General Paper 1 of the Project „Tax Justice & Poverty“

Clarifying terminology, context and scope of the project

Dr. Jörg Alt SJ, MA, BD

With contributions by Pascal Andebo, BA, MA
Musonda Kabinga, BA
Emmanuel Tendet, BA

alt
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1 Introduction

The research and advocacy project "Tax Justice & Poverty – Narrowing the Wealth Gap and Reducing External Funding" wants to look into the interrelationship between Taxation and Poverty.

As headline and sub headline suggest: This research takes (1.) the widening of the wealth gap and (2.) the persisting/increasing dependency of states from external funding to be major indicators of increasing individual and social poverty nationally and globally, within and between nations. The objective of this research is to prove that a fairer, more just taxation could be one solution to those problems in particular and other forms of poverty in general. Accordingly, this research is concerned about tax avoidance, tax evasion and other forms of illegitimate or illicit capital movements which increase the tax burden to be carried by honest tax payer.

It should be noted from the outset that in this research the term "taxation" implies also other forms of state imposed charges such as excise duties, levies or forms of mandatory contributions.

The task of this paper is to clarify some of the key terms relevant for this research. At the beginning stands the definition of “poverty”, since it is the focal point of interest in this research.

2 Definitions of poverty

It is difficult to define “poverty” both in absolute and relative terms and always references to a specific context are needed. Of course, there is the widespread approach to define absolute poverty by linking it to a certain amount of money linked to income or consumption (i.e. 1.25 US$/day). This approach is limited in its usefulness because it does not measure other relevant issues such as access to education or healthcare. And: What about absolute or abject poverty in wealthy countries? Equally, definitions of “relative poverty” is wanting: Take, for example, those poor people whose earning is less than a certain percentage of this median or net-mean income and now give everybody in this country EUR 1000: Clearly, those poor people are better off with those EUR 1000, but they are still be “relatively poor” because all received those EUR 1000 and the median or net-mean income just shifted for all. There are, therefore, more factors to be taken into account, e.g. the purchasing power (i.e. what one can de facto pay or buy with this amount) or inflation, debt or taxes, which might totally devalue any increase one might receive beforehand.

For this reason, this research aligns itself with Christian Aid who discussed and defined its concept of “poverty” in the publication “Doing justice to poverty” (2008): According to Christian Aids paper, poverty can be best defined following ‘***the “capabilities approach”, associated with Amartya Sen …. In this approach, development is characterised as a series of freedoms or capabilities; and poverty, by implication, is unfreedom – the deprivation of capabilities.’*** (Christian Aid, 2008, S. 3).

This definition is a rather formal tool which needs to be adapted and adjusted to each context under examination, but we feel that it is able to capture the tension between structural-social and individual aspects both nationally and globally, both in the setting of an industrialized and a developing country, in a way that is compatible with the positions inherent in and put forward by Catholic Social Teaching – which is the ethical and moral framework for this research. This conceptualisation of poverty overcomes the distinction between absolute and relative poverty because: In rich and poor countries alike, conditions of poverty, as identified with the “capabilities approach”, limit capacities and options of poor people to lead a self-determined and free life due to the lack of resources and opportunities. Poverty is such gradable on a scale, but not categorized in “bad poverty” or “not so bad poverty” which might justify more efforts aiming to remove the former rather than the latter.

Following the “capabilities approach”, Christian Aid lists the following components determining that which specifies a “good” life outside of poverty. They are located in the following four dimensions:

- Personal – health, education, mental well-being, decent work and leisure conditions

- Economic – income (as a basic aspect of material wellbeing), freedom from extreme inequality, economic security (that is freedom from extreme economic fluctuations)
- Political – political freedom, political security (that is freedom from political violence or instability)
- Social – community well-being, social relations, environmental conditions including environmental security (that is freedom from environmental fluctuations).

> These components of a decent life … can be summed up as empowerment. … Empowerment – by allowing not unlimited, but fundamental, effective choices about economic, social, personal and political aspects of a life – is freedom from poverty. (Christian Aid, 2008, S. 9).

This position of Christian Aid concurs with the call of II Vatican Councils Pastoral Constitution *Gaudium et Spes* upon 'humanity to establish a political, social and economic order which will growingly serve man and help individuals as well as groups to affirm and develop the dignity proper to them' (GS 9).

2.1 Categories and dimensions of poverty right now

Looking around the countries where this research is being done (Germany, Kenya and Zambia) and applying the definition above, we come across the following areas of poverty, where individuals and groups of people are hindered to unfold their human potential and capabilities to its fullness:

- Individual poor (unemployed, homeless, working poor, recipient of social benefits, people without access to proper health care, education, water, sanitation…)
- Groups of poor people (all the unemployed, the homeless, the working poor...)
- Forms of cultural poverty such as individualism, consumerism, materialism, devaluation of basic human dimensions such as empathy, compassion, solidarity....
- Poverty in a national community (where even the wealthy with shiny cars have to use deteriorating roads, suffer from environmental degradation, have to protect themselves from social conflict e.g. in "gated communities"...)
- Poverty in the entire worldwide community (where hunger exists which could be abandoned by a fairer distribution of goods, sickness, which could be healed, jobs which are destroyed, environmental degradation which afflicts agriculture…).

It needs to be noted that certain phenomena within the latter category are merely seemingly far away from wealthy countries. The situation in poor countries may have repercussions on wealthy countries by overcoming national borders, e.g. by the emergence of virus sicknesses travelling with tourists, (illegal) migration, worsening of the climate change by deforestation, national and global destabilisation and insecurity due to terrorism....

2.2 Poverty of future generations

We feel obliged to take into account the situation of coming generation and people yet unborn: The way in which today's economic growth and wealth is created and accumulated will impact on the living-conditions of future generations by:

- Depletion of non-renewable resources due to today's exploitation;
- Deterioration of supply with water, the quality of clean air, soil erosion, deforestation & desertification;
- Global effects of climate change will hit poor countries harder than wealthy countries (apart from the latter ability to initiate counterbalancing measures while the poor lack capacities and capabilities);
- Increasing national and international public debts will limit poor states capacity to advance the common good, e.g. because of the need to cut public services in order to service debts or to continue borrowing in order to sustain their public services;
- Countries with an ageing and declining population will encounter increasing problems to uphold the current systems of social security;
- Different and yet similar: In Africa, the middle generation will encounter massive problems by caring for the young and old during the transition process from a traditional to a formal-modern social security system (Andebo, 2014a).

2.3 Indicators of poverty: Inequality and dependency of external funding

This research project starts with observations of two important indicators of high or even growing national and international poverty. (1) The widening wealth gap and resulting inequality between rich and poor and (2) the increasing or persistently high level public debt, which causes a twofold-dependency: First on the side of the state towards its external creditors and second on the side of all those citizens up to future generations who have to pay for those debts. On this starting point builds the research, climaxing in the question whether (and what kind of) taxation can be a solution to this problem of national and international poverty. But here again we first have clarify about what we want to talk or about what we are able to talk, which requires some explicit reflections on inequality and public dependency:

2.3.1 Wealth gap and inequality

There are many ways to measure and describe inequality, such as the measurement of individual and household situation, market income vs. disposable income, average, medium and median net measures and statistics etc., all of which needs to be addressed in this study. For now and in more general terms, the problem is not the widening of the gap as such, since it makes sense to have incentives in order to reward the taking of risk, specialist work and the burden of responsibility. There would also be no major problem if the widening wealth gap would occur in an environment where indeed "the rising tide lifts all boats", as neoliberal theory promises: As long as the situation of all households is improving and – simply speaking – at the end of the year there is more net in the purse for all than at the beginning of the year, there would be no major scandal because, after all, everybody would *de facto* be better off. And exactly this poses a first and very basic problem, because some see the increase of inequality as one side effect of the more basic – positive – fact that the globalizing economy contributed to a dramatic decrease of worldwide poverty on the whole; or that the creation of conditions favorable to the accumulation of wealth is better suited to overcome poverty than redistribution by the state via taxation.[1] Regarding these issues, ***this research follows a more skeptical view towards the abilities of markets, business and economic growth. It is our position that the present system economic system, if not adequately taxed develops a dynamic which is inherently unjust and that the present system of production and consumption is already overstraining natural resources and is working only at high costs for the environment and future generations.*** The present global system is seen to be not sustainable – especially not if it is recommended to all other countries who want to achieve a level of living common to developed countries. It is for that reason, therefore, that this research has a more favorable view of regulation in many areas.

The scandal nowadays of a research done from the assumption of human equality is, however, the massive disparity of increase in income and wealth for some, and even net losses for others at the same time: Net gains are largely for those, who have already plenty. Others may get gross increases in wages and salaries, but this does not *de facto* improve their situation because those gains are 'eaten up' by taxation or inflation. Yet again others may lose out in gross *and* net income, and, beyond that, even lose possessions in the attempt to make ends meet (e.g. by selling assets in order to cover daily needs). To put it more simple: What does it say about the equal dignity of all human beings and their labour, if the CEO of some companies receives many hundredfolds of income as compared to the average (not: lowest) paid worker of his company? And it does not stop here, because income for work is not the only income wealthy people generate for themselves: They also receive income from shares, dividends, capital funds, real estate, rents and houses and so on. And it does not even stop here, because there is an increasing class of heirs and rentiers who are able to live from wealth which they have not "earned" at all.

Very often, the expressions income-inequality and wealth-inequality are interchangeably used, even though they signify very different categories of income and areas of (financial and societal) inequality. The following distinctions need to be kept in mind:

First of all, income can derive from labour on the one side, and from many other assets on the other. Piketty elaborates in his "Capital in the 21st century" (Piketty, 2014) the difference between the more classic wealth-gap in Europe which is linked to a life from capital returns (dividends, bonuses) rents (income from houses) and plain inheritance, and the wealth gap due to CEO "supersalaries" paid in the United States.[2] This is not to be seen exclusive, but it is also possible to combine income from "supersalaries", rents and

[1] E.g. (Booth, 2007c, S. 67), (Kennedy, 2007, S. 185) and other authors contributing to (Booth, Catholic Social Teaching and the Market Economy, 2007a)

[2] The US Federation of Trade Union calculated the CEO-worker pay-ratio, based on national and OECD statistical data available. The result: The wage gap between a CEO and an average worker is: In the USA 354:1, in Canada 206:1, in Germany 147:1, in the UK 84:1, in Poland 26:1. See http://www.aflcio.org/Corporate-Watch/CEO-Pay-and-You/CEO-to-Worker-Pay-Gap-in-the-United-States/Pay-Gaps-in-the-World. For the US alone, Bloomberg calculated these CEO-worker Pay-ratios. The highest are 1.795:1 (J.C. Penney), 1.640:1 (Abercrombie) and 1.594:1 (Simon Property Group. Some stations of the income gap: In the 1950s, the pay ration was on average 20:1, 30 years later 41:1, at the change of the Millennium 120:1. Bloomberg data, 30 April 2013, retrieved from http://www.bloomberg.com/news/2013-04-30/ceo-pay-1-795-to-1-multiple-of-workers-skirts-law-as-sec-delays.html

inheritance. Still Piketty is very right to call to attention that 'income inequality can be decomposed into three terms: inequality in income from labor; inequality in the ownership of capital and the income to which it gives rise; and the interaction between these two terms.' (Piketty, 2014, p. os. 4112 + 4193ff.)

A second distinction: While "income" refers to more or less regular monetary flows which is at the disposition of the recipient (disposable income), therefore comparatively and immediately improving the recipient's situation, "wealth" includes assets which do not automatically and in all situations reflect a disposable monetary value. For example, shares in a company produce dividends (and therefore income), but more important is that they signify control over the company as such and the place where the company operates and generates jobs. Or: owning a nice house with swimming pool is certainly an indication of wealth, but whether it can be sold or not for an adequate amount of money is dependent on many factors such as the state of real estate markets, interested buyer, inflation etc. Or: Those owning priceless pieces of art do this without normally having the intention of selling it.

Not surprisingly, therefore, wealth inequality in this world is much larger and more important to consider for this research than mere income inequality because of the power and influence normally going along with non-monetarian forms of wealth.[3]

However, there is a problem for this research to cover wealth inequality adequately for the three respective countries of this research: In African countries there is no comparable agreement on wealth categories available as it is in European countries[4] – let alone differentiated statistics on those categories. Rather, statistics are limited both to those categories of income which are considered to be important, e.g. by tax authorities, and on statistics which arise from this consideration. Just a simple example taken from real estate on which houses can be built which in turn generate income from rent: While it is easy in developed countries to measure the value of real estate since agreed standards of assessment exist, there are no widely applied standards on how to assess the value of real estate in Africa: Not the least, because a lot of land is still owned by the state (ZAM) or wealthy individuals (KEN). In both cases exists no real market for trading this commodity, an important precondition to establish market-value.

Furthermore: In both cases there is no incentive to assess and tax real estate: In the case of KEN because influential people are at the same time politicians who can prevent these taxes come into force, in the case of ZAM it would not make sense if the state would tax itself on his property and the relation between effort and potential profit does not make it sensible to spend a lot of resources in assessing and taxing privatized plots. For that reason, there are limits in our treatment and comparison of the wealth gap within and between our countries,

[3] For the difference between income inequality and wealth inequality see http://www.businessinsider.com/income-versus-wealth-inequality-2013-12. For inequality in Europe see www.inequalitywatch.eu/ and (Picketty & Zucman, 2013)

[4] See for developed countries e.g. different studies on Wealth Management or, for Germany, (Grabka & Westermeier, 2014).

but at least some convergence is possible or will be in the near future since work on comparable categories is proceeding.[5]

2.3.2 Public dependency of external financing

As to the second poverty indicator of this research, namely state dependency from external financing, there are also many ways to discuss the need for and problem of public debts. For example, debt might be good for all because of the necessity to stabilize a society in times of crisis. If then, afterwards, this short term "abridgement" eventually can be recovered: No damage done.[6] Here again: It is not the fact of debt as such, but the structure, proportionality and inherent dynamic of debt and dependency and the decreasing ability to invest for the common good and to support the poor which causes a scandal and are the reason why this projects looks into it. Things went particularly wrong regarding public expenses in the wake of the World Economical and Financial Crisis 2008/2009. They are in principle paid by all, but at the same time some make an over-proportional profit in this situation:

- It is not countries and banks, which were "rescued", but shareholder of other banks which inferred minimalized losses due to the public effort. In the case of the rescue operations for Greece, Ireland and Spain: Main profiteers were banks and their shareholder e.g. in Germany and France.[7]
- The wealthy are not asked to shoulder a proportionally higher burden for these rescue operations, e.g. via a "Wealth Levy", either at the moment nor later.
- In many countries, no adequate efforts were undertaken to hold those who caused losses responsible and have them pay back at least part of it from their own possessions.[8]
- Some social groups profit from economical and financial stimulus packages more than others.
- When states needed urgently to borrow huge amounts of money for stabilizing and stimulating packages they turned to the capital markets. Hence large parts (although the exact amount is unknown) of the public debt is owed by banks and other financial institutions which certainly draw some profit from the situation.

It gets worse because of subsequent cuts in investment areas important for the common good or future generations nationally and internationally (infrastructure, education, health care, adaptation to climate change, developmental aid…), or direct cuts in budgets which would benefit the poor (benefits, credits, grants and special rate loans...).

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[5] See http://topincomes.parisschoolofeconomics.eu/#WorkInProgress: especially the work of (Atkinson, 2014)

[6] For example: The US government by now has recovered all money it spent on saving its financial sector – something, European governments have yet a long way to go. (International Monetary Fund, 2013, S. 16)

[7] Schumann, H. (2013, March 3) Staatsgeheimnis Bankenrettung. Arte. Retrieved from http://www.youtube.com/watch?v=mAlCqbod9Qc

[8] Here the US are exemplary not only for recovering the money spent on rescuing the financial sector, but also forcing banks to pay Billions US$ in compensation for selling useless assets to trusting customers. This has not yet happened in Europe and will certainly not happen elsewhere, especially in regions as Africa, where the wealthy and politically powerful normally belong to the same family, clan or tribe.

Here the question is seen to be legitimate whether those who profited most from recent public interventions needed to prevent a global crisis are not obliged to contribute in whatever way to get public households in order again and/or to safeguard appropriate support for the poor.

2.4 Taxation and the poor

Nobody likes taxation, levies, duties and mandatory social security contributions. But they are, for many reasons, an unavoidable necessity in the world which we know: Without tax revenues, hardly any state institutions, public services and systems of social security would exist. And nobody is seriously able to present a scenario where world society in its complexity could function without those institutions and services. Therefore it is not the fact of taxation as such, but the way and kind of taxation which is under discussion and the ways in which this money is collected and being spent.

Taxes are very democratic: Everybody pays, even the poorest by paying indirect taxes such as VAT. More specifically regarding the poor, taxation affect them in three main ways

1. Negatively when they are paying tax. Here, obviously, the research has to demonstrate whether and how taxation worsens the situation of the poor.
2. Positively (1) when they receive tax credits or allowances (when they have to pay less tax than others due to their social and material and economic situation)
3. Positively (2) when they receive handouts (in kind or cash) from tax revenue.

The fact, that even the poorest people pay taxes and carry, because indirect taxation has a regressive effect, a *proportionally* heavier tax burden than the wealthy, is often overlooked, but ethically important: Insofar the poor pay taxes, they, too, contribute to the revenue which in a second step is used to alleviate their situation.

3 Taxation as an instrument of justice?

3.1 What is “just” and “justice”?

The main question which this research tries to answer is: ***How far is taxation (and what kind of taxation is) a justified instrument to alleviate poverty and its indicators inequality and public debt and dependency?***

The problem immediately at hand is here: How do you define “just” or “Justice”? What concept of “Justice” do you adopt and follow? Because depending on that concept of justice, all other practical issues will be measured, deduced and applied.

And here lies, obviously, the crux: Different religions, philosophies and ideologies have different concepts and understandings of justice. Even though this research and advocacy project on “Tax Justice & Poverty” is firmly based within Catholic Social Teaching (CST) as its departure point and frame of reference, it needs to be aware that there are diverting positions on important issues within the Catholic framework.[9] And: in an increasingly pluralist and secular society there are even more diverting and conflicting concepts of "Justice" outside the Church context, and in each democratic society one needs majorities in order to change laws and practices.

Without pre-empting the later in-depth examination in the paper "Dimensions of Justice"[10] and "Setting the Frame" (Alt, 2013), the issue shall be briefly demonstrated by illustrating the links between social and (re-)distributive justice and taxation – the selection being done because in the discussion redistribution is an important element for narrowing the wealth gap and paying back public debts with the goal to diminish dependency from external finance. More specifically:

One of the ideas of taxation is to redistribute wealth inside a given society in order to prevent people from getting stuck in poverty and to provide support so that they can "help themselves" getting out of poverty. In this context, the principle of "Distributive Justice" is important, because this principle 'concerns the nature of a socially just allocation of goods in a society.' It 'considers whether the distribution of goods among the members of society at a given time is … acceptable.'[11] If this is not the case, taxation can be one way to right the wrongs, because

> 'redistribution of income and wealth or redistribution of wealth is the transfer of income, wealth or property from some individuals to others caused by a social mechanism such as taxation, monetary policies, welfare, charity, divorce or tort law. The desirability and effects of redistribution are actively debated on ethical and economic grounds.'[12]

3.2 Taxation, social and distributive justice outside CST

The most well known and probably most influential contemporary debate surrounding the topic of a just society and how taxation fits into this is the dispute between John Rawls and his opponents. Rawls in his writings puts up a strong case for distributive justice which is hailed to be the 'most compelling case for a more equal society that American political philosophy has yet produced' (Sandel, 2010, S. 166). In Rawls thinking, however, taxation is not a central element to determine justice of a society. As he describes in his book "Justice as Fairness", his goal is a society, whose entire ensemble of institutions

> '"work to disperse the ownership of wealth and capital, and thus to prevent a small part of society from controlling the economy." In its ideal form, a property-owning democracy would not produce wide disparities of income and wealth and a few privileged members of society controlling most of the economic and social resources. "Under these conditions…we hope that an underclass will not exist".'And elsewhere Rawls even calls upon a 'society "beyond justice", where 'taxation would only be

[9] See above, 1.3. There is, for example, a distinct difference whether CST is used and read within an Anglo-Saxon or continental European context. See e.g. (Sirico, 2007) on the "Welfare" approach in the US and Europe and there are certainly different emphases in the African approach.

[10] Forthcoming, probably by Mid-2014

[11] http://en.wikipedia.org/wiki/Distributive_justice

[12] http://en.wikipedia.org/wiki/Redistribution_of_income_and_wealth

about providing government financing for public goods and operations: redistribution would simply be unnecessary' (Sugin, 2004, S. 2000+2005).

Clearly, in such an ideal society taxation would not be of central importance. But even John Rawls has to acknowledge that the real world of growing inequalities is far removed from his ideal state of a socially just society, and in the real world taxation is one of the very few means with which to implement some sort of distributive justice. Therefore he reluctantly enters two taxes into the debate, both of which are in accordance with his famous two principles of justice: A flat tax on consumption (Rawls, 1999) and an inheritance tax (Rawls, 2001). On what – and how – the money thus collected should be spent is not elaborated in detail since the real world was not as central a concern for the philosopher Rawls as the ideal world. Scholars guess that perhaps Rawls final understanding of 'justice as fairness is more concerned with sufficient taxation than with the particular distribution of tax burdens.' But clearly the taxes proposed 'could certainly raise enough revenue to provide for substantial redistribution, both directly in the form of transfer payments to the neediest members of society, and indirectly, through the provision of public goods that disproportionately benefit the least well-off.' (Sugin, 2004, S. 1999)

His critics counter that of course the rich and strong need to support the weak and poor, but that the extent and ways in which they do it needs to be left to their own discretion. Robert Nozick, for example, one of the most influential critics of Rawls emphasizes that any transfer can be called "just" only, if it originates from a free gift, sale or other agreement, but not from theft. And here taxation comes in: 'Nozick argues that all attempts to redistribute goods according to an ideal pattern, without the consent of their owners, are theft. In particular, redistributive taxation is theft.'[13]

In the view of critics only voluntary transfers are "pareto efficient", namely, that because of this transfer one group is better off, but nobody is worse off.[14] This may sound strange at first sight but consider this: A wealthy person might have the insight that it is better for him to pay 1000 Euro from his purse for a social just society, which is therefore free of violent conflicts, than spending the same amount on a flat inside a gated community. Or: He might voluntarily pay for good road infrastructure since it also benefits his BMW.

There is, however, ample evidence to demonstrate, that this kind of insight and behaviour does not exist in the real world to the extent that the above mentioned indicators of poverty, namely scandalous inequality and public dependency, are diminishing. This is neither surprising, nor is it a new insight. Adam Smith stated already that we need the state for those public tasks and institutions which are not realized by individuals or small groups simply because it is not profitable enough for them to invest in them.[15] This common-sense

[13] Taken from http://en.wikipedia.org/wiki/Justice, retrieved 18 November 2013.

[14] For a general overview see the entry "Distributive Justice" in the Stanford Encyclopedia on Justice, retrieved from http://plato.stanford.edu/entries/justice-distributive/. As to the conflict between Rawls and Nozick see Lacewing, M. Rawls and Nozick on Justice. Routledge, retrieved from http://cw.routledge.com/textbooks/alevelphilosophy/data/A2/Politcal/JusticeRawlsNozick.pdf

[15] The sovereigns or commonwealth's task 'is that of erecting and maintaining those public institutions and those public works, which though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense to any individual, or small number of

insight is supported by research into the question, how wealth distributes in a society without any redistributive mechanisms: It would concentrate even faster than it does today and instability of society would most likely increase proportionally (Fernholz & Fernholz, 2012) and (Sugin, 2004).

3.3 Taxation, social and distributive justice in CST

Clearly, Catholic Social Teaching with its understanding of, and emphasis on, the common good and public institutions safeguarding this common good is much more in line with Rawls and Sandel than with their libertarian critics. The main objection of the critics, namely that tax is theft, the church pre-empts by calling it not "theft", but "sacrifice", which the better-off have to contribute for the sake of those less well-off.[16] Moreover, Catholic Social Teaching calls exceeding wealth to be theft if it does not show adequate social responsibility to the poor.[17]

Ahead of a more exhaustive discussion in the course of the research project, two appeals for redistribution based on CST shall be given: Pope Benedict argues that redistribution organized by the political community is needed to balance inequalities and distortions which accompany economic activities merely guided by commercial logic:

> Economic activity cannot solve all social problems through the simple application of commercial logic. This needs to be directed towards the pursuit of the common good, for which the political community in particular must also take responsibility. Therefore, it must be borne in mind that grave imbalances are produced when economic action, conceived merely as an engine for wealth creation, is detached from political action, conceived as a means for pursuing justice through redistribution.[18]

And the Compendium on Catholic Social Doctrine states:

> The economic well-being of a country is not measured exclusively by the quantity of goods it produces but also by taking into account the manner in which they are produced and the level of equity in the distribution of income, which should allow everyone access to what is necessary for their personal development and perfection. An equitable distribution of income is to be sought on the basis of criteria not merely of commutative justice but also of social justice that is, considering, beyond the objective value of the work rendered, the human dignity of the subjects who perform

individuals; and which it, therefore, cannot be expected that any individual, or small number of individuals, should erect or maintain.' (Smith, S. 276)

[16] See, for example, Paul VI: 'On the part of the rich man, [building up the human community] calls for great generosity, willing sacrifice, and diligent effort. Each man must examine his conscience, which sounds a new call in our present times. Is he prepared to support, at his own expense, projects and undertakings designed to help the needy? Is he prepared to pay higher taxes so that public authorities may expand their efforts in the work of development? Is he prepared to pay more for imported goods, so that the foreign producer may make a fairer profit? Is he prepared to emigrate from his homeland if necessary and if he is young, in order to help the emerging nations?' (Populorum Progressio Nr. 47).

[17] 'With this in mind, I encourage financial experts and political leaders to ponder the words of one of the sages of antiquity: "Not to share one's wealth with the poor is to steal from them and to take away their livelihood. It is not our own goods which we hold, but theirs".' Pope Francis, Exhortation Evangelii Gaudium Nr. 57.

[18] Caritas in Veritate Nr. 36

it. Authentic economic well-being is pursued also by means of suitable social policies for the redistribution of income which, taking general conditions into account, look at merit as well as at the need of each citizen. (Pontifical Council for Justice & Peace, 2005, p. 227)

Clearly, more aspects need to be considered and discussed to determine, whether a given tax system is just and fair and indeed an answer to the question will have to wait until the very end of this research: Only then enough facets of this wide and complicated area will have been thought through more adequately. It is, after all, not simply done with the consideration of just the taxation system of one country, but also the wider context of the local and global operations of the economy, with de facto competition arising from that or the legitimacy of the political and institutional system which imposes, collects and distributes tax.

4 Tax Justice, poverty and research focusing

A major problem for the research team is the following: Institutions as different as the IMF and the Catholic Church agree that both tax collection and tax spending needs to be examined together when discussing about tax justice and fairness.[19] This makes sense: The willingness to contribute for the common good is much higher if those being asked to contribute know for what objectives and purposes their money is being used.

Also in this research project on Tax Justice & Poverty, therefore, three areas of validation and verification *should* be of importance to determine the fairness and justice of taxation systems in any given society and its adequacy for reducing poverty:

1. Does everybody contribute to the common good/commonwealth according to his abilities?
2. Can it be established, due to a redistributive effect, that wealth gap and public dependency stop growing (or even diminish) and that therefore poverty both now and of future generations is *prima facie* reduced?
3. Are public policies and programs, on which tax revenue are spent, indeed the best possible way to reduce poverty? Or are approaches based on charity better?

The researchers are aware of this link between tax collecting and revenue spending right from beginning, but state also their inability to deal with both aspects equally diligent: On page 8 of the research concept, it is stated:

It is not enough to collect more money. This study is also concerned about how best the money is spent so that poverty is reduced. In other words: It is not in the interest of

[19] ‘The overall fairness of the fiscal system should be assessed in terms of taxes and spending combined, and most redistribution takes place through the latter’ (International Monetary Fund, 2013, S. 34). In the same manner, CST argues: ‘*Tax revenues and public spending take on crucial economic importance for every civil and political community…*. Public spending is directed to the common good when certain fundamental principles are observed: the payment of taxes [739] as part of the duty of solidarity; a reasonable and fair application of taxes;[740] precision and integrity in administering and distributing public resources.[741]’ (Pontifical Council for Justice & Peace, 2005, p. Nr. 355)

this study that the money is spent – for example – to fuel more corruption or that programs are funded which are of no use to alleviating national or global poverty. This brings in the question of good governance. On the other hand … the researchers will not be able to deal with this aspect adequately. … We are confident that these problems are adequately covered by all those organisations and institutions researching and publishing in the area of good governance. We will bring our research results to their attention and ask them to incorporate our results into their work. Resources permitting, we are happy to cooperate with those organisations and institutions from then on.

For that reason, the following is re-emphasized referring to the scope of this research:

- The research will focus its efforts on the question whether the systems of tax collection in GER; KEN and ZAM can be called proportionate and fair, i.e. most importantly, whether poor and rich are taxed equally, adequately, proportionally and fair in relation to their ability to pay taxes.

As to the utilization and spending of tax revenue, the researchers attempt the following:

- They will try to prove the hypothesis: As long as the present system of taxes and redistribution continues to favour those who are wealthy or otherwise privileged anyhow, the wealth gap will continue to grow and no improvement in the situation of the poor can be expected – the latter simply because fewer taxes as potentially possible will be raised which will affect tax spending.
- They will try to prove the hypothesis: If the public debts/dependency from external finance remains high or even increases, the situation of the poor remains miserable or even deteriorates further as tax revenue spending will remain high on debt servicing.
- Finally and ideally: If resources allow it, exemplary areas of poverty reducing policies and programs in GER, KEN and ZAM will be examined and, if possible and meaningful, be compared.

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