grain stored there, and then compensate for the damage by authorizing the owners to sell the remainder at the same price as the original whole? No one would be so perverse as to condone such an act, but such was the case with the old copper coin.” (Juan de Mariana SJ, *A Treatise on the Alteration of Money*, Q. X (quoted in A. A. Alves and J. Moreira, *The Salamanca School*, 2013), p. 84)

Again, this way of thinking is surprisingly modern. In times of emergency, such as war or pandemic, the need for government to act and to raise finance may be such that the creation of money and inflation might be one method used amongst many during the emergency, but the policy should be rapidly reversed. We can see in the current time that the consequences of this approach are not as trivial as might be imagined – the pain of inflation can be just as great as that of explicit taxation, but it is less transparent and tends to be particularly harmful to those least able to protect themselves from its effects, often the poorest and most disadvantaged in society.

Against this background, Mariana advised moderation and recommended that public expenditure be kept by political decision-makers at moderate and proportional levels:

“First of all, somehow, court expenditures could be lessened, for reasonable and prudent moderation is more splendid and manifests more majesty than unnecessary and unreasonable consumption.” (Juan de Mariana SJ, *A Treatise on the Alteration of Money*, Q. XIII (quoted in A. A. Alves and J. Moreira, *The Salamanca School*, 2013), p. 85)

## Taxation and the social encyclicals

The first modern social teaching document of the Catholic Church, *Rerum Novarum*, was published by Pope Leo XIII in 1891. One of the drafters of the document was *Matteo Liberatore*, though his work was amended. Both Liberatore and Leo XIII were students of Taparelli d’Anzeglio who had worked to improve understanding of the work of St Thomas in the Church. Leo XIII followed St Thomas and the tradition of scholastic thought by emphasising the importance of virtuous government in promoting the common good. At the same time, he emphasised that the state should limit the extent to which it taxed the resources of families:

“These three important benefits, however, can be reckoned on only provided that a man's means be not drained and exhausted by excessive taxation. The right to possess private property is derived from nature, not from man; and the State has the right to control its use in the interests of the public good alone, but by no means to absorb it altogether. The State would therefore be unjust and cruel if under the name of taxation it were to deprive the private owner of more than is

fair.” (*Rerum Novarum* 47)

Of course, this raises the question of what is “fair”. Certainly, taxes should be levied on the basis of ability to pay. However, Pope Leo also expressed the view, strongly, that a wide range of bodies had responsibility for the provision of welfare and that the state’s role should be limited.

Pope Pius XI furthered this line of reasoning in the 1931 encyclical, *Quadragesimo Anno*, invoking the teaching of Leo XIII: “Wherefore the wise Pontiff declared that it is grossly unjust for a State to exhaust private wealth through the weight of imposts and taxes” (*Quadragesimo Anno* 49). At the same time, Pope Pius emphasised, beyond all doubt, the responsibility of the rich to support the less well-off through charity. Firstly, he noted that the obligations of the rich to use their property for the benefit of others went well beyond their obligations in law. Secondly, he stressed that the obligations in this respect were serious: “Rather the Sacred Scriptures and the Fathers of the Church constantly declare in the most explicit language that the rich are bound by a very grave precept to practice almsgiving, beneficence, and munificence” (*Quadragesimo Anno* 50).

Later encyclicals have incorporated different perspectives on the role of the state in the financing of welfare, healthcare and education, and are less sceptical about this than earlier teaching. Welfare, healthcare and education make up the bulk of contemporary government spending and, hence, lead to the need for substantial taxation. This modern teaching does not negate earlier teaching. Pope John Paul II, Pope Benedict XVI and Pope Francis

have, in their different ways but all in line with earlier teaching, criticised the state taking over society's role in the provision of welfare, called for a renewal of the principle of subsidiarity and expressed concern about a 'welfare mentality'. This remains contested space and the principles of Catholic social teaching might well be applied in a different way in different practical contexts. The late scholastics understood this well. However, in summary, we can distil the following general principles regarding taxation:

- Taxes should be moderate as they reduce the ability of a family to undertake their responsibilities – including obligations in charity.
- The obligations of the rich to the less well-off do not end with the payment of taxes. They have very grave responsibilities in this respect, and they answer to God if they do not fulfil them.
- We should not assume that the government should be the only or, indeed the main, provider or financer of education, healthcare and welfare provision. This does not mean that it should not have a role,

but the legitimate extent of that role is contested. If we consider the natural human imperfection of those in power, we should be aware that they will not always act to promote the common good and the Christian vision of education, healthcare and welfare. Therefore, in monopolising these fields, they can undermine other institutions in society that are closer to and better able to respond to those in need – not least the family.

- To tax via the mechanism of creating inflation is especially pernicious as the tax is hidden and can often fall on the most vulnerable.

Overall, we can say that the analysis of the late Iberian scholastics in matters of public finance and taxation combines a realistic anthropological approach with a sophisticated theoretical framework and a scepticism about the workings of government given our fallen nature. Their work resulted in many insights and contributions that were advanced for their time and, indeed, even can be regarded as being advanced when judged by contemporary standards.



**Chapter Three: Taxation in Sacred Scripture**

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This short essay will reflect on the teaching of the Bible concerning taxation. Several caveats are necessary. This discussion is not necessarily comprehensive: it does not cover every single aspect of relevant biblical teaching. The essay is not policy-orientated: it does not recommend one policy prescription or another. Instead, we are concerned with the principles and applications of taxation within Scripture and not the development of a systematic theology.

Another warning is also necessary. The political context at the time the Scriptures were written was markedly different from our own. Whatever their flaws, modern democratic systems do, at least, ensure that our rulers govern by consent. Whilst taxes can be, and are, levied unjustly and spent unwisely in modern democracies, there are, at least, constraints on our governments. Biblical times often saw taxes levied by the rich and powerful on the poor and oppressed – sometimes by an outside ruler. If the political order is structured in such a way that the poor, the widow and the orphan are at the centre of social concerns, we may (or may not) judge the role of taxation to be different from a situation where the political order, in practice, acts as an oppressor of the people.

Nevertheless, there are numerous references in the Scriptures to taxation and a variety of different types of taxation arise in different contexts. As such, despite these caveats, we can draw lessons from the scriptural references to taxation. The aim of this chapter is to set down the principles which shape the Bible's teaching and deal with specific examples of taxation in the Bible.

Taxation can be an emotive issue and it is important that we start from first principles rather than run to selected and favoured verses (for example, Mark 12:17, "Render to Caesar the things that are Caesar's", and Romans 13:7, "Pay... taxes to whom taxes are due").<sup>50</sup> We can then consider these verses and others in context.

**Basic principles**

Before considering the nature of taxes levied within the biblical narrative, in both ancient Israel and in the New Testament, we start with three important principles.

***The creation mandates***

The creation mandates are those concepts and principles established in the first chapters of Genesis (Gen) which, as Pope John Paul II said, are "decisive for man from the

<sup>50</sup> All scriptural quotations are taken from the Revised Standard Version unless stated.

very beginning.”<sup>51</sup> There are three such mandates to which we can refer for our discussion here. First, the principle of enterprise. Economic growth comes from humanity’s application of the resources and riches of nature set out in Genesis 2:8-15. We see here the description of the precious raw materials which God has provided in the creation: gold, aromatic resin and onyx, together with the waters of the river. The gold is specifically described as “good” (Gen 2:12). When combined with the second creation mandate, the mandate to work (Gen 2:15), we can see that part of God’s clear intention for every person is to work, harnessing the resources of the world in producing goods and services and adding value. Consequently, very quickly in the biblical story, we see the development of commerce and the specialisation of labour (Gen 4). The third creation mandate to note is the fundamental concept of human dignity which derives from humanity’s creation in the image of God (Gen 1:27).

How are these ideas relevant to discussions around taxation? They remind us of two basic aims and purposes within the economic system, of which taxation is part, if the economy is to reflect God’s purposes in creation. The first of those is the affirmation of prosperity and enterprise. The second is the value and protection of the human person. We should hope to see systems of taxation reflecting both of these elements.

Creation mandates are necessary, but not sufficient, conditions for a theology of

business, enterprise, taxation and work. The mandate to work also includes the mandate to stewardship. We might see prosperity as an essential element of the creation mandates, but not as something that should be unlimited. The mandates reflect the ideal set out in Genesis, yet we must also acknowledge the Fall and the impact of sin which, as we will see when we consider some specific examples, can impact both the positive uses of taxation revenue and contribute to some inherent dangers.

### ***Private property***

The principle of private property is important because taxation represents an alienation of private property in one form or another. This does not mean that taxation is wrong, but scriptural teaching on private property must have some relevance for a discussion of taxation. The Bible (and, indeed the Christian tradition) teaches the principle of private property both before and after the Fall. *Rerum Novarum* (1891) described the principle of private property as “sacred and inviolable.”<sup>52</sup> God designed the creation with the principles of work and enterprise we have already discussed to provide for and support human life and, indeed, family life. This implies private property.

There are injunctions in the Mosaic law against both the stealing of private property and covetousness towards the property of others (Exodus 20:15-17). Similarly, there are directives against the moving of boundaries (Deuteronomy 19:14, 27:17; Proverbs 22:28). In 1 Kings

51 Pope John Paul II, *Laborem Exercens* (1981) 4.

52 Pope Leo XIII, *Rerum Novarum* (1891) 46

21, we see Elijah's rebuke of Ahab and Jezebel for Naboth's murder and the theft of his vineyard. In Job 24:2, we see the condemnation of theft through the removal of boundary markers.

In the New Testament, we see the affirmation of property ownership through the reaffirmation of the commandments by both Jesus (Matthew 5:17-20; Luke 18:20) and Paul (Rom 13:9). Theft is condemned and thieves will not inherit the kingdom (1 Corinthians 6:9-10). Individual house ownership is also affirmed in Acts 16:15 and in the example, among others, of the Bethany family (John 11).

However, the Bible also teaches that the ownership of property is not unlimited. The principle of stewardship is reinforced with the notion that "[t]he earth is the Lord's" (Psalms 24:1). Property is intended to be used for the common good, as in the story of Ananias and Sapphira (Acts 5:1-4). The idea of government possessing property necessary for the governance of the people is not something that is criticised in Scripture.

We might conclude that the principle of private property provides for stewardship,

order and peace. It is inviolable but not unlimited.

### ***Limited government***

This links to the question of taxation as required by the lawful authority. The provision and role of kingship in ancient Israel provides us with useful insight into the nature and boundaries of that

authority. The key passage is Deuteronomy 17:14-20. Moses warns the Israelites about the dangers of an autocratic and unlimited monarchy. The limitations here are instructive. First, and at the most basic level, the king must be one who submits to the Lord – in other words, the king must accept both legal and moral restraints

on government (Deut 17:15). Verses 16 and 17 warn against the acquisition of horses, wives and wealth. There are many examples both in the Ancient Near East and elsewhere of despotic rulers building up military might (horses) and personal wealth (gold and silver) and of being turned away morally from the common good by all three (horses, wives and wealth).

Rather, the king must place himself under the moral law of God, submit to God

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**The principle of stewardship is reinforced with the notion that “the earth is the Lord’s” Property is intended to be used for the common good.**

and ensure that nothing could turn his heart away from God. In so doing, he will revere the Lord, recognise his own proper place as servant, will not lord it over his fellow citizens and will subject himself to the requirements of the law. We have a picture of a dutiful rather than a despotic monarch: one who serves rather than one who acquires.

The principle of limited government is not one of no government. Similarly, in applying this principle to ideas of taxation, we are more likely to conclude that balance and proportionality in the application of taxation provisions are the guiding features of government lawfully levying taxation.

## Types of tax in the Bible

In the light of these basic principles, let us now turn to assess the different types of tax and their nature as set out in the Holy Scriptures. Manuel Jose and Charles Moore, in an article entitled '*The Development of Taxation in the Bible: Improvements in Counting, Measurement, and Computation in the Ancient Middle East*', set out five different types of tax levied in the Bible.<sup>53</sup> Four of these taxes are direct taxes. These were levied on income and property or comprised either special assessments or poll taxes. One of the categories of tax is an indirect tax covering customs duties and sales taxes. We will consider each in turn and with an example.

The first reference to an income tax is in Genesis 47:26. This is concerned with Joseph's management of the famine in

Egypt. Joseph levied a tax at a flat rate of 20 per cent upon the income or yield of the land to provide for the anticipated future shortage. By the time the people of Israel had left Egypt for the Promised Land, the assessment was in the form of a tithe of 10 per cent for the purpose of supporting the priests and Levites together with the principle of first fruits. In both cases, the idea was to ensure a proper acknowledgment of lawful authority and ownership. In the first case, the priests were excepted; in the second, the tithes formed their income. The greater the amount produced, the more would be given to the lawful authority, but the proportion did not change: the tax was a flat-rate levy.

The second type of tax is a property tax. We see this enacted in 2 Kings 23:35. Jehoiakim was forced to pay vassalage to the Pharaoh, and he did so by raising a tax assessment on the value of the land with each person paying according to their assessment. This tax seems to have been based on property value rather than any income from the land. We do not know whether the tax levied was a flat rate, although that seems most likely as the tax was on value. If this were the case, more tax would be paid if more wealth were retained in property.

The third type of tax is a special assessment which may, in modern parlance, have some similarities with a windfall tax. In 2 Chronicles 24:5, there is a temple repair tax levied. We are told that this was an annual tax, but we do not know the basis of taxation. The tax was hypothecated and

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53 M. L. Jose and C. K. Moore, '*The Development of Taxation in the Bible: Improvements in Counting, Measurement, and Computation in the Ancient Middle East*', *The Accounting Historians Journal*, 25(2) (1998) pp. 63-80.



only used for the purpose for which it was collected (2 Chron 24:12).

The fourth type of tax is a poll tax – a tax levied at a set amount per capita. There are, in fact, numerous examples of poll taxes in the Bible. These include a census tax per person (Ex 30:12); a flat one-third shekel worship tax (Nehemiah 10:32); a half-shekel temple tax in the New Testament (Mt 17:24-27); and the census tax levied at the time of Jesus' birth in Lk 2:1-3 (we cannot be absolutely sure in this regard, but previous census taxes were poll taxes).

There were also various indirect taxes and customs duties mentioned in the Bible. In Ezra 4:20, there is reference to "tribute, custom, and toll" being paid to the king. The latter two almost certainly represented forms of indirect taxation such as levies on articles consumed or tolls. Romans 13:6-7 also seems to draw a distinction between taxes and revenue: both are due to the lawful authority and it is reasonable, as some commentators suggest, to view the former as direct taxation and the latter as indirect.

What can we conclude from this briefest of surveys on the types of tax seen in the Bible?

Firstly, we can draw attention to the variety of methods of taxation used, all of which were considered legitimate means of raising revenue. Secondly, there does appear to have been a greater use of poll taxes and indirect taxes as time went on such that these were the principal forms of taxation in the New Testament. Thirdly, we should note that the tax burden was one of the reasons cited for the division of

the two kingdoms in 2 Chronicles 10:2-19 – described as the "heavy yoke upon us".

## **Specific matters relating to taxation**

There are several aspects of scriptural teaching relating to taxation and its context to which we should draw attention.

### ***Role of government and the voluntary principle***

The proper role of government is a significant topic in its own right and beyond the particular scope of this paper. There are several references in the Old Testament to the principle of gleaning (for example, Leviticus 19:9-10; Deuteronomy 24:19-21). In the Leviticus passage, which deals with various matters relating to property and economic ethics and justice, the people of Israel are told that, in harvesting their fields, they should not reap to the very edge or gather up the fallen gleanings. In the vineyard, they should refrain from going over and over to pick up the last grapes: these are to be left for the foreigner and the poor. The message of the Deuteronomy verses is the same. Scholars debate the degree to which such provision might be considered a form of taxation or, alternatively, voluntary provision in response to God's divine will, but the latter is probably the explanation that fits best. Catholic social teaching throughout the ages has distinguished between these two different forms of response to the needs of the poor.

These passages place both some limits and some obligations upon enterprise, business and wealth creation for the purpose of

providing for the needy. Limited social obligations are imposed on farmers in order to meet real social need. This does not obviate an appropriate and proper role for government support for those in need or to provide certain services financed through taxation. But this practice of gleaning involves limits to the law, and it is clear that responsibility for the poor is a shared enterprise. This is of relevance when we reflect further on the injunctions against heavy or burdensome taxation which also feature in Scripture. Indeed, Catholic social teaching has always recognised that the provision of welfare is a shared endeavour.

### ***The Amos injunctions***

Amos is a prophetic book that, in the tradition of the pre-exilic prophets, denounces the failures of the people of Israel to maintain the Lord's standards of justice. The economy and business feature particularly in chapter 8. Weights and measures and unlimited commercial activity without regard for the poor and needy are condemned. This is a further reminder that, although the Bible endorses enterprise, entrepreneurship and wealth creation, this is accompanied by limits and obligations. Amos 5:11 warns us against the problems of heavy and exploitative taxation. The verse says: "you levy a straw tax on the poor and impose a tax on their grain". However, it is important to note that the following verses make clear that the proceeds of this tax have been used for the personal benefit and aggrandisement of the rulers and not for the general welfare. The use of "impose" ("levy" is perhaps a more neutral term) reminds us that

taxation requires consent, must be used for good purposes, and should not represent an excessive burden, especially upon the poor.

<sup>54</sup>

### ***Render to Caesar (Mt 22:15-22)***

Justin Martyr, in his First Apology chapter XVII, referred to Luke 12:48 in the context of paying taxes to the lawful authority. The biblical passage clearly has some relevance as the question was set in the context of paying tribute to Caesar. However, it may be that this passage is made to bear too much weight in contemporary debates about taxation.

The Pharisees asked Jesus whether it was right to pay the imperial tribute tax to Caesar. Jesus's response, on inspecting the image of the emperor on a coin, was to declare: "render therefore to Caesar the things that are Caesar's, and to God the things that are God's". The tribute tax was levied and paid by non-Roman citizens and had sometimes led to revolt. The question is set out in the passage as a trap, which Jesus recognises. Depending on the answer, he might be seen as either a collaborator or a political activist. Jesus is neither. The image of the emperor on the coin is a representation and claim of power. Jesus could have answered the question without the coin or his own counter-question. This episode is more about allegiance than taxation.

The point here is simply to note that there are many things that can be said about taxation from the Bible, but we should be careful not to proof-text or make passages bear more weight than they reasonably can if we are going to have a coherent overview

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<sup>54</sup> The New International Version (NIV) of the Bible has been used here for clarity.

and rationale for understanding taxation.

### ***Taxes to whom due (Rom 13:7)***

This is an important passage about lawful authority. Indeed, one overall conclusion we might begin to draw is the link between lawful governance, authority and taxation. Romans 13 is concerned with the nature of governance and authority. Government is ordained by God for the common good (Rm. 13:4), primarily the maintenance of law and order. The passage is then explicit in saying that, because government is ordained by God, we should pay our taxes. In other words, government is a lawful authority with the competence to tax (Rm. 13:6). Indeed, as verse 7 points out, we should pay taxes that we owe and revenue that we owe (covering perhaps both direct and indirect taxation as noted earlier).

What might we conclude from this passage? Perhaps we might say that a tax that is lawfully imposed by a lawful authority, and that is not excessive or exploitative, leads to a moral and holy obligation on the Christian who should pay the taxes and not seek to evade them. In our current complex environment, this may raise debate around the morality of avoidance as well as evasion. However, we should probably be clear that Scripture requires the lawful levying of a tax and the moral obligation is to pay the tax as levied by law. We will return to this in our conclusions.

### **Other matters**

We should, albeit briefly, acknowledge some other relevant matters although there is not the space to go into detail. The first of those is the centrality of the family.

The family, both in form and nature, is a central feature of the biblical witness, including in respect of responsibilities within families and we would expect any taxation system to support and encourage family life. Secondly, we should acknowledge that any system of taxation involves some debate around redistribution which involves much wider debates around fairness, justice and social welfare. Any debate about redistribution, in turn, requires consideration of the extent to which this should be the responsibility of government, funded via taxation, and the community acting in a voluntary fashion. The latter is implied in the specific context of the early church (1 Cor 16:2). These are important matters, though beyond the scope of this particular paper. Suffice to say that, in debates around taxation, we should seek justice and fairness within both the tax system and within society as a whole and the responsibility for the poor does not lie with the state alone. In addition, the principle of the common good, the flourishing of all people, appropriate personal responsibility and the principles of justice in society should also shape our thinking. Finally, we should also note, that there is biblical support for the tax system providing incentives to work and, indeed, to allow people to retain the fruits of work (see 1 Timothy 5:17-18 referring to Deut. 25:4 and Lk. 10:7).

### **Conclusion**

The conclusions are not very dramatic. However, since debates around taxation in the public square are often emotive and controversial, awareness simply of the basic principles of taxation in the Scriptures shows that this is an

appropriate area for Christian leaders to contribute to debate. The fact that the conclusions are not very dramatic should lead people to temper their self-confidence in drawing very specific conclusions from Scripture about the ideal approach to taxation in a Christian society.

We can, though, say several things of a general nature. Firstly, Scripture teaches that taxation is a lawful activity of the proper role of government: “taxation is theft” is not a slogan that can be justified from biblical narratives. Secondly, the Bible teaches that there are limits to both government and its activities: hence exploitative taxation does not carry scriptural warrant. There is certainly a moral responsibility to pay lawfully levied taxation; but it is the responsibility of legislators to ensure the law achieves its proper purpose. Thirdly, Scripture seems to endorse a wide variety of methods of taxation, both direct and indirect. This should remind us that all governments, in seeking to raise tax revenue, will use various

methods and we should not necessarily privilege one method (say, income tax) over another (say, a customs duty) from a biblical perspective alone. In fact, Scripture seems to give greater weight to indirect taxes and, if anything, to property tax more than income tax. Scripture does not appear to consider progressive taxation as a norm and prefers flat rates. This should, perhaps, at least warn us to be careful to ensure that modern taxation systems, even if they are progressive in nature, do not fall into the category of exploitation. Finally, we must note wider considerations around family, redistribution and the common good and recognise that the tax system will involve trade-offs between several of these matters and will not be the only mechanism by which the objectives will be achieved.

In short, a proper system of taxation, lawfully levied across a range of methods in pursuit of the common good, is a thoroughly biblical principle, provided the system is fair, balanced and does not exploit.



## Chapter Four: Building from the Bottom Up – Catholic social teaching, society and the state

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A Catholic understanding of taxation requires a Catholic understanding of the role of the state. The purpose of this contribution is not to develop this from first principles but to help us understand how we should see the current development of politics, bearing in mind the lessons of the Covid-19 pandemic. This then has implications for some aspects of how we should see the tax system developing. Following the pandemic, many people are looking to government to protect them ever more strongly in an increasingly uncertain world. Indeed, events such as the invasion of Ukraine and its consequential impact on the cost of living have reinforced this view. At the same time, many, if not most, people understand that central government cannot – and should not – control economic and social life in such a way that it becomes the default solution to all economic and social ills. Do we, as Catholics, have better answers? And, if so, what are the implications for taxation and for fiscal policy more generally?

### Intervention during and after Covid-19

During the Covid crisis, governments around the world, of left, right and centre, intervened in ways that would have been unthinkable before the crisis. The then Chancellor of the Exchequer, Rishi Sunak, was praised for his swift intervention at the start of the crisis, paying wages for furloughed workers and keeping businesses afloat through grants and loans. The free market in rental property was put on hold, with landlords prevented from evicting tenants who failed to pay their rent. Universal credit was raised. In general, financial caution was thrown to the wind. The result of those interventions, while they may have been sorely needed in human terms, was that deficits and debt soared. Only after major wars has government debt as a share of national income been so high.

Perhaps not surprisingly, many are using the crisis to call for a much larger role for the state, arguing that people need greater shielding from the ups and downs of life, both financially and in terms of stronger and more resilient public services. For example, the economics editor of *The Guardian*, Larry Elliott, has argued that:<sup>55</sup>

“The world has been fighting a war against Covid, and in wartime the power of the state always increases... Failings of the old model were exposed in the run-up to the crisis, while the benefits of a more hands-on approach have been demonstrated during the pandemic response. Unsurprisingly, there is appetite for a different way

55 L. Elliot, ‘[During the pandemic, a new variant of capitalism has emerged](#)’, *The Guardian* (30/7/2021).

of running the economy. The reason a new variant has emerged is simple: there is a need for something stronger and more resilient than the old model.”

Conservative politician William Hague has written in *The Times* that government intervention was needed to deal with inequality and a range of other problems.<sup>56</sup> Indeed, the then Johnson government had an emphasis on ‘levelling up’ with large-scale plans for infrastructure, social care and education catch-up.

Of course, we do want all citizens to have access to basic goods and services, including decent healthcare and education. And government – including central government – has a role to play in ensuring that this happens. As *Gaudium et Spes* (1965), one of the documents of the Second Vatican Council, puts it:

“Therefore, there must be made available to all men everything necessary for leading a life truly human, such as food, clothing, and shelter; the right to choose a state of life freely and to found a family, the right to education...” (*Gaudium et Spes* 26)

A right to healthcare is mentioned elsewhere in Catholic social teaching and so this can be added to the list. But the fact that government does not provide food, clothing and shelter directly should immediately raise the question of what the role of government in the economy

and society should be. Although the government has a role in ensuring that all have the basics for a dignified life, the big questions that face us in public policy debates relate to the nature of that role. If we conclude that the government’s role should be less than it has been hitherto in certain areas of economic and social life, this, in turn, leads to the question of how functions currently carried out by government should be carried out and how they should be funded. This has implications for the shape and size of the tax burden.

### More fundamental forces at play

An analysis of Covid, and later crises, reveals a certain fragility of our family lives, our communities, our local societies, our Church and other faith organisations. In short, the crisis exposed a weakened and vulnerable civil society, though it also revealed an ability to respond to need.

As we shut our doors on the world during the pandemic, the Office for National Statistics (ONS) found a substantial increase in loneliness. Within a year of the pandemic taking hold, about 3.7 million adults reported that they felt lonely “always” or “often”.<sup>57</sup> This feeling of isolation and loneliness was not just a result of lock-down, however. It was the result of an ongoing and deeper malaise in society which was exacerbated by the pandemic and by the measures taken.

In his final book, the late Chief Rabbi Jonathan Sacks documented the rise in people living alone in an era he describes

<sup>56</sup> William Hague, ‘[The real danger is insurgency on the right](#)’, *The Times* (19/7/2021).

<sup>57</sup> Office for National Statistics, [Mapping loneliness during the coronavirus pandemic](#) (7/4/2021) accessed 29/8/2023).

as that of “the solitary self”, without the traditional sources of support in place. In the US, for example, he noted:

- Only half of people are married: down from 72 per cent in 1960;
- More than half of those 18-34 do not have a steady partner;
- One-third of Britons and Americans over the age of 65 live alone, and more than half of those over 85 live alone; and
- Fewer children live as adults in close proximity to their parents.<sup>58</sup>

There are also fewer opportunities for people to embrace the “other” through broad and diverse networks. Perhaps the best-known of the social scientists describing the fracturing of institutions that have traditionally brought people together across generations, communities and classes is the American social scientist, Robert Putnam. In his book *Bowling Alone*,<sup>59</sup> he charts the decline in membership of sports teams, local charities, religious congregations, etc. This seemingly small phenomenon symbolises a significant social change which, he argues, has wreaked havoc on our physical and civic health.

Any response to the pandemic must surely involve the reinvigoration of the bonds of family, kinship and community ties; and it must recognise the role of churches and faith groups in helping people support one another during the crisis. The policy

choices necessary to bring about this change of trend, including those in the area of taxation, may well be difficult.

There are some obvious reasons why this fragility has happened. We are facing an era – which started in the 1960s – in which individual desires are increasingly trumping the collective need for order, self-restraint and the common good. We are increasingly living in a world of subjectivity and value-free social mores, with an emphasis on individual autonomy. It is not unusual to hear the refrain from members of ‘Generation Z’ that he or she is ‘living their best life’. This search for self-realisation has seemingly come at the expense of a rich account of human flourishing and human fulfilment.

There is likely to be both cause and effect here, and this creates a dilemma when it comes to solutions. The breakdown of civil society and family ties increases the fiscal costs of dealing with social problems. This exacerbates the tendency for centralised solutions, financed by central government taxation, rather than local solutions being sought. It also increases the demands on public services as well as their cost. At the same time, the centralisation of government and the resultant tax burden on families ‘crowds out’ civil society and local solutions to the problems we face. The Catholic Church certainly supports a very strong role for family, civil society and lower levels of government in solving social problems and this is clear in her social encyclicals. To get to that position from where we are is, however, a huge challenge.

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<sup>58</sup> J. Sacks, *Morality: Restoring the Common Good in Divided Times* (2020) p. 30.

<sup>59</sup> R. D. Putnam, *Bowling Alone: The Collapse and Revival of American Community* (2014).

## The importance of social connections

Catholic social teaching is clear that individuals are fundamentally social beings. Anthony Costello, an eminent doctor and anthropologist, examines the evolution of humanity from pre-social hunter gatherers to the present day. He argues that, rather than being obsessed with finding big, complicated, technological solutions to modern ills, the solutions lie not in technofixes but in harnessing the power of one of the oldest and simplest human units – the sympathy group.

In *The Social Edge*, Costello writes:

“Living in groups is our human condition. We were born to share and struggle, to care for others, be sensitive to their feelings, divvy up food, and work together on tasks. A balance between the individual and the group drove our evolution as the most successful species on earth. Survival of the fittest individual, and sibling rivalry, drives human success in many ways. But other traits determine success within and between groups: the size and cohesion of the group, the division of labour within it, the ability to communicate and to read the intention of others. Group diversity and our willingness to sacrifice personal for collective benefit create trust... Our five or so close family members also usually provide nurture, love and unconditional care. But much of

our happiness and skills come from sympathy groups, gatherings of perhaps three times that number in social meetings – through the workplace, religion, farms, gardens, hunting, clans, books, sport, choirs, politics, loans, dance, games, nature, conservation, investment, hobbies, theatre and voluntary action.”<sup>60</sup>

Catholic social teaching demands the rebuilding of community and civil society. The market and the state should not be the only two institutions promoting prosperity and human flourishing. This point has been echoed by the former Chief Rabbi, Jonathan Sacks:

“The state cannot provide strong families or supportive communities. It cannot provide children with stable and responsible parents. It cannot generate the work ethic, self-control and resilience that are vital if individuals are to escape the vicious circle of poverty and unemployment and lead lives of happiness and hope. It is... not surprising, that those who are suffering from this lack of resilience are increasingly discontented with those who govern them, asking from politics and politicians a satisfaction which they could never hope to provide.”<sup>61</sup>

This dissatisfaction is mirrored in the statistics shown in the *Edelman Trust Barometer*. In 2020, fewer than one in five people in 28 countries agreed that ‘the

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60 A. Costello, *The Social Edge: The Power of Sympathy Groups for our Health, Wealth and Sustainable Future* (2018) p. 14.

61 J. Sacks, *Morality: Restoring the Common Good in Divided Times* (2020) p. 126.



system' was working for them; half said that it was failing. This was a figure that improved slightly in the first few months of the pandemic as government seemed that it was grasping the agenda, before falling again as the pandemic wore on.<sup>62</sup>

This Catholic social teaching perspective does not deny the proper role of the market or the state. However, the signs of the times indicate that we need to rebuild society from the bottom up rather than from the top down. This has important implications both for how we conduct our politics and for policy related to taxation and government spending.

Not only is this vision of reinvigorated families and communities consonant with Catholic social teaching, it also, I would argue, resonates with the British intellectual tradition, stemming right back to the age of the Enlightenment. Indeed, Pope Benedict XVI, when Cardinal Ratzinger, made a distinction between the intellectual tendencies in the British and French Enlightenments, as have others. The British Enlightenment stands in stark contrast to the individualism and rationalism of the French Enlightenment which, in its political manifestations, led both to the raising of the rights of the individual and of the authority of the centralised state.

The late American intellectual historian Gertrude Himmelfarb argued that, in Britain, secular and religious institutions, civil society and the state, public relief and private charity complemented and

co-operated with each other.<sup>63</sup> This can be compared with the period following the French revolution when church and charity schools were abolished. Paradoxically, it was a Protestant country that developed a politics that resonated with key themes of Catholic social teaching.

It is this complementarity of state and civil society that we are at risk of losing if it is not clearly championed. A social reform agenda which reflects the richness of Catholic social teaching would incorporate family, faith and charitable groups.

This may be possible following Covid. Alongside the increase in loneliness, in anxiety and in depression – particularly among the young – during Covid, we also saw some positive and unexpected results. Fay Alberti at the University of York has argued that we might even be seeing a grassroots redefinition of what “community” means in the 21st century:

“In the UK, neighbours are looking out for vulnerable people and volunteering to offer support. University students and services are donating food and equipment to local hospitals, while urban and city dwellers alike stand outside their homes to clap every Thursday for hospital workers. Londoners are walking the dogs of people they have never met. These forms of community action are self-organised and dependent on the same social

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62 Edelman, *Edelman Trust Barometer Global Report 2020*, p. 12.

63 G. Himmelfarb, ‘Two Enlightenments: A Contrast in Social Ethics’, *Proceedings of the British Academy*, 117 (2001) pp. 297–324.

media networks that have previously been condemned as antithetical to real relationships. And they seem to be spreading, virus-like, between cities and countries.”<sup>64</sup>

The specific principle of Catholic social teaching that is often proposed when we use phrases such as ‘building from the bottom up’ is that of subsidiarity. This demands that action in the political

and social spheres is taken at the lowest level possible. Central government should not usurp the role of local government; and government should not do what civil society institutions and families can do. However, that principle also indicates the nature of intervention by governments.

The principle of subsidiarity demands that the government helps other institutions in society rather than takes over their role. Such help can be through finance, co-operation or simply providing a fiscal, legal and regulatory framework that enables all institutions in society to thrive.

The other principles of Catholic social teaching support the idea of ‘building from the bottom up’ too, including the principle

of solidarity. As Pope John Paul II wrote in 1987:

“[S]olidarity... is not a feeling of vague compassion or shallow distress at the misfortunes of so many people, both near and far. On the contrary, it is a firm and persevering determination to commit oneself to the common good; that is to say to the good of all and of each individual, because

we are all really responsible for all.” (*Sollicitudo Rei Socialis* 38)

This requires that we develop relational bonds within communities to support spiritual, emotional and material needs. Doing so promotes both human dignity and the common good. It is for these reasons, amongst others, that Catholic

social teaching has always

demanding that the state should allow – or support – the development and flourishing of a wide range of types of school, including Catholic schools. This applies to other institutions too. In what is generally regarded as the first social encyclical (*Rerum Novarum*, 1891), Pope Leo XIII welcomed the development of charities, societies of mutual aid, benevolent associations and employers’ and workers’

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other institutions in  
society rather than  
takes over their  
role.**

64 F. B. Alberti, ‘[Coronavirus is revitalising the concept of community for the 21st century](#)’, *The Conversation* (29/4/2020).

associations that would provide for the welfare of those in need.<sup>65</sup> This has been echoed through the ages in almost every other social encyclical.

Building from the bottom up does not mean ignoring the importance of political structures. Civil society and political institutions need each other. As Pope Francis wrote in his encyclical letter *Fratelli Tutti* (2020):

“Every commitment inspired by the Church’s social doctrine is ‘derived from charity, which according to the teaching of Jesus is the synthesis of the entire Law (cf. Mt 22:36-40)’. This means acknowledging that ‘love, overflowing with small gestures of mutual care, is also civic and political, and it makes itself felt in every action that seeks to build a better world’. For this reason, charity finds expression not only in close and intimate relationships but also in ‘macro-relationships: social, economic and political’.” (*Fratelli Tutti* 181)

So, what are the lessons for practical politics – and especially for tax and fiscal policy?

## **Lessons for politics and for politicians**

This innate sense of empathy and common instinct to help each other, unleashed at times of crisis, contains lessons for politics and politicians.

Politicians need to rediscover the importance of family, of faith and of

‘place’ in politics. We all need to realise that change comes from the ground up and not the top down. This is not just a call for devolution, as is so often the case in politics, to the four nations of the UK, to Mayors and cities or to local authorities. Nor does it mean calling for a ‘small state’ which withdraws from delivering the services so many rely on. It is a call for a much deeper form of devolution. It means testing every single policy to see whether it supports and nourishes families, charities, faith groups and local communities, allowing them to take the active role that we have seen during the pandemic for which they have the capacity, or whether it undermines families, charities, faith groups and local communities.

As a politician myself, I tried to champion the kind of reforms that would promote parent-led and faith schools; that would tackle the discrimination against low-paid couples by the Working Families Tax Credit (as it was called then); and that would make communities viable for extended families. I must admit that the gains, if any, were modest. Our experience with coronavirus has changed what is possible. I believe that dealing with the problems arising from the cost-of-living crisis will also change what is necessary. Covid provided the potential for more connectedness and more community. The challenge now is for that renaissance to be sustained: by politics, by church communities and by ourselves.

This analysis is firmly grounded in the principles of Catholic social thought

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<sup>65</sup> Pope Leo XII, [\*Rerum Novarum\*](#) (1891) 48-59.

and teaching. The state has particular functions in promoting the common good of society. However, it must do so in such a way that the bonds of solidarity and social justice that arise within other institutions in society, including within and between families, are strengthened and not weakened.

When it comes to government spending, and hence taxation, this might mean that the state does less, spends less and taxes less, though this is by no means certain given the demographic and other challenges we face. If the effect of allowing civil society and families greater space to flourish were reduced demand for government services and welfare, there may be second-round effects too. However, the main conclusion relates not to the size of the state but to how it acts. In particular, the following are important:

- The tax system should ensure that families who care for their children and the elderly are not disadvantaged. Families on the same income level should pay approximately the same amount of tax even if that income is mainly earned by a single earner.
- We should maintain the current tax support for charitable giving. Charities perform some of the functions that would often be undertaken by the state. If an individual reduces their disposable income by giving to charity, it is right that they are taxed on that reduced disposable income.
- We should give greater fiscal autonomy to lower levels of

government and especially ensure that a greater proportion of tax revenue is raised locally.

- Welfare systems should not penalise two-parent families.

In areas such as education and health, government should promote pluralism of provision and fund alternative providers in the same way that government funds its own direct provision. Government should also ensure that it does not use its role as a funder as a pretext to interfere unduly with the charism of such alternative institutions.

The above steps may seem quite tentative. However, there is a dilemma that faces governments that wish to move in the direction proposed here. It might be the case that civil society does not rise to the challenge until there are gaps in provision. At the same time, in any transition, there will be pressure to ensure we do not leave those in need without the basic services they need to thrive.

In that context, the benefits of the proper application of the principle of subsidiarity would be significant. Services currently provided by central government could be provided at a lower cost and with greater engagement with those benefiting from the services. There is likely to be more innovation and less of a 'one-size-fits-all' approach. Perhaps more importantly for the community at large, however, would be the renewal of a civil society and extended family culture, which will give rise to better social relationships and a happier, healthier community that flourishes more effectively on a range of different levels.



## Chapter Five: Taxation and the Family in the UK

ANDREI E. ROGOBETE; ASSOCIATE DIRECTOR, CENTRE FOR ENTERPRISE, MARKETS AND ETHICS.

### Introduction

At one and the same time, the Christian faith recognises both our unique individual calling from God to holy righteousness (or sanctification) in and through Christ as well as our place within society, living in solidarity with others. This call to righteousness requires, as Pope John Paul II made clear in a papal encyclical, *Centesimus Annus*, published in 1991, that we are not simply treated as part of an economic system in which the individual and his or her free choice is suppressed. At the same time, however, given our communal life in society, the state needs to perform certain functions that we cannot perform for ourselves to ensure that all have what is necessary for a dignified life.

Yet the Church has always taught that not everything that is good should either be paid for or provided by the state. Such a mission would be both beyond the state and not proper to the state. Rather, the virtue of solidarity demands that we meet our social obligations to others in society and we do that through a wide variety of mechanisms. There is a wide range of organisations in society which provide for the welfare of their members. All individuals, families, civil society organisations and corporations, as well as the state, are responsible for promoting the common good and solidarity. In ensuring that they do so, the principle of subsidiarity should also apply so that a community of higher level does not take away the functions of communities beneath it. The state should also not exhaust the resources necessary for communities to perform their proper functions.

John Paul II described that rich network of institutions in *Centesimus Annus*:

“Apart from the family, other intermediate communities exercise primary functions and give life to specific networks of solidarity. These develop as real communities of persons and strengthen the social fabric, preventing society from becoming an anonymous and impersonal mass, as unfortunately happens today. It is in interrelationships on many levels that a person lives, and that society becomes “personalized.” The individual today is often suffocated between two poles represented by the State and the marketplace. At times it seems as though he exists only as a producer and consumer of goods, or as an object of State administration. People lose sight of the fact that life in society has neither the market nor the State as its final purpose, since life itself has a unique value which the State and the market must serve. Man remains above all a being who seeks the truth and strives to live in that truth, deepening his understanding of it through a dialogue which involves past and future generations.” (*Centesimus Annus* 49)

And the particular requirement for the state to be limited in its functions and the extent to which it interfered with the family was put rather starkly by Pope Leo XIII in *Rerum Novarum* (1891):

“The contention, then, that the civil government should at its option intrude into and exercise intimate control over the family and the household is a great and pernicious error. True, if a family finds itself in exceeding distress, utterly deprived of the counsel of friends, and without any prospect of extricating itself, it is right that extreme necessity be met by public aid, since each family is a part of the commonwealth. In like manner, if within the precincts of the household there occur grave disturbance of mutual rights, public authority should intervene to force each party to yield to the other its proper due; for this is not to deprive citizens of their rights, but justly and properly to safeguard and strengthen them. But the rulers of the commonwealth must go no further; here, nature bids them stop.” (*Rerum Novarum* 14)

The state is not limited in its functions because the state is somehow not important. Rather, it will be in a better position to carry out its most vital functions if it does not take on those responsibilities which are better left to families and other groups in society – including local government, something which is much

diminished in the UK. It can also be said that, if the family is either not supported or is penalised as a result of the way in which government levies taxation, the basic social support mechanisms within a country will be impaired and many more functions will fall to the government which are better done by other institutions or by the family itself. Indeed, we may get into a vicious circle by which the family breaks down, governments have to spend more on a range of functions and then have to tax families more, thus putting even more strain on working families.

In this essay it is argued that the UK tax system does indeed strongly penalise the family and, in particular, penalises families in which one of the adults undertakes caring or voluntary activities. This is a very poor starting point for a tax system based on the principles of Catholic social teaching. It is also an outlier in international terms.

The family as a unit gains even greater significance when viewed through the prism of Catholic teaching and the Judaeo-Christian tradition. The family is an intrinsic and fundamental part of creation. Within the Catechism of the Catholic Church, the family is considered to be the “principal cell or building block of human society”.<sup>66</sup> God’s intended unity between husband and wife represents a profound connection where the two “become one flesh” (Genesis 2:24). We come together in families to share goods and share tasks, and those families in which individuals take on caring responsibilities should not be taxed much more heavily than families with the

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66 Cardinal W. J. Levada, *The Family in the Catechism of the Catholic Church* (2006).

same income where both are in paid work as happens now.

## The UK tax system

The current income tax system in the United Kingdom is almost entirely based on taxing an individual's earnings. This leaves single-earner families and low-income households at a significant disadvantage. Unlike other western democracies, such as France or Germany, the UK makes minimal provision for family dependants (i.e. non-earners or those on low earnings within a household). In practice, this results in very high levels of average tax rates for single-earner families with more than one adult – even at low incomes.

A fair tax system, designed to pay for goods and services required for public use (including a safety net for the poor), should tax families in a way that is linked to the number of dependants and the household's overall income and ability to pay. In the UK, due to reforms in the late 1980s and the move to individualised taxation, this does not happen. Each individual is given a tax-free allowance and then there are bands of income taxed at progressively higher rates. But these bands cannot be aggregated within the family. If two individuals in a family are each earning £12,500<sup>67</sup>, totalling £25,000 as a household, they pay no income tax at all. On the other hand, if one individual is earning £25,000 and the other stays at home to look after children or frail elderly relatives, the family will pay income tax on £12,500 of their income.

This does not accord with the most basic Christian (or, indeed, economic) understanding of the family. We come together in a family to share love, income, goods and responsibilities. A family's tax position should not depend on who within a family does paid work but on the resources the family has at its disposal. Furthermore, it can be argued that looking after children within the family is both a moral and legal duty. There are, of course, debates about the extent to which the state should support the upbringing of children financially. However, as a minimum, the state should take into account the costs of bringing up children before determining the resources that a family has available on which tax can be levied. Many tax systems achieve this objective by providing additional tax allowances for children.

The extent to which our tax system discriminates against families, especially single-earner families, is demonstrated by the fact that a family with a single earner with earnings of £40,000 would be in the poorest 40% of the population and a single person earning £40,000 per year would be in the richest top 20%.<sup>68</sup>

The system, as a whole, creates unfair average tax rates for single-earner and low-income families. For instance, the amount of income tax and National Insurance paid by a household earning £30,000 annually varies from around £1,600 to around £5,700 depending on how the earnings are split between its members. The family in which one parent

<sup>67</sup> For simplicity it will be assumed that the tax free allowance is £12,500 in this chapter.

<sup>68</sup> *Christian Action, Research and Education, [The Taxation of UK Families](#) (2022).*

undertakes caring responsibilities or other unpaid work will pay the higher amount. The family in which both go out to work and earnings are split evenly between the two adults will pay the lower amount. This difference is huge as a proportion of disposable income after housing costs for a family on such a low income.

In other words, the income tax system places single-earner families in the most unfavourable tax position compared with dual-earner families who are in an otherwise identical position in terms of their income. This situation is exacerbated when National Insurance contributions and other factors, such as the withdrawal of child benefit for earnings above £60,000, are taken into account.

### **Possible solutions to create a more equitable tax system**

The most obvious solution to this problem is to treat the family or household as the unit of taxation. Tax-free allowances and tax bands would be given to a household and based on household composition. If there are two adults, they would receive two bands of tax-free income, as currently happens, but these should be aggregated and used by the household as a whole. A household in which one spouse earned £25,000 and the other had no paid work would have a tax-free income of £25,000, just like a household in which both spouses worked. This would end the discrimination against families in which incomes were uneven because one or other parent took on the majority of caring responsibilities (or for other reasons).

This approach is well within the mainstream of international tax systems. It does not involve some harking back to days gone by in which we had stereotypical views of the role of men and women in family life. In France for instance, family taxation is based on a 'quota', or the number of adults and children within a household. The term in French is 'quotient familial' and the entire composition of the household is used to determine the number of dependants and the subsequent amount of tax payable.<sup>69</sup> Similarly, the German tax system makes provisions for families by a principle of 'income splitting' by which the family income is combined and then divided between husband and wife for tax purposes so that they can make maximum use of tax-free allowances. The German system also makes special provisions for dependants in the form of tax-free child allowances which, it could be argued, is better than the provision of cash benefits for children.

By contrast, the UK has little to no tax deduction provisions for the number of dependants or the employment status of either or both parents. Measures such as the much-acclaimed "Marriage Allowance" are of minimal financial impact.<sup>70</sup>

### **The pernicious impact of the interaction of the tax and welfare systems**

When the UK's tax system is superimposed on the welfare system, the result creates very serious problems indeed. Welfare benefits are taken away as family income increases. So, we have a welfare system

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69 [\*Income Tax France: Calculating your French Income Tax in France\*](#) (accessed 8/8/23).

70 Gov.uk, [\*Marriage Allowance\*](#) (accessed 8/8/23).



based on family income and a tax system based on individual income. This means that if you have a non-earning individual with the responsibilities of caring for a child (in practice, this is normally a mother) with a partner who is earning (possibly the father or somebody who would become a stepfather), forming a family together will see them lose welfare benefits. At the same time, they will pay penal rates of tax because of the situation described above. If the mother were able to transfer their tax-free allowance to the father, the loss of welfare benefits would be compensated by a reduction in the tax paid by the father, which would represent the increased responsibilities that come with family formation.

Jonathan Williams, Family Policy officer for Christian Action, Research, and Education (CARE), argues that: “By forcing a married couple to be treated as two individuals, the UK tax system fails as good public policy... our tax system is philosophically incoherent. Stable families and stable marriages are the bedrock of a strong and flourishing society.”<sup>71</sup> The UK

has a rate of lone parenthood that is over one-third higher than the EU average, and perhaps this is not a surprise given the interaction of our tax and welfare system.<sup>72</sup>

## Conclusion

Pope St John XXIII said that the family “must be regarded as the natural, primary cell of human society. The interests of the

family, therefore, must be taken very specially into consideration in social and economic affairs.”<sup>73</sup>

The family plays a key role in the physical, emotional, and spiritual growth of its members. Recognising the family as a unit of taxation will not only benefit the

family itself but wider

society. Government needs to recognise the importance of the family within the wider socioeconomic dynamics of life in the UK as happens in many other countries. Above all, it should not discriminate, as it does very strongly, against families in which one parent takes on the majority of caring responsibilities. In moving to a tax system that took into account family composition, it would also reduce significantly the penalty on family formation for those on low incomes.

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71 Institute for Family Studies, [Taxing Families in the UK](#) (18/6/2019) (accessed 30/8/2023).

72 Organisation for Economic Cooperation and Development, Family Database (accessed 6/9/2023).

73 Pope John XXIII, [Pacem in Terris](#) (1963) 16.

## Chapter Six: Catholic social teaching, Welfare and Taxation

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We cannot separate a discussion of taxation from a discussion of the legitimate role of the state in the provision of welfare. Whilst the Church, in her formal social teaching, has said relatively little about the level and shape of the tax burden, she has discussed the role of the state in the provision of welfare on several occasions since the publication of *Rerum Novarum* in 1891.

In 2022, the UK government spent over £1 trillion, or over 45 per cent of national income, in total. Of that spending, around 60 per cent was on welfare, including health and education. Around half was on welfare and healthcare alone. These items of government expenditure have increased rapidly in recent years. Government spending is, more or less, at record levels for peacetime. A different approach to the provision of welfare would lead to a radically different tax burden, leaving communities with greater resources to provide healthcare and welfare services in ways other than directly through the state.

### Welfare and Catholic social teaching

The Second Vatican Council of the early 1960s, which renewed the working of the Catholic Church, calls upon people to work together for the 'common good'. This was defined, for example, in *Gaudium et Spes* (1965): "The common good, that is, the sum of the conditions of social life which allow social groups and their individual members relatively thorough and ready access to their own fulfilment" (*Gaudium et Spes* 26).

That the Church should take care of the poor and sick is highlighted in paragraph 42 of the same document: "when circumstances of time and place create the need, she [the Church] can and indeed should initiate activities on behalf of all men, especially those designed for the needy, such as the works of mercy and similar undertakings" (*Ibid* 42). Indeed, the Church today is the largest provider of healthcare in the world.

In order to genuinely reach fulfilment, we need to care for others in a way which expresses love for those in need and develops deep and meaningful relationships with them and others in the community. This raises the question of whether this can be done effectively through the state as a universal provider and financer of welfare.

*Rerum Novarum* contains much material on how a Catholic alternative to state welfare provision might be constituted. In paragraph 48, it strongly endorses the establishment of mutual self-help groups: that is, workplace institutions which offer help to those in need, such as relief to those who cannot work through illness or injury or those left widowed. The document reminds us of the mediaeval guilds which offered such support: "History

attests what excellent results were brought about by the artificers' guilds of olden times... Such unions should be suited to the requirements of this our age" (*Ibid* 49).

The document also notes that the Church has created charities and facilitated almsgiving throughout its history but warns that these bodies have been appropriated or nationalised by governments, a theme to which we shall return: "In many places the State authorities have laid violent hands on these communities, and committed manifold injustice against them; it has placed them under control of the civil law, taken away their rights as corporate bodies, and despoiled them of their property" (*Ibid* 53).

Two principles seem particularly relevant when examining welfare issues. The first is Christian anthropology: the point that the Church's understanding of humanity is based upon the person defined in relation to others and fulfilled through small associations. The second is subsidiarity: the principle that decisions should be taken by the lowest and most local level rather than by a central authority.

The most basic principle of Christian anthropology, following Genesis, is that man is made in the image of God - *imago Dei*. Hence the teaching repeatedly reminds us that "individual human beings are the foundation, the cause, and the end of every social institution".<sup>74</sup> Indeed, *Gaudium et Spes* bases the idea of the common good on the nature of the person:

"For the beginning, the subject and

the goal of all social institutions is and must be the human person which for its part and by its very nature stands completely in need of social life. Since this social life is not something added on to man, through his dealings with others, through reciprocal duties, and through fraternal dialogue he develops all his gifts and is able to rise to his destiny." (*Gaudium et Spes* 25)

It is important to stress this point. The human person is the starting point for the Church's social teaching. We have freedom so that we may be capable of love. To be a person, to be called to love, implies that we are also part of a society. There is a further point: persons do not exist in isolation. To be a human person is similarly to be part of a society, beginning with the family into which one is born. To love others is to serve them, to do them good. And in working to fulfil ourselves and each other, we work together: hence the repeated advocacy of 'small associations'. It might be asked, "why small?". The answer to this is that the limitations of our human nature mean that we can only develop intimate relationships with a relatively small number of people. Of course, people can bind together in larger associations too which may have certain advantages. And the state has certain functions. We are also part of a worldwide community to which we have obligations. But our human nature is such that the state is best, in this area of the provision of welfare, when it is aiding other associations within society

<sup>74</sup> Pope John XXIII, *Mater et Magistra* (1961) 219, as an example of this common refrain.

and not displacing their functions. Whilst there are no geographical limits to defining our neighbour, our obligations to those closest to us are different from those to people who are more distant.

This was highlighted by the explicit development of the concept of subsidiarity by Pope Pius XI in *Quadragesimo Anno*, the encyclical commemorating the fortieth anniversary of *Rerum Novarum* in 1931. The basic idea of restricting state power is already found in *Rerum Novarum*, particularly paragraphs 12-14 on the primacy of the family as compared with the state and paragraphs 14-15 on the role of government. *Quadragesimo Anno* defines subsidiarity thus:

“Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organizations can do. For every social activity ought of its very nature to furnish help to the members of the body social, and never destroy and absorb them.

The supreme authority of the State ought, therefore, to let subordinate groups handle matters and concerns of lesser importance, which would otherwise dissipate its efforts greatly.” (*Quadragesimo Anno* 79-80)

As we shall see below, welfare provision, at different times in many countries, was the responsibility of families and institutions

to which families and working people belonged – guilds, friendly societies, mutual insurance associations and so on. These were successful, and the role of the state in this area developed initially to fill in gaps in provision and to provide a baseline for those who were most vulnerable. In many countries, we see remnants of the previous way of doing things, such as in social insurance schemes for healthcare of the type that exist in Germany. But, in most modern states, the government has become the primary financier and often the provider of healthcare and welfare operating through centralised state bureaucracies in an impersonal way. In *Centesimus Annus*, published in 1991, Pope John Paul II reflected on this development:

“In recent years the range of such intervention has vastly expanded, to the point of creating a new type of State, the so-called ‘Welfare State’. This has happened in some countries in order to respond better to many needs and demands, by remedying forms of poverty and deprivation unworthy of the human person. However, excesses and abuses, especially in recent years, have provoked very harsh criticisms of the Welfare State, dubbed the ‘Social Assistance State’. Malfunctions and defects in the Social Assistance State are the result of an inadequate understanding of the tasks proper to the State. Here again the principle of subsidiarity must be respected: a community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions,



but rather should support it in case of need and help to coordinate its activity with the activities of the rest of society, always with a view to the common good.

By intervening directly and depriving society of its responsibility, the Social Assistance State leads to a loss of human energies and an inordinate increase of public agencies, which are dominated more by bureaucratic ways of thinking than by concern for serving their clients, and which are accompanied by an enormous increase in spending. In fact, it would appear that needs are best understood and satisfied by people who are closest to them and who act as neighbours to those in need. It should be added that certain kinds of demands often call for a response which is not simply material but which is capable of perceiving the deeper human need. One thinks of the condition of refugees, immigrants, the elderly, the sick, and all those in circumstances which call for assistance, such as drug abusers: all these people can be helped effectively only by those who offer them genuine fraternal support, in addition to the necessary care.”  
(*Centesimus Annus* 48)

This message is echoed in successive encyclicals, including *Deus Caritas Est* (2005) and *Caritas in Veritate* (2009). In Pope Francis’s encyclical *Fratelli Tutti* (2020) and apostolic exhortation *Evangelii Gaudium* (2013), a ‘welfare mentality’ is criticised and the importance of

relationships with, and genuine personal care for, the poor is emphasised. It is true that, in the post-war period, support for some kind of state financing of healthcare and welfare provision has been a feature of Church documents. It is also the case that it has been clear that the Church believes that the state has a responsibility to ensure that all can receive appropriate healthcare and material provision in case of serious need. But it has not been intended that provision by the state should replace forms of support based on the family, mutuality and fraternity.

### **The UK model of healthcare and welfare provision**

This Catholic vision contrasts with the reality of welfare provision in the UK. In our country, healthcare is essentially the monopoly of the National Health Service (NHS) which is a government agency and one of the largest employers in the world with 1.4 million staff.

The King's Fund is an independent charity working to improve health and care in England. In May 2018, it produced a detailed report analysing healthcare data from 21 OECD (Organisation for Economic Co-operation and Development) countries and stated that the NHS was continuing to fall behind other comparable countries. Britain has poor survival rates for major diseases and low numbers of doctors, nurses and hospital beds per capita. However, the ratio of doctors' pay to average earnings is amongst the highest in the world. There is also evidence of weak accountability in the system with several recent, very serious, scandals following the ignoring of warnings and complaints. These

problematic outcomes are despite the fact that, in 2021, the UK had the fifth-highest level of healthcare spending in relation to national income out of the 38 OECD countries. Few, if any, comparable countries have a healthcare system of the type that exists in the UK. In Germany, for example, there is mixed financing combined with church, charitable, mutual, commercial and government provision of healthcare. This is true of much of Europe.

When it comes to welfare, less –well-off households receive income supplements through a system of Universal Credit in the UK. As is indicated by the name, this is a uniform system delivered by a state bureaucracy with little consideration being given to the specific needs of recipients and the personalised measures that might help them move away from welfare.

The provision of welfare does not have to be like this, as Catholic social teaching and recent British history (and indeed the history of other countries) make clear.

## **Alternatives from which we can learn**

What is the alternative to bureaucratic and expensive state provision? How can welfare be made more relational and fraternal? Rebuilding civil society would seem to be a good start, particularly by a revival of mutual self-help groups, inspired by spiritual values, which we might call by their old mediaeval name of ‘guilds’. Of course, we cannot return to the exact model of mediaeval guilds any more than we can return to speaking Chaucerian English. But we can note their important functions. The guilds were one part of an interconnected system of Christian aid and welfare

linked, as they were, to great churches and hospitals, the latter providing both alms and medicine. They were also a mutual self-help group. Indeed, the guild chest or fraternal treasury had a close resemblance to more modern friendly societies, as there was not only help for when somebody was unable to work but also a pension for the infirm.

Sadly, the Reformation destroyed this model of welfare and healthcare provision in Britain. But, in many countries and in many different eras, this form of mutual and fraternal welfare provision sprung up and was extremely effective. In the UK and in much of continental Europe, for example, unemployment insurance, health, pensions and so on were provided by fraternal, mutual and charitable organisations as well as commercial ones. In Britain in 1910, nearly seven million people were members of registered friendly societies. These organisations provided unemployment and disability insurance as well as being fraternal organisations; this element of fraternity is crucial to a proper Christian approach to welfare. This figure excludes members of mutual insurance organisations which were not registered as friendly societies. It also excludes the many people who received welfare services through trade unions.

Before the Second World War, charitable hospitals (the same names we know today – Great Ormond Street, St Bartholomew’s, and so on) took in 60 per cent of all patients requiring acute care, and local government provided places for many others. About 19 million people had health insurance and most of the rest of the population were members of Friendly

Societies or made direct payments for their medical costs.

The post-war reforms to healthcare policy in the UK more or less entirely displaced all forms of voluntary, charitable, mutual and commercial provision. This was unlike the experience of much of continental Europe, especially in the area of healthcare. It was also contrary to the intention of William Beveridge, often thought to be the architect of the modern welfare state. Catholic social teaching has been clear, throughout the ages, that the state should not displace the provision of welfare that arises within society itself but rather support it. Mutual and charitable welfare provision has been praised in almost every social encyclical, including *Rerum Novarum*, which noted in relation to what it described as “benefit and insurance societies” that:

“The State should watch over these societies of citizens banded together in accordance with their rights, but it should not thrust itself into their peculiar concerns and their organization, for things move and live by the spirit inspiring them, and

may be killed by the rough grasp of a hand from without.” (*Rerum Novarum* 55)

## Social justice is part of evangelisation

There is another fundamental reason why the Church should be wary of the automatic response that remedying social need and deprivation is nowadays only the responsibility of governments. Throughout the developed world, church leaders worry about declining

attendance and, in particular, the drift of the young from the faith. This is combined with the apparent loss of effective evangelisation. Yet, surely, one of the most effective modes of evangelisation is the witness of actions, as has been demonstrated throughout history. It would

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**Catholic social teaching has been clear, throughout the ages, that the state should not displace the provision of welfare that arises within society itself but rather support it.**

seem appropriate to end with some reflections on this by Sr Helen Alford, Dean of the Faculty for Social Sciences at the Pontifical University of St Thomas Aquinas and President of the Pontifical Academy for Social Sciences:

“And John Paul says, no, it’s [Catholic social teaching] part of

moral theology. I think the reason he does that is to say it's a crucial part of the church's teaching... it's actually part of the faith, it's part of the proclamation the Church should be making... I think it's a crucial part of evangelization. It's also about living a good human life and being in dialogue with non-believers and helping to build a better world, but it's also about evangelization, it's about showing what the Gospel is doing in society."<sup>75</sup>

## Conclusion

In the UK, 23 million people received a welfare benefit of some type in 2021. As has been discussed at length, our healthcare provision is probably unique in Europe for lacking any substantial church, charitable or mutual provision: there is, for most people, a single provider and source of finance. Recent social encyclicals have suggested that a different model could be less bureaucratic and more efficient and effective, and thus impose less of a cost on families through taxation – costs which ultimately create problems that welfare then attempts to solve in a sort of

vicious circle. An infrastructure grew in the nineteenth century for the provision of welfare that could have been supported and nurtured rather than displaced and destroyed. In early alignment with the principles of Catholic social teaching and the words and actions of Pope Francis, these organisations worked fraternally with those in greatest need – whether that need was temporary or permanent. Perhaps the greatest criticism of the limitations of the modern form of the welfare state appears in the many encouraging signs of charitable and social action, with new organisations regularly springing up to meet the social and economic needs that are neglected by the current formal structures despite the spending of 45 per cent of national income by government. To break this vicious circle, reform at the government policy level is necessary. We need policies which break up the state monopoly of healthcare and welfare and which allow mutuality to thrive.

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<sup>75</sup> *'Church's social justice push is part of evangelisation, head of papal academy says'*, Crux (11/4/2023).



## Chapter Seven: The Taxing Question of Living Wages

MARC BESFORD; FORMER NATIONAL PRESIDENT OF YOUNG CHRISTIAN WORKERS.

This reflection on taxation looks beyond the tax and welfare system. There is discussion in Catholic circles about the way in which the tax system should be shaped, whether taxes should be increased or reduced, and how the welfare system should be designed. However, whilst the state provision of welfare and the taxation necessary to finance it may still be necessary, the calls on tax revenues to finance welfare would be much diminished if people received a just wage as is called for in Catholic social teaching and, also, if charity were more abundant.

### The just wage

At the moment in our country, many of our schools are providing not only food to support disadvantaged young families but household goods such as toothbrushes, shower gel and washing products. Some may argue that this is solely due to the global pandemic and the emergency arising from the sudden increase in energy prices. However, it must be remembered that this was also a problem pre-pandemic, which has now been exacerbated. We have also seen a big increase in families accessing foodbanks or having to choose between eating that day or being cold. A reason for the increase of schools supporting families is that parents who work full-time are falling into the gap of not being able to claim any benefits or support, such as vouchers, because they are just above the threshold. This goes to show that the current wages that people are receiving are not adequate to live on in today's society.

Pope Pius XI, in his encyclical *Quadragesimo Anno* published in 1931, referred to a “just wage” by saying that:

“Every effort must therefore be made that fathers of families receive a wage large enough to meet ordinary family needs adequately. But if this cannot always be done under existing circumstances, social justice demands that changes be introduced as soon as possible whereby such a wage will be assured to every adult workingman.”  
(*Quadragesimo Anno* 71)

In the light of this papal teaching, we need to look again at our current circumstances and to assess our economic system so that everyone is paid a fair wage for a fair day's work. This would ensure that parents can pay their bills and put food on the table for their families.

Pope Francis, in one of his addresses to participants of popular movements, stressed the fact that there is nothing worse than the type of poverty that does not allow a person to live off what they have earned, and that this deprives the person of their

dignity.<sup>76</sup> Furthermore, this is a result of an underlying social choice to favour an economic system that puts profit over the person.

Pope Benedict XVI, in an encyclical letter *Caritas in Veritate* published in 2009, also made reference to this issue, quoting John Paul II's encyclical *Laborem Exercens*. Pope Benedict wrote:

“In many cases, poverty results from a violation of the dignity of human work, either because work opportunities are limited (through unemployment or underemployment), or ‘because a low value is put on work and the rights that flow from it, especially the right to a just wage and to the personal security of the worker and his or her family’” (*Caritas in Veritate* 63; emphasis in original)

Work is much more than a source of financial income: work is an integral part of human identity. It plays a vital part in people's lives. And the future of work has the potential to promote decent employment for all. In a very positive way, St Pope John Paul II's encyclical on human work (*Laborem Exercens*, 1981) states that work is a good thing for humanity:

“It is not only good in the sense that it is useful or something to enjoy; it is also good as being something worthy, that is to say, something that corresponds to man's dignity, that expresses this dignity and increases it.” (*Laborem Exercens* 9)

The Church has taught that not paying a just wage can be a grave injustice (*Catechism of the Catholic Church* 2434) and that the cries of the workers whose wages are withheld reach the Lord (James 5:4). Injustice to the wage earner is one of the four “sins that cry to heaven” (*CCC* 1867).

Workers are due their wages as a matter of justice. But a just wage is not that which will merely provide sufficient food, clothing and shelter. To live at a subsistence level is to live at the minimum condition of human dignity. A just wage should provide a worker with enough to live and perhaps a little more, so that the worker does not live “unbecomingly” as described by St Thomas Aquinas.<sup>77</sup> The Church has, therefore, always desired that the worker does not remain trapped at a subsistence level, but that he or she is able to better his condition; the degree of independence the worker gains by doing so increases his dignity, which is part and parcel of living becomingly. To obtain property then, whether in the form of real property or durable possessions, is a principal object of every worker.

Pope Francis has exhorted political leaders to work to structure society in such a way that everyone has a chance to contribute his or her own talents and efforts. We, as young people, are the first generation to face the challenges of technological evolution on such a tremendous scale, but we believe that we have been given the gift of creativity, so as to continue the work of God our creator, and the ability and will to adapt to these changes positively. We are social beings by

<sup>76</sup> Pope Francis, [\*Address to the Participants in the World Meeting of Popular Movements\*](#) (28/10/2014).

<sup>77</sup> St Thomas Aquinas, [\*Summa Theologica\*](#) II.II.32.6.

nature and want to contribute to society through work. We have an inherent thirst for knowledge and a will to keep looking for new ways of working and how to explore them. Moreover, we always seek better ways to communicate, we aim to stay connected, and we believe that it is through improved communication that we can have a greater impact on society: the workplace is no exception.

With the growth of automation, robotics and artificial intelligence, young people have reached a point of unprecedented challenge.

Every year on May 1st, the Church celebrates the feast of St Joseph the Worker to honour the foster father of Jesus. Pope Francis declared a year of St Joseph in 2021. In his Apostolic letter *Patris Corde* (2020), Pope Francis outlined key points such as the importance of seeing St Joseph as a labourer - a carpenter. Jesus, from St Joseph, learned the value, the dignity and the joy of work.

### **The situation of the young**

That dignity needs to be restored as unemployment is a burning issue in nations that for decades have enjoyed a certain degree of prosperity. For the young, the situation is worse. Youth unemployment is higher than

unemployment in general – including in the UK. There is a renewed need to appreciate the importance of dignified work, of which Saint Joseph is an exemplary patron.

But there is also a lack of dignity when young people are forced to claim Universal Credit. This is paid to people who are out of work

but also to those people who are struggling to make ends meet because they are ‘underemployed’ or because of low pay.

We can look to various measures to try to restore the dignity of work. Firstly, we need to look at ways in which we can train or re-train young people in order to give them hope and encouragement

for their and their families’ futures. Too many young people are exiting from education with no prospects or likelihood of obtaining the type of job they might hope for. Their lack of experience seems to be used against them and opportunities seem to be lacking. The whole area of apprenticeships is ripe for revamping. Firms are crying out for skills which, at the moment, are in danger of being lost, maybe forever. Secondly, young people are concerned about the increase in precarious work and decrease in job security. Casual work with zero-hour

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**Work is much more than a source of financial income: work is an integral part of human identity. It plays a vital part in people's lives.**

contracts is not appropriate for everyone.

In addition, we need to protect young people from feeling under pressure to be constantly available for work. There needs to be a good work-life balance, otherwise there is the constant danger of mental health problems. Mental health is a major concern today, especially for young people. Young people suffer depression and even breakdown as a result of stress, anxiety and pressure in relation to studying, worries for the future, and concerns about self-image.

A further area of alarm is a loophole in UK employment law. This allows young people to be exploited through unpaid trial shifts and then become unable to secure employment at the end of the trial. Some companies are using them as a means to save costs. There should be an urgency to seek ways to secure permanent work for our young people.

## Conclusion

With this in mind, we can summarise what needs to be done:

- Young people need to be treated with dignity and respect
- They should be sufficiently paid for the work that they do
- They should be provided with

adequate training

- Employers should ensure correct work-life balance.

All these actions would have consequences for the way in which the state is structured and how our tax and welfare systems work.

Pope Francis recently said to young people: “Don’t wait until tomorrow to contribute your energy, your audacity and your creativity to changing our world. You are the NOW of God, and he wants you to bear fruit!”<sup>78</sup> We call on society to support us in building a future where technology is there to assist and improve the quality of life for human beings and where young people’s God-given dignity can be respected in every aspect, especially in the workplace where they fulfil their vocation. They should be able to fulfil their vocation with sustainability, freedom, peace and love present in every aspect of their lives.

To quote from St Paul’s First Letter to Timothy (4:12): “Don’t let anyone look down on you because you are young, but set an example for the believers in speech, in conduct, in love, in faith and in purity.” Young people within England and Wales do extraordinary things and continue to be an inspiration to everyone.

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<sup>78</sup> Pope Francis, *Message to participants of the 42nd European meeting of the Taizé Community* (December 2019).



## Chapter Eight: Government Debt – from inter-generational injustice to an occasion of sin

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### What should governments do and how should they finance it?

Throughout the ages, governments and monarchies financed spending by borrowing from various sources when they were unable or unwilling to tax their citizens sufficiently to match their spending aspirations. In more recent times, government borrowing has taken on a specific form. Governments issue debt securities, or bonds, on which they pay interest and which are traded in markets. These bonds are, in effect, an 'IOU' by which the government receives money now and promises to repay with interest. It is quite likely that most readers of this chapter will have part of their pension invested in such debt securities issued by the UK or other governments. In addition, it is worth noting that most governments today are democracies. So, we can note that government borrowing will tend to arise when the voting population as a whole is unwilling to pay taxes that are sufficient to match its aspirations for government spending as also expressed through the ballot box.

The level of government borrowing and debt in richer countries has grown enormously in recent years. In the UK, for example, government debt is about equal to one year's national income; in the US, it is somewhat more. In Greece, it is around 200 per cent of national income and, in Italy, around 150 per cent of national income. There are now very few countries that have relatively low levels of government debt. But examples include Australia (36 per cent of national income) and Estonia (18 per cent).

*Table One: Growth of debt in recent decades – UK (% of national income)*

	1990	2000	2010	2023
United Kingdom	22.8	31.1	62.6	99.2

*Table Two: Government debt in selected countries - 2021*

COUNTRY	GOVERNMENT DEBT 2021 (% OF NATIONAL INCOME)
Australia	36
Greece	193
Italy	145
Japan	262
United Kingdom	97
United States	129

In discussing whether government debt is a problem, it is necessary to consider the purposes of taxation. In Catholic social teaching, the purposes of taxation are easier to pin down than the appropriate extent of taxation. The state has particular functions for which it requires resources. These include defending the country against attack, keeping the peace internally, and the maintenance of an effective, efficient and equitable justice system. The state must also ensure that all citizens have sufficient resources to live in dignity.

In the early social encyclicals, *Rerum Novarum* (Pope Leo XIII) and *Quadragesimo Anno* (Pope Pius XI), there were warnings against the imposition of taxes on families despite their low level at that time. Those encyclicals had in mind a relatively limited role for the state and a much more extensive role for other organisations in the provision of welfare. These other organisations included the family and the Church and her related institutions. In later social encyclicals, elements of the welfare state have been welcomed, though often with cautions as in, for example, *Centesimus Annus* (Pope John Paul II) and *Caritas in Veritate* (Pope Benedict XVI) and in many comments by Pope Francis. In addition, the Church's social teaching has consistently made the case for aid to poorer countries to be financed through taxation in richer countries.

It is not the purpose of this essay to discuss how extensive state spending should be. There is a wide range of views that are compatible with the tradition of Catholic social teaching. The view of a particular individual would depend on their

perspective on the extent to which the state and other institutions (such as the family, the Church, social insurance organisations, unions, and so on) should be responsible for the finance and provision of many of those services which tend to be provided by the modern state.

The argument of this essay relates to a different question. It will be suggested that, whatever an individual's view on the extent of taxation and government spending, the state should, in normal circumstances, raise in taxes the resources necessary to finance its intended spending. Government should certainly not systematically accumulate government debt except in emergencies.

### **The problem of government borrowing and debt – inter-generational justice**

One of the functions of government is to ensure that the principles of distributive justice are followed so that the goods of this world are distributed peacefully and fairly according to appropriate criteria. Government needs to ensure that judicial, social, civil society and economic mechanisms are working in such a way that distributive justice is realised. In addition, the state will, to a greater or lesser extent, tax some groups to provide resources to the less well-off.

Except in particular circumstances, government borrowing, and the accumulation of debt, involves one generation spending to the benefit of itself and at the expense of future generations: this should be a matter of concern for Christians. There might be situations, such as wartime and natural disasters (which would include pandemics), in which it

might be expected that governments spend more than is brought in through tax revenue, and this might not offend distributive justice. For example, when a country is under attack, it might be necessary for a government to do everything needed to protect the common good (or even survival) of the community. During the pandemic, some governments borrowed large amounts of money to provide grants to businesses and employees, to invest in vaccines and testing, and so on. Such action, it can be argued, benefits future generations by allowing the pandemic to be contained. It also allowed the cost of rare events to be spread across the generations and this can be justified.

Some would also suggest that government borrowing for investment in infrastructure, which might also benefit future generations, would fulfil reasonable principles of distributive justice.

What should be of more concern is the accumulation of large amounts of government debt in normal times, arising from governments desiring to spend more than they tax. This cannot easily

be justified by any Catholic principle of distributive justice. Taxation in a democracy involves the consent of the electorate. Those future citizens who bear the burden of government debt cannot consent.

Although the Church has commented on the debts of poorer countries, especially

in relation to debt forgiveness, it has said very little, if anything, about government debt in richer countries. This is despite the record of traditionally Catholic countries, such as Portugal, Italy and Spain, in addition to countries such as the US, the UK, Greece and Japan incurring large amounts of debt – often when their

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**We are the heirs of earlier generations, and we reap benefits from the efforts of our contemporaries; we are under obligation to all men. Therefore we cannot disregard the welfare of those who come after us.**

economy was buoyant.

The issue of what might be called ‘inter-generational justice’ or ‘inter-generational distributive justice’ has been raised in other contexts, however.

In *Populorum Progressio* (1967), Pope Paul VI noted: “We are the heirs of earlier generations, and we reap benefits from the efforts of our contemporaries; we are under obligation to all men. Therefore

we cannot disregard the welfare of those who will come after us...” (*Populorum Progressio* 17).

Perhaps the first occasion on which inter-generational justice was systematically considered in Catholic social teaching was in *Laudato Si'* (2015), Pope Francis' encyclical on the environment. A whole section of this encyclical was entitled “Justice between the generations”. Pope Francis wrote: “What kind of world do we want to leave to those who come after us, to children who are now growing up? This question not only concerns the environment in isolation; the issue cannot be approached piecemeal” (*Laudato Si'* 160). He went on to warn against a culture of instant gratification and a culture in which parents consumed too much, making it more difficult for their children to acquire a home or build the resources for starting a family.

These principles that apply to environmental destruction surely also apply to government debt. We should not, without good cause, either destroy the environment at the expense of future generations or have our governments spend at the expense of future generations. A society which is comfortable with accumulating government debt because it is willing for its government to spend more than it raises in taxation is imposing an unjust burden on future generations. If debt becomes too onerous, governments might renege on repaying debt. This too would be an injustice to those who, in good faith, have lent money to the government, and it would be a

failure of commutative justice insofar as certain individuals and groups would not receive their due. Such groups might include future pensioners, whose occupational pension funds have invested in government bonds, or residents of other nations.

There are many situations in which indebted governments create inflation to try to lower the burden of their debt. This has happened in countries such as Venezuela, Argentina, post-First World War Germany and, arguably, in the UK in the post-Second World War period. Not only can very high inflation lead to social chaos, but it arbitrarily redistributes income away from people whose incomes are fixed (for example, the elderly) towards others who might benefit from inflation (such as speculative investors).

### **Government debt - the tip of an iceberg**

One of the few people to have raised the question of government debt in the context of Catholic social teaching is Dr John Bruton, the former Taoiseach (Prime Minister) of Ireland.<sup>79</sup> As we have done above, he drew an analogy between climate change and government debt. He also included, in his definition of government debt, future pension liabilities. His reasoning was that Western governments have created systems of pension provision that involve generations of working age promising themselves pensions and healthcare benefits which will be met by future generations of taxpayers. In earlier generations, of course,

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<sup>79</sup> Dr John Bruton, ‘*Catholic Social Teaching and Contemporary Political Life*’ (Lecture at St Mary’s University, Twickenham) (26/4/2019).



promises were made to the then working generations who are now retired or who will retire soon. The promises made to current workers will lead to a need for future working generations to pay taxes to finance those pensions. The pensions for the future older generation are not financed by the savings of the generation which granted itself the entitlements but by the taxes of future working generations.

Such systems can be sustainable if the age structure of the population remains reasonably stable. However, the decline in the birth rate, and so a reduction in the number of taxpayers as the number of pensioners increases, has left an obligation that might be impossible for future generations of taxpayers to service. In many ways, such obligations are similar to the obligations of government debt.

There are alternatives to this form of so-called 'pay-as-you-go' pension provision. These involve individuals, social insurance funds or, possibly, the state putting aside and investing money during the working lives of the people to whom pension promises have been made to fund their pensions in later life. Countries such as Australia tend to take that approach to a much greater degree.

If we quantify this form of what is sometimes called 'implicit government debt', which includes, but is not limited to, these pay-as-you-go future pension costs, it can be around four times the explicit government debt.

A measure of the extent to which our government has accumulated obligations,

such as those implied by pension promises, is given by the UK's Office for Budget Responsibility's *Fiscal Risks and Sustainability Report*.<sup>80</sup> It projects that, over the next 50 years, government debt will explode to between 300 and 400 per cent of national income, based on current policies. Even if taxes rise considerably, this will only help keep government debt at a standstill: the tax increases would not finance any increase in services or welfare payments at all. This is a very significant burden to impose on future generations.

## **Debt and the functions of government**

An even bigger fear than that of imposing an unjust burden on future generations is that highly indebted governments will simply not be able to perform their legitimate functions outlined in Catholic social teaching. The recent history of Argentina, which was one of the world's richest countries at the beginning of the 1930s, is a good example. Following decades of governments printing money to finance spending that was not financed via taxation, inflation reached well over 1,000 per cent in the 1970s. The government then took to borrowing overseas to finance spending and, in the following 20 years, there were defaults, reductions in government spending on social programmes, a near tripling of extreme poverty in 18 months from May 2001, riots and a general election in which 20 per cent of the population spoilt their ballot papers. Almost every legitimate function of government identified by Catholic social teaching was seriously impaired. This is

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80 Office for Budget Responsibility, *Fiscal Risks and Sustainability* (July 2023) pp. 15-17.

not an isolated example and the trajectory of many countries that are relatively rich today might take them in a similar direction.

In the euro zone crisis which started in 2009, we saw examples of governments of countries such as Greece and Italy effectively losing democratic accountability to their peoples as policy programmes were imposed by creditors. Going back further, there are examples of countries losing their independence altogether. It is often argued that a driving force of the union of England and Scotland in 1707 was not the desire of the people but the indebtedness of the latter country as a result of the failure of the Darien scheme and the near financial ruin of the Scottish political and commercial establishment.

## **Virtues and government indebtedness**

A number of Catholic Church documents comment on the importance of governments making correct moral judgements. *The Compendium of the Social Doctrine of the Church* (565-574) explains the moral challenges facing governments and their electorates. These questions have also been raised in a number of papal encyclicals including, most recently, *Fratelli Tutti* (2020).

Those in government must practice the virtue of justice. This can be very hard in situations where there is significant government debt which can make it impossible for governments to reconcile both the legitimate demands of creditors and of those who rely on social programmes and the other functions of

government. Decisions will also often have to be taken to increase the tax burden beyond reasonable levels and this may be borne by people who are struggling financially.

The exercise of prudence, whereby those governing make sober and difficult judgements, also becomes more difficult when there are competing interests trying to avoid bearing the costs of government debt via reductions in social benefits, public sector wages, government service provision and so on.

When governments become indebted, there will be a temptation to pursue solutions that are attractive in the short term but that may ultimately be destructive. This might include the creation of inflation or, indeed, citizens may support authoritarian or nationalistic regimes which will try to lay the blame at the door of foreign creditors. This is relevant to the virtue of temperance. Indeed, the build-up of government debt in the first place could be regarded as being a result of interest groups within the electorate either not practising the virtue of temperance or not practising the virtue of justice as such interest groups seek undue benefits from government or try to avoid paying taxes that they should pay.

Finally, it should be said that the virtue of courage becomes more necessary in highly indebted countries. Countries eventually have to move from a situation in which the government is spending more than its people are willing to pay in taxes to one in which taxes are higher than spending so that debt can be serviced. Making such a shift requires courage.

To make the point theologically, it could be said that over-indebtedness by governments creates an occasion of sin in which virtuous behaviour becomes difficult and vicious behaviour appears tempting. Indeed, high levels of indebtedness make it more difficult for the government to cultivate the promotion of virtue among society by exercising its proper functions as defined in Catholic social teaching.

Government debt has a social and theological dimension that is rarely discussed. Politically, it should not be a “left-versus-right” issue. Whatever one’s view on the role of the state, and views differ on this amongst Catholics, there should be a wide measure of agreement on the importance of one generation not imposing unjust burdens on their successors.

## Chapter Nine: Debt - will it demand more taxation?

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### Introduction

Any discussion of taxation at present will have to consider the context of economic recovery from the pandemic. The framing question for this reflection is whether addressing the national debt from the response to Covid-19 will require cutbacks in expenditure or increased taxation or both. Is another 'Austerity Decade' as followed the 2008 credit crisis to be expected, whether led by expenditure cuts affecting social welfare recipients, healthcare and education, or led by increased taxation draining demand from the economy? This question is as relevant today as it was in the immediate wake of the pandemic.

Current political commentary assumes that austerity will be necessary to address the national debt created by government borrowing that was undertaken to deal with the pandemic, and that this will require both reducing spending and increasing taxation. A Catholic reflection on taxation must take care not to rely uncritically on the same assumptions about the need for and inevitability of increased taxation.

There are three elements in the reflection that follows: first, a confrontation with the politics of fear; secondly, a reflection on the nature of debt in the economy; and thirdly, an exploration of an alternative economic pathway within which policy on taxation might be situated.

### The politics of fear

Anxiety about inflation triggered by rising commodity prices provokes the expectation that economic recovery after the pandemic will have its downsides.<sup>81</sup> The journalistic highlighting of such anxiety is familiar, and while warnings serve a useful purpose, they also serve the interests of those who consider fear to be a valid instrument of social control. Fear can be hijacked by vested interests, political and economic, that are quite capable of manipulating people to advance and achieve the former's own ends. From recent histories, we can note how often a 'project fear' has been instigated to mobilise populations in support of one policy or another. Fear of communism was successfully managed to advance the interests of what President Eisenhower called the 'military-industrial complex'; following the OPEC generated oil crises of the 1970s, fear of 'peak oil' was a convenient distraction; the possibility of a technological meltdown at the arrival of the 2000s fostered a millenarian anxiety worthy of the Middle Ages; fear of

81 Claire Jones, '[No, hyperinflation is not here](#)', Financial Times (11/5/2021).



terrorism has enabled civil authorities to achieve a level of intrusion into privacy that would not otherwise be possible: the surveillance state has arrived, but now we are to be anxious about surveillance capitalism and its powers to manipulate our wants and desires.

After the banking and credit crisis of 2007, the principal political message was not that we should be fearful of the power of banks and financial markets to undermine our prosperity, but that we should fear the consequences of letting the deficit get out of control. Policy was implemented to address not the failings of bankers but the reduction of the national deficit, the impact of which was a decade of austerity in the UK, affecting the wellbeing of millions. Now, as the measures to deal with the impact of the Covid-19 pandemic are being assessed, we are led to fear the scale of debt.

For a household or an individual, debt can be a terrible burden since a negative judgment on creditworthiness can limit the scope for action. To be trapped by credit card debt or an unpayable mortgage due to negative equity is frightening. But it is not wise to consider the national debt as analogous to that of a household. David Graeber's study of debt attempts to persuade readers that not all debts need to be repaid, or even in some cases that they can be repaid at all.<sup>82</sup>

### The analysis of debt

'Debt' can be used in various metaphorical senses, meaning obligation or duty or what is owed to others. But, as it is

used today, its core essence refers to something that can be measured and can be paid off in principle, as, for instance, the repayment of a loan from a bank. Metaphorical meanings such as a 'debt of gratitude', often invoked in honouring significant contributions to public life or to the common good, refer to obligations that persist and cannot be exhaustively 'paid'.

From the anthropological evidence, Graeber argues that the most common form of money in early societies was credit. It is a fundamental mistake to identify primitive money as similar to what we now know as money. Primitive money arose in the context of what was owed to the gods, to ancestors, to parents, or to society. Such tokens were a means of acknowledging debts that could never be repaid. How does one repay a mother for the gift of life? Similarly, phenomena such as 'bridewealth' or 'bloodwealth' were ways of acknowledging obligations that never could be fully satisfied (*Ibid*, p. 179).

The creation of money in the form of cash bearing the stamp of a ruler was associated with the development of administration: it emerged from the need to provision armies. Requiring subject populations to pay tax in the designated coinage motivated them to sell provisions to soldiers, who had been paid in the currency (*Ibid*, p. 248).

The exchange associated with markets eventually colonised and dominated all forms of human relationships. In social forms of sharing based on gifts, the exchange of gifts became the dominant

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82 David Graeber, [\*Debt: The First 5,000 Years\*](#) (2014).

language with expectations of equality in gift-giving. Dowry (bride price) came to be seen as purchase. Social hierarchy was also reinterpreted as exchange: security and protection offered by the aristocracy in exchange for peasants' labour or its fruits.

Not all debts can be or have to be repaid. Even in the commercial form of economy, in which exchange, debt and debt repayment with interest are standard, there are some instances of debt that do not have to be repaid. Among the debts that cannot be repaid, we can note those to God, to ancestors, parents, society, spouses and to nature. Debts that do not have to be repaid include government bonds issued in a government's own currency. Such debts must be serviced, however (*Ibid* p. 358). In addition, those parts of debts incurred under conditions of limited liability and debts cancelled in instances of amnesty, such as biblical jubilee years, do not have to be repaid.

The limited liability form of corporation was introduced to restrict the exposure of merchants to debts incurred in the course of doing business. With limited liability, investors are only liable to the extent of their own contribution to the venture; formerly, partnerships had bound each partner to liability for the full extent of losses incurred. A declaration of bankruptcy could also release one from debt obligations while creditors ended up carrying the loss (typically, suppliers to

and employees of bankrupt businesses).

So, it is a mistake to hold that all debts must be paid or that there is a moral obligation to pay all debts. And, as discussed above, there is a danger of being manipulated by a manufactured anxiety about debt. We will now consider the argument that the increase of national debt does not necessarily require an increase of taxation or a reduction in state services to pay off the debt. Countries with currency sovereignty have other possibilities for managing their deficits.

### **“Modern monetary theory”**

Are we being deluded when the national debt is represented to us as something to inspire fear? Some professional voices from the fields of economics and public finance warn against such a fearful stance. A recent article in a specialist journal, *Public Budgeting & Finance*, asks the very pertinent question: ‘Who is Afraid of the Big Bad Debt?’.<sup>83</sup> It presents the analysis of a group of theorists subscribing to ‘Modern Money Theory’ (MMT). They challenge the standard approach that expects states to balance their budgets and rein in deficits. At the very least, they dissipate the fear that some wish to awaken with a focus on the national debt. They achieve this by challenging certain myths that operate within our political culture. A recent book by the American economist Stephanie Kelton delivers the challenge in a very readable format.<sup>84</sup>

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83 J. W. Douglas and R. Raudla, ‘[Who is Afraid of the Big Bad Debt? A Modern Money Theory Perspective on Federal Deficits and Debt](#)’, *Public Budgeting and Finance*, 40(3) (2020) pp. 6-25.

84 Stephanie Kelton, [The Deficit Myth: Modern Monetary Theory and How to Build a Better Economy](#) (2020).

This theory is not only applicable to the USA but is also applicable to the United Kingdom, since both the USA and the UK exemplify the fundamental condition for the applicability of the theory: they are both sovereign currency issuers not currency users. They issue the currency and denominate it as the currency in which taxes are to be paid. No individual state in the USA is a currency issuer, and no single member state in the euro zone is a currency issuer.

The dollar and the pound are ‘fiat’ currencies: they are not tied to a gold standard or to a fixed rate of exchange with any other currency. Sovereign currency issuers do not face a ‘budget constraint’ as conventionally defined: they cannot ‘run out of money’ as they can always meet their obligations by paying in their own currency. Furthermore, they can set the interest rate on any obligations such as bonds that they issue.<sup>85</sup> Fiat currencies depend on trust, and the required trust is sustained by the reliability of the institutions of regulation and control but also profoundly on the basic health of the economy when it is deemed to have sufficient resources capable of producing the goods and services that are needed.

Spending beyond one’s means is not the same for a household as for a country. Margaret Thatcher’s approach assumed their similarity, thinking that the government could only spend money it already had, either by earning, taxing, saving or borrowing. MMT points to our common experience that our states spend

and put money into circulation, some of which it then recoups through taxation, in pursuit of various policies. But government is not dependent on tax revenue to be in a position to spend. Unlike a household, the US or UK government issues the currency it spends. This is the reverse of Thatcher’s approach. Kelton formulates it thus: S(TAB), not (TAB)S; Government Spends first, then Taxes And Borrows.

Mervyn King, the former Governor of the Bank of England, acknowledged in the book published after his retirement that there is something magical about the production of money. He called it alchemy.<sup>86</sup> The central bank enters a number into the accounts of its clients, the commercial and investment banks, and they in turn enter numbers into the accounts of their clients. But the sum of those latter numbers, which represent loans, is a multiple of the first number. The banks thereby simply create money, no longer by the stroke of a pen in a ledger but by keystrokes on a computer. Money is a symbolic reality, because at its heart is a promise. As can be read on any £20 note, it is a promise to pay the bearer on demand the sum of twenty pounds sterling. We credit that promise; we accept it and use it because we know others are prepared to do so also. This reveals a truth about the nature of money as essentially credit. The MMT explores the implications of this fact for those sovereign issuers of currency to understand what the real possibilities and true limits for their actions are.

The actual limit to government spending is

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85 L. R. Wray, ‘*Alternative Paths to Modern Money Theory*’, in E. Fullbrook and J. Morgan, editors, *Modern Monetary Theory and its Critics* (2019) pp. 8-46.

86 Mervyn King, *The End of Alchemy: Money, Banking, and the Future of the Global Economy* (2016).

not the size of its surplus of revenue over expenditure but the availability of real productive resources in the economy. The challenge a government faces is not the mobilisation of finance to achieve some desirable goal but the mobilisation of real resources, of people and their skills, of raw materials, machinery and factories, that are underemployed or unemployed. Why is the risk of inflation an issue for government expenditure? Inflation occurs when there are not enough goods and services to meet the demand represented by the supply of money in circulation. When there is too much money and insufficient goods and services, then the value of the currency falls relative to what it can buy. But the quantity of goods and services is malleable if fallow resources can be brought into production. This is definitely the situation of our economies following the pandemic – so many productive resources are waiting to be brought back into action. Appealing to what it calls ‘functional finance’, MMT stresses that policy should focus on delivering balanced conditions in the economy of full employment and price stability. If that can be done by reliance on government deficits, then there is nothing to be concerned about.

In the USA, the Congress is obliged by its own self-regulation to monitor the deficit, but MMT demonstrates how misguided this policy is. In fact, they point to the depressing effect of the Clinton Administration’s policy of a surplus budget in the last years of the 20th century. Kelton challenges the myth that deficit is a burden on the whole society. She argues: “The congressional budget is limited only by Congress.

To avoid cutting back on programs that people value, Congress can simply authorize a larger budget to fund its other priorities. There’s no fixed pot of money. There is, however, only so much room in the economy to safely absorb higher spending. That’s the constraint Congress needs to worry about.”

There are many qualifications needed for this theory. Its usefulness is confined in the first place to sovereign currency issuers. Currency users and emergent and dependent economies are not directly helped by it. The USA has advantages that none other has at present, since the US dollar is a reserve currency for many international purposes. The UK is a sovereign currency issuer like the USA. But, because of the openness and size of its economy, it is more exposed to the state of world trade for the valuation of the pound. The need to hold reserves in other currencies including the dollar constrains the freedom of action to some extent. And yet, being monetarily sovereign, the UK government may not simply appeal to financial affordability as a valid argument for failing to pursue its social policy agenda. MMT helps us to see that the existence and size of the national debt as such is never a reason on its own to cut back on its provision for health care, for social welfare, and indeed, for international development aid.

The experience of austerity in the UK following the credit crisis contrasts with the US experience. The USA implemented a much more expansive spending programme to recover from the credit crisis, and succeeded, where the British policy of austerity extended



the length of the crisis. The quantitative easing measures in the UK benefited primarily the commercial banks and finance markets, and not the real economy. Since the UK also enjoys the benefits of monetary sovereignty, it is to be hoped that we will see the UK follow the US example in using the opportunities of a currency issuer in responding to the present challenges.

## Conclusion

In any consideration of the morality and justifiability of a taxation regime, Catholic reflection should situate analysis of the role to be played by taxation within a broader consideration of the economy and the functioning of credit. The principles of Catholic social teaching that the economy should serve the common good and that the claims of property are not absolute but limited by a social mortgage need to be elaborated in the details of discussion of taxation policy. At the very least, consideration of the arguments from MMT should help to free the discussion from any supposed categorical imperative that debts must be repaid, or that balanced budgets are an essential feature of virtuous government.

When we bring Catholic social teaching to bear on the question of deficit spending and taxation, we can see that themes

such as the social mortgage on property, and the conditionality of contractual obligations, point beyond operative structures to situate them in the context of serving the common good. Property holders have duties as well as rights: duties to use their wealth to benefit all especially those most in need. And contracts are to be fulfilled, but such contracts that are exploitative of the needs of the poor are immoral and should be renounced not enforced. Regulation is needed to deliver on these values commensurate with the strong security given to property rights and the enforcement of contracts, not least in the case of debt.<sup>87</sup> MMT may lend a new impetus to devising regulation, since it offers a fresh perspective on how our economic activity reliant on credit is to be understood and how it might be improved to better serve the common good. The MMT is a controversial theory, and it has opponents and supporters. One critic asks, ‘is it a school of economic thought, or a political project?’ From the perspective of Catholic social thought, which sees the political management of the economy in terms of care for the common good, it is not desirable that economic rationality would dominate the political consideration of policy options. Whatever its limitations, MMT has the advantage of situating economic policy at the heart of politics.

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87 P. Riordan SJ, *‘Who is going to pay for it all?’*, *Thinking Faith* (10/7/2020).

## **Chapter Ten: The Church and Taxation - from earliest days to modern concerns**

GERALD GRACE; EMERITUS PROFESSOR, ST MARY'S UNIVERSITY, TWICKENHAM AND FORMER DIRECTOR OF THE CENTRE FOR RESEARCH AND DEVELOPMENT IN CATHOLIC EDUCATION (CRDCE) AT ST MARY'S UNIVERSITY; A MEMBER OF THE ECUMENICAL ORGANISATION, CHURCH ACTION FOR TAX JUSTICE, UK.

The Catholic Church has learned slowly that its mission on earth, for the salvation of souls by prayer and spiritual teaching, needed also the salvation of the environmental, social, economic and taxation conditions which worked against such salvation for the majority of people

### **How taxation and tax collection got a bad name: the historical context**

Taxes and tax collectors have not had a very good name historically. They have frequently been portrayed as agents of oppression and extortion. In the Bible and other religious teachings, tax collectors are the pariahs of society and their company is shunned by the righteous and respectable.

It must be admitted that there were some good reasons for this negative image. Levels of taxation were set by kings, emperors and mediaeval popes at unreasonable and disproportionate levels, and much was spent on power struggles and warfare and not on the welfare of the people. There was much corruption in the working of the tax systems, and tax collectors were known to add on a personal rate to cover their costs. These images and practices have had a deep social and cultural effect on all societies, causing many contemporary citizens to continue to associate ideas of taxation and tax collectors with a form of robbery, extortion and corruption. Many banks and corporations propagate slogans such as 'don't let the taxman get your money'. It has become almost a political virtue to propose tax cuts (when situations often require tax increases), and a vast number of tax evasion and avoidance schemes are available to those who want to reduce their tax commitment. In the contemporary world, this is thought to be a 'smart' thing to do.

### **The Church begins her slow education about social, economic and taxation issues**

The Church, from her origins, was a movement of the poor and the powerless. The fact that her founder, Jesus Christ, was born in poor circumstances necessarily made concern for the poor one of its founding commitments. The fact that Jesus, in forming His first apostles, called Matthew the tax collector to follow Him has great symbolic importance, and greater scholarly attention should be given to this dramatic counter-

cultural action as well as to its Christian significance. It was surely saying that a Christian approach to taxation and to tax collection was going to be different from that of secular society in the longer term.<sup>88</sup>

However, it cannot be denied that the Catholic Church, as it developed institutionally in later centuries, became itself preoccupied by power, politics, finance and excessive taxation of the faithful. It was far from being the 'saviour' for existing social, economic and taxation conditions for many centuries but rather an example of how institutions can become corrupted over time.<sup>89</sup>

### **A new consciousness develops in the nineteenth century and twentieth century**

Provoked by the exploitation and oppressive social and economic conditions developing in Europe in the first industrial revolution, the Church was recalled to its earlier mission of 'defender of the poor' and began the development of what subsequently became formal Catholic social, economic and environmental teaching. Arguably, the pioneer of this was Pius XI in his encyclical *Quadragesimo Anno* (1931). He built upon and extended the earlier encyclical of Pope Leo XIII,

*Rerum Novarum* (1891). The position of the Church, before Pius XI, had been that the duty of the Church was to alleviate, by all charitable means, the worst excesses of industrial capitalism. Pius went radically beyond this when he made a clear distinction between social charity and social justice. It was a direct challenge to the emerging exploitation of workers in the newly developing capitalist system in Europe. Pope Pius wrote in *Quadragesimo Anno*: "no vicarious charity can substitute for justice which is due as an obligation and is wrongfully denied" (*Quadragesimo Anno* 137). And as explained by Fr J-Y. Calvez and Fr J. Perrin:

"A charity which defrauds the worker of his just wage is no true charity but a hollow name and pretence. Dole given out of pity will not exempt a man from his obligations of justice... True charity, on the contrary, is the moral virtue which makes men try to improve the distribution of goods as justice requires".<sup>90</sup>

The language of social justice had, at last, entered the discourse of the Church. This language was taken up and developed by Pope Paul VI and by Pope Benedict XVI in *Caritas in Veritate* (2009).<sup>91</sup>

88 M. Doak, *A Prophetic Public Church: Witness to Hope Amid the Global Crises of the 21st Century* (2020). Professor Doak reminds us that Matthew was one of only two apostles (the other being Luke) who warned of the challenge for Christians of the 'love of God versus love of money' contradiction. See *Matthew 6:24*: "You cannot serve God and money".

89 See E. Duffy, *Saints and Sinners: A History of the Popes* (Fourth edition, 2014).

90 J-Y. Calvez SJ and J. Perrin SJ, *The Church and Social Justice: The Social Teaching of the Popes from Leo XIII to Pius XII* (1961) p. 164.

91 Pope Benedict XVI, *Caritas in Veritate* (2009) 78: "[W]e are sustained by our faith that God is present alongside those who come together in his name to work for justice... The greatest service to development, then, is a Christian humanism... Openness to God makes us open towards our brothers and sisters and towards an understanding of life as a joyful task to be accomplished in a spirit of solidarity".

## Modern developments

The Catholic Bishops' Conference of England and Wales (CBCEW) first addressed itself to the serious study of the challenges of taxation in their publication, *Taxation for the Common Good*, published in 2004, which unfortunately did not receive the publicity and the public and political attention it deserved.<sup>92</sup>

The few who engaged with it in the media and elsewhere tended to use classical ideological criticism of it, along the lines of 'bishops should keep their attention on what they know about' (such as prayer and spirituality), or used explicitly political attempts to discredit the bishops by suggesting party-political bias, such as describing it as 'the most socialist document ever published by the CBCEW'.

An impartial examination of *Taxation for the Common Good* reveals that the bishops intended to inform the public that the discussion of taxation is not simply a set of financial, technical and secular policy questions but one to be addressed from a religious and moral perspective. This was expressed most powerfully by Archbishop

Peter Smith in his foreword when he wrote:

"These are issues on which our political parties will often hold sharply differing views. What is it then, that a Church might have to add to the debate? The answer is a moral context. What is often missing

from debates about taxation, is a shared commitment by citizens to building up a society that serves the common good. The Catholic Church has developed a body of Social Teaching. This publication argues... that taxation is a contribution to The Common Good." (*Taxation for the Common Good* p. 4)

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**Taxation is a sign of social health and moral good. Our willingness to pay it is a sign of our solidarity with one another and of our humanity.**

He later added that "taxation is a sign of social health and moral good. Our willingness to pay it is a sign of our solidarity with one another and of our humanity" (*Ibid* p. 4).

Archbishop Smith made it very clear that the bishops were not taking a party-political stance but a moral stance based on Christian values. This 2004 booklet ended with the statement: "taxation is

<sup>92</sup> Committee for Public Life, Catholic Bishops' Conference of England and Wales, *Taxation for the Common Good* (2004).



neither a burden nor a necessary evil, but as a positive contribution to the common good, it is a responsibility of citizenship” (*Ibid* p. 39).

## Taxation in the present context

While the Catholic bishops made a strong case for moral and religious understanding of taxation, with Archbishop Peter Smith describing it as “a sign of social health and a moral good” (*Ibid* p. 5), what the bishops did not mention or analyse was that, in large sections of global taxation practice in many countries, taxation had also become a social disease beset by moral corruption as a result of tax avoidance strategies of various kinds. The United Nations began to reveal the extent of this problem. In November 2008, the Secretary General of the Organisation for Economic Co-ordination and Development (OECD) reported that:

“Developing countries are estimated to lose to ‘tax havens’ almost three times what they get from developed countries in aid... in the most recent estimates, Africa loses \$89 billions of dollars every single year in illicit financial flows from the continent... It is for this reason, we can confidently say that tax dodging

kills the poor.”<sup>93</sup>

Such revelations caused Pope Francis, from the very beginning of his ministry, to begin to criticise this social and economic disease and this moral corruption in these terms:

“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... which they administer according to their own arbitrary will and pleasure. Hence, they regulate the flow, so to speak, of the life blood whereby the entire economic system lives and have so firmly in their grip, the soul, as it were, of economic life that no one can breathe against their will.”<sup>94</sup>

It was Pope John Paul II who pointed out that the existence of ‘structures of sin’, such as apartheid, racism in general and the pursuit of profits at any cost, worked constantly to undermine the mission of the Church to establish a civilisation of love, kinship and justice in the world.<sup>95</sup> Egregious tax avoidance can be included in this list of structures of sin.

93 *Church Action for Tax Justice, Fair Tax Now* (2021). Church Action for Tax Justice (CATJ) is a programme of the registered charity Ecumenical Council for Corporate Responsibility (ECCR). It is an inter-denominational movement united by the belief that churches have a faith-derived imperative to challenge economic injustice. Among its objectives is included a “Campaign for transparency and an end to tax dodging by both corporations and individuals internationally”.

94 A. Tornielle and G. Galeazzi, *This Economy Kills: Pope Francis on Capitalism and Social Justice* (2015) p. xi.

95 See: Pope John Paul II, *Sollicitudo Rei Socialis* (1987) 37: “This general analysis, which is religious in nature, can be supplemented by a number of particular considerations to demonstrate that among the actions and attitudes opposed to the will of God, the good of neighbor and the “structures” created by them, two are very typical: on the one hand, the all-consuming desire for profit, and on the other, the thirst for power, with the intention of imposing one’s will upon others. In order to characterize better each of these attitudes, one can add the expression: ‘at any price’.”

The Catholic bishops of England and Wales in 2004 addressed their appeal to all ‘persons of goodwill’. The ‘structure of sin’ which is tax avoidance and tax corruption will need all secular, religious and international agencies to work together with courage and commitment to overcome this great evil. That which is hidden in the ‘tax havens’ needs to be brought out into the light of tax justice and fairness and the judgement of all nations.

## Conclusion

The Covid-19 pandemic made painfully visible and manifest to us all the inequalities in people’s life chances in health, environmental, social and economic outcomes. We do not want to restore the ‘old normal’; we must instead try to create a ‘new normal’ for the future.

What the Covid experience taught us, and demonstrated, is that humanity is at its best when it unites to work on common good principles which extend beyond ‘my health, my family and my nation’. This has largely been the case with vaccine production and distribution. At its best, it has moved the idea of policy and action driven by common good principles from the university seminar into the field of practical action. Common good ideas are not just theoretical: they work.

Those of us writing in this document are concentrating our vision on just one sector (but a crucial one) of what must be the ‘new normal’ in the future. This relates to an attempt to change the whole culture in which taxation is currently understood and practised. Pope Francis, in his strong criticism of current global social and

economic practice, has said: “Debt and the accumulation of interest also make it difficult for countries to realize the potential of their own economies... To all this we can add widespread corruption and self-serving tax evasion, which have taken on worldwide dimensions.”<sup>96</sup>

This culture, which has developed historically over many years, has generated: images of taxation as ‘state robbery’ of hardworking citizens; notions of how to be a modern ‘smart’ person by limiting or avoiding your contribution; and the conceit that taxation is financially so complex in practice that only the financially cognoscenti can speak about it. It is a culture which, in its calculations, excludes moral and religious understandings as ‘externalities’ that have no place in public discussion. Taxation is not regarded as a moral problem; it is a technical problem and a secular problem.

We should try to change this culture which is unjust. We should try to ensure that various media agencies will join us in amplifying our arguments to many citizens for a better future. A new culture of taxation as a contribution to the common good of all can be brought into existence.

## Acknowledgements

I found both inspiration and encouragement from the late Archbishop of Southwark, Peter Smith. May he rest in peace. I have also learned much from the creative ideas of my daughter, Helena Grace, who has acted as my editorial assistant during lockdown in the UK.

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96 Pope Francis, *Evangelii Gaudium* (2013) 56.

## Chapter Eleven: Pope Francis and Tax Justice

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### Introduction

In March 2020, during the first wave of Covid-19 and in an interview with the Italian newspaper *La Repubblica*, the late Pope Francis described tax fraudsters in these terms: “It has become evident that those who do not pay taxes not only commit a felony but also a crime [Italian: *delitto*]: if there are not enough hospital beds and artificial respirators, it is also their fault.”<sup>97</sup> The UK tax justice organisation, TaxWatch, pointed out how *delitto* can also be translated 'murder' and so headlined their story: ‘Pope says tax avoiders have committed “murder”’.<sup>98</sup>

Whether or not that is what he meant, it is certainly clear that Pope Francis spoke out on issues of tax justice more than any other pope. As far back as 2007, the then Cardinal Jorge Bergoglio oversaw (if not largely wrote) the so-called *Aparecida Document* which, amongst other things, highlighted the lack of “truly efficient, progressive, and equitable tax systems.”<sup>99</sup>

Since then, Pope Francis continued, at various times, to draw attention to the problems associated with a system that fosters inequality, drives individualism and hinders the common good. Given his own ministry in the *villas miseria* (shanty towns) of Argentina, it is no surprise that he called to task an industry that is estimated to cost the global economy \$600 billion each year and the Global South, in particular, \$200 billion annually, which is more than is received in aid.

Arguably, the most comprehensive description of his views can be found in the May 2018 Vatican document *Oeconomicae et pecuniariae quaestiones: Considerations for an ethical discernment regarding some aspects of the present economic-financial system* (hereafter, *OPQ*). This document was produced by two of the most significant bodies within the Vatican and was published with the explicit endorsement of Pope Francis. Within the document, three principles are highlighted as generating “a world that is more equitable and united”,<sup>100</sup> and they will be used as a framework for this reflection.

97 ‘Pope Francis on Coronavirus crisis: “Don’t waste these difficult days. While at home re-discover the importance of hugging kids and relatives”’, *La Repubblica* (18/3/2020).

98 Tax Watch, ‘Covid 19 – Pope says tax avoiders have committed “murder”’ (25/3/2020) (accessed 12/9/2023).

99 Fifth General Conference of the Bishops of Latin America and the Caribbean Bishops, *Concluding Document* (2007) 68.

100 Congregation for the Doctrine of the Faith and the Dicastery for Promoting Integral Human Development, *Oeconomicae et pecuniariae quaestiones: Considerations for an ethical discernment regarding some aspects of the present economic-financial system* (2018) 10.

They are: integral promotion of the human person; the universal destination of goods; and the preferential option for the poor.

## Integral promotion of the human person

Anyone reading Pope Francis will not get far before they encounter the theme of individualism. He uses it as a lens to interrogate a wide range of issues from the environment to homelessness to tax evasion. He views the individualistic mindset as causing a disruption in our relationship with the planet, with one another, and with our true selves. In his second encyclical *Laudato Si'* (2015), he commented that “the analysis of environmental problems cannot be separated from... how individuals relate to themselves, which leads in turn to how they relate to others and to the environment” (*Laudato Si'* 141). This is what he meant by an “integral ecology”: an environmental concern that includes the social dimensions of life. For this reason, in his more recent book *Let Us Dream* (2020), he wrote: “*Laudato Si'* is not a green encyclical. It’s a social encyclical. The green and the social go hand in hand. The fate of creation is tied to the fate of all humanity.”<sup>101</sup> He referred to “the myth of self-sufficiency, that whispering in our ears that the earth exists to be plundered; that others exist to meet our needs; that what we have earned or what we lack is what we deserve; that

my reward is riches, even if that means that the fate of others will be poverty.”<sup>102</sup>

Such individualism is also expressed in our separation from one another. He talked of “feverish consumerism” breaking “the bonds of belonging”.<sup>103</sup> At the same time, perhaps paradoxically, such a relentless focus on the self also creates a diminution in our own anthropology. *OPQ* comments: “our contemporary age has shown itself to have a limited vision of the human person, as the person is understood individualistically and predominantly as a consumer, whose profit consists above all in the optimization of his or her monetary income” (*OPQ* 9). And so it concludes: “Money must serve, not rule!” (*OPQ* 6).<sup>104</sup>

It is in this god of mammon that we find an explicit link to tax injustice. In *Evangelii Gaudium*, Pope Francis had made reference to “widespread corruption and self-serving tax evasion” in which we are “defenseless before the interests of a deified market, which become the only rule” (*Evangelii Gaudium* 55, 56). If, as Pope Francis argues, the integrated human person is one who relates well to the planet, to others, and to their true selves (as well as to God), then the tax haven represents the antithesis of all this. For in hiding one’s money in a jurisdiction that is designed and defined by its severing of economic and social relationships, one stands against all that it means to be human. In this way, he

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101 Pope Francis, *Let Us Dream: The Path to a Better Future* (2020) p. 32.

102 *Ibid* p. 14.

103 *Ibid* p. 68.

104 See also Pope Francis, *Evangelii Gaudium* (2013) 58.



imagines the God of profit taking captive the individual soul, and views tax fraud as the manner in which this idolatry is practised.

## Universal destination of goods

In a speech in February 2020, Pope Francis made a plea for “new ethics [that] presupposes being aware of the need for all to commit to working together to eliminate tax havens, avoiding the tax evasion and money laundering that rob society, as well as to inform nations of the importance of defending justice and the common good above the interests of the most powerful companies and multinationals.”<sup>105</sup> His language of robbing society is particularly interesting here for it echoes a point that he has made on a number of occasions: namely that when the wealthy refuse to provide for the poor, their actions can be described as theft.

In the first place, he has described working for a fair distribution of resources not as charity but as our obligation as Christians. He describes such philanthropic efforts as ‘about giving to the poor and to peoples

what is theirs by right’. But he has gone even further than this. He quoted St Ambrose saying: “It is not anything of yours that you are bestowing on the poor; rather, you are giving back something of his”.<sup>106</sup>

Similarly, in his encyclical, *Fratelli Tutti* (2020), he wrote:

“[I]f one person lacks what is necessary to live with dignity, it is because another person is detaining it. Saint John Chrysostom summarizes it in this way: ‘Not to share our wealth with the poor is to rob them and take away their livelihood. The riches we possess are not our own, but theirs as well’. In the words of Saint Gregory the Great, ‘When we provide the needy with their basic needs, we are giving them what belongs to them, not to us’.”  
(*Fratelli Tutti* 119)

Of course, all this is an expression of classic Catholic social teaching regarding the universal destination of goods. Private property is not absolute but should be

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<sup>105</sup> Pope Francis, *Address of His Holiness Pope Francis to Participants at the Workshop on: “New Forms Of Solidarity, Towards Fraternal Inclusion, Integration And Innovation” Organized by the Pontifical Academy of Social Sciences* (5/2/2020).

<sup>106</sup> *Ibid.*

held to serve the common good and not merely our own private good: “We are administrators of the goods, not masters. Administrators. ‘Yes, but the good is mine’: that is true, it is yours, but to administer it, not to possess it selfishly for yourself.”<sup>107</sup>

Once again, we see the clash of this idea with the ideology of neo-liberalism and, more explicitly, the reality of tax fraud.

*OPQ* notes:

“Today, more than the half of the commercial world is orchestrated by noteworthy persons that cut down their tax burden by moving the revenues from one site to another according to their convenience, transferring the profits into fiscal havens, and the costs into the countries of higher taxation. It appears clear that all these have removed decisive resources from the actual economy and contributed to the creation of economic systems founded on inequality.” (*OPQ* 30)

It adds:

“What is morally unacceptable is not simply to profit, but rather to avail oneself of an inequality for one’s own advantage, in order to create enormous profits that are damaging to others; or to exploit one’s dominant position in order to profit by unjustly disadvantaging others, or to make oneself rich through harming and

disrupting the collective common good.” (*OPQ* 17)

It is no surprise then that Pope Francis called the system that facilitates this a “structure of sin”.<sup>108</sup>

## Preferential option for the poor

Finally, Pope Francis also framed his concerns about tax injustice in light of the preferential option for the poor. He defines this in *Let Us Dream* in these terms: “When the Church talks of the preferential option for the poor, it means that we need always to keep in mind how any decision we make might impact the poor. But it also means we need to put the poor at the center of our thinking.”<sup>109</sup>

The problem, of course, with the tax haven industry is that the poor are very much not at the centre of considerations. In theory, tax systems could be a vehicle of redistribution. However, in practice, they function in precisely the opposite way. In the UK, we are well aware that income tax is progressive, and, for this reason, the government likes to draw attention to it when any challenge is offered regarding the fairness of the tax system. However, income tax is just one tax that the UK citizen pays and, when we include all taxes (National Insurance, VAT, Council Tax, Corporation Tax, Capital Gains Tax, etc.), then overall the UK system is rather less progressive. And some people are able to reduce their tax to very low rates through aggressive tax

107 Pope Francis, *General Audience: Catechesis “Healing the world”: 4. The universal destination of goods and the virtue of hope* (26/8/2020).

108 Pope Francis, *Address of His Holiness Pope Francis to Participants at the Workshop on: “New Forms Of Solidarity, Towards Fraternal Inclusion, Integration And Innovation” Organized by the Pontifical Academy of Social Sciences* (5/2/2020).

109 Pope Francis, *Let Us Dream: The Path to a Better Future* (2020) p. 52.

avoidance. Thus, it was noted in *OPQ*:

“Certainly, the tax system prepared by the various nations does not seem to be always equal. In this regard, it is relevant to keep in mind how such inequity often disadvantages the economically weaker persons and favors the more endowed, and is capable of influencing even the normative systems that regulate the same taxes.” (*OPQ* 31)

At a global level, such inequities are even more stark. In light of this, Pope Francis commented:

“Read the statistics: how many children today are dying of hunger because of a non good [sic] distribution of riches, because of the economic system... and how many children today do not have the right to education for the same reason. May this image of children in want due to hunger and the lack of education help us understand that after this crisis we must come out of it better.”<sup>110</sup>

It is in this statement that we see the significance of the \$200 billion each year that should be received by the Global South but which ends up in the offshore accounts of the wealthy. No wonder the Pope came close to – and possibly did – describe as murderers those guilty of tax fraud.

## Conclusion

The one thing that seems clear from all this is that, compared with some previous incumbents, Pope Francis did not merely seek some tinkering around the edges of capitalism but rather advocated a fundamental overhaul – at least in respect of the tax haven industry. At the same time, however, it is not entirely clear that he was confident that such transformation would happen:

“Right now I see a lot of digging in. The people most invested in the current way of doing things are doing just that. There are leaders talking about making a few adjustments here and there, but they’re basically advocating for the same system as before. When they talk of ‘recovery’ they mean putting a bit of varnish on the future, touching up the paintwork here and there, but all to make sure that nothing changes. I’m convinced that this will lead to an even greater failure, one that could ignite a huge social explosion.”<sup>111</sup>

While I share the rest of his analysis, I do at least hope he is wrong about this.

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<sup>110</sup> Pope Francis, *General Audience: Catechesis “Healing the world”: 4. The universal destination of goods and the virtue of hope* (26/8/2020).

<sup>111</sup> Pope Francis, *Let Us Dream: The Path to a Better Future* (2020) p. 44.

## Chapter Twelve: For the Common Good - the moral obligation of tax justice

DAVID PALMER; CHIEF EXECUTIVE OFFICER OF EPWORTH INVESTMENT MANAGEMENT LIMITED<sup>112</sup>.

At a meeting discussing the UN's Sustainable Development Goals (SDGs) with a reporter specialising in Environmental, Social and Governance (ESG) issues, the question of taxation came up. There are 17 SDGs which were adopted by the 193 member nations of the UN in 2015. They are designed to “end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind”.<sup>113</sup>

Our discussion concluded that these goals omitted an overarching target that could finance and support most of these objectives – that every institution, company and individual should pay their fair share of tax. We called this tax justice. It has been estimated that the world is losing nearly \$245 billion each year due to corporate tax ‘planning’: that is enough to cover 9.2 per cent of the world’s health budget. Lower income countries proportionally lose more than the developed world.<sup>114</sup> Society’s attitude to the prioritisation of shareholder returns over a contribution to the broader economy is evolving, with a growing recognition that companies should contribute to the education, personal safety and infrastructure costs that enable and sustain their performance.

The United States Conference of Catholic Bishops set out, thirty-seven years ago, three principles against which to judge a nation’s tax system. They are: that it should meet the needs of the poor; that it should be a progressive system so that those with greater capacity to pay tax should pay proportionately more than those with less; and that tax should not be a burden for those who struggle to get the necessities of life.<sup>115</sup> However, a core assumption underlying these principles is that the tax system will secure the revenue that it is designed to collect. There is naivety here that those with the capacity to pay tax will not use some of that implied wealth to reduce or even avoid their tax burden. As the twentieth-century American businesswoman Leona Hemsley, dubbed ‘The Queen of Mean’, is infamously quoted as saying, “We don’t pay taxes; only the little people pay taxes”.<sup>116</sup>

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113 United Nations, [The Sustainable Development Agenda](#) (accessed 16/8/2023).

114 Tax Justice Network, [The State of Tax Justice 2020: Tax Justice in the time of Covid 19](#) (2020) p. 4.

115 United States Conference of Catholic Bishops, [Economic Justice for All: Pastoral Letter on Catholic Social Teaching and the U.S. Economy](#) (1986) 202.

116 ‘[Maid Testifies Helmsley Denied Paying Taxes](#)’, The New York Times (12/7/1989) (accessed 13/9/2023).



For the practising Christian, the core challenge is whether tax evasion or aggressive tax avoidance should be regarded as a sin. A company chief financial officer often has, as his or her priority, the maximisation of the return to shareholders. Many individuals regard it as the government's role to close the loopholes that allowed Leona Hemsley to avoid her tax obligations, while, if they fail to do so, then efficient tax planning is fair game. Most people would agree that an investment in a tax efficient product such as a pension scheme or an ISA is a sensible and prudent way of planning for the future. What is the difference between that and a film partnership, ruled illegal by a tax tribunal, that enabled 35 footballers, actors and other celebrities to avoid £1.6 billion of tax?<sup>117</sup>

In an encyclical *Sollicitudo Rei Socialis* (1987), Pope John Paul II denounced financial mechanisms which “although they are manipulated by people, often function almost automatically, thus accentuating the situation of wealth for some and poverty for the rest” (*Sollicitudo Rei Socialis* 16). In his encyclical, Pope John Paul II linked structural sin to the actions of the individual. Structures of sin “grow stronger, spread, and become the source of other sins, and so influence people's behaviour” (*Ibid* 36). He continued that the reform of the world's monetary and financial system had been inadequate. Pope John Paul II's opinion is unlikely to have been changed by the

developments of the last thirty-six years.

The *Catechism of the Catholic Church* tells us that individuals and companies have a responsibility for the common good (CCC 2240), and thus it is morally obligatory to pay taxes that are due. It can be inferred from this that they should pay a fair and transparent level of tax. Aggressive tax planning, although arguably legal, is therefore sinful. It detracts from the common good and harms others by depriving them of the fiscal support that finances the safety nets that we have chosen to put in place for our vulnerable. Aggressive tax avoidance by the wealthy only increases the burden on the less well-off to support the needy.

The “Fair Tax Mark” is an accreditation that examines and tests a company's tax policy.<sup>118</sup> It demands transparent financial reporting. Where does a company earn its revenue? Where does it employ its people? And where does it pay its tax? It demands an explanation of extraordinary tax rates: that is, why the company's tax rate is so low. Is it because of brought-forward losses or genuine capital expenses? Or is it because of the use of a financial mechanism that has no purpose other than to reduce the company's tax burden?

Epworth Investment Management became the first investment manager in the UK to obtain the Fair Tax Mark in 2020. We have since engaged actively with companies in which we invest to

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117 For details of the legal case and full decision, see [Ingenious Games LLP and Others and The Commissioners for HM Revenue and Customs: \[2019\] UKUT 0226 \(TCC\)](#).

118 [Fair Tax Foundation](#) (accessed 18/8/2023).

encourage them to apply for this accreditation. Of the 23 companies that we have approached, two have achieved the Fair Tax Mark, six are seeking the accreditation and nine are amending their tax disclosures.

We encourage all investors to ask their fund managers, or the companies in which they invest, about their attitude to tax justice. A company that acknowledges and fulfils its obligations to all stakeholders is not only ethically worthy of investment but demonstrates the long-term planning that will make it a successful, sustainable investment. Our society has established a system to educate, protect, heal and support our young, old and vulnerable. We have determined that a progressive tax system is the equitable approach to financing these core functions in our world.

As Jesus teaches us: “Everyone to whom much was given, of him much will be required, and from him to whom they entrusted much, they will demand the more.”<sup>119</sup> For companies and individuals to seek to avoid this obligation, and in doing so increase the burden on the less fortunate than themselves, is sinful, and so is any system that enables them to do it.

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119 [Luke 12:48](#).



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