



# JUST TAXATION: THE CITIZENSHIP ETHIC

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Catholic Caucus  
November 10, 2009



# INTRODUCTION

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As the arguments about budgets and taxes continue – with all the rhetoric and political posturing –

one might be tempted to replay a Tina Turner song, with “ethics” substituted for “love.”



# INTRODUCTION

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“What’s ethics got to do, got to do with it?”

What’s ethics but a second hand emotion?”

(credit to Jim Sabin)



# INTRODUCTION

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But we do not have to look very far below the surface to see that tax debates are, in fact, often debates about what is fair and just and what promotes a good society.

The tax debates are about social ethics.



# INTRODUCTION

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Those we disagree with most strongly on tax policy are likely to be just as committed as we are to (a different understanding of what constitutes) justice in taxation.



# INTRODUCTION

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The intent here is to review briefly one vision of good citizenship and good government – the one reflected in Catholic social ethics – and to explore the implications of this vision for just taxation.

I refer to this as the Citizenship Ethic.



# PART 1

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# THE CITIZENSHIP ETHIC



# THE CITIZENSHIP ETHIC

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The word "citizen" might be contrasted with the word "consumer," and with the word "taxpayer."



# THE CITIZENSHIP ETHIC

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The starting point is the belief that we are, by our very nature, social beings.

We are not just individuals who choose to come together in society to protect our individual rights.



# THE CITIZENSHIP ETHIC

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Fundamental to the moral responsibility of everyone is the obligation to work for and contribute to the common good.



# THE CITIZENSHIP ETHIC

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In seeking the common good, we are seeking those conditions necessary for human fulfillment for all.

(See Gaudium and Spes, #26)



# THE CITIZENSHIP ETHIC

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In contrast to a more individualistic vision, essential human rights include social/economic human rights as well as civil/political human rights.



# THE CITIZENSHIP ETHIC

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The effort to promote the common good requires that we give special attention to those persons who are most vulnerable and whose needs are not now being met adequately (preferential option for the poor).



# THE CITIZENSHIP ETHIC

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“Personal decisions, policies of private and public bodies, and power relationships must be evaluated by their effects on those who lack the minimum necessities of nutrition, housing, education, and health care.”

(Economic Justice for All # 90)



# THE CITIZENSHIP ETHIC

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There is a positive and essential role for government to play in protecting human rights and in securing justice for all.

Citizens need to work through government and public policy, not simply through charity.



# THE CITIZENSHIP ETHIC

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The common good requires not only that the economic needs of the poor be met but that privileged power relationships be challenged.



# PART 2

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## IMPLICATIONS FOR JUST TAXATION



# JUST TAXATION

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Taxes are essential, necessary to assist in meeting the needs of all and in protecting the human rights of all.

Paying taxes is one way citizens contribute to the common good.



# JUST TAXATION

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General citizenship ethic principles related to just taxation include the following.



# JUST TAXATION

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1. Tax revenues should be sufficient to fund the essential role of government.

("The tax system should raise adequate revenues to pay for the public needs of society, especially to meet the basic needs of the poor." Economic Justice for All, #202)



# JUST TAXATION

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2. Taxation should generally be based on ability to pay.

This means that “the tax system should be structured according to the principle of progressivity, so that those with relatively greater financial resources pay a higher rate of taxation.” (EJFA, # 202)”



# JUST TAXATION

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3. In calculating the overall tax contributions of different segments of the population, “tax expenditures” in terms of tax breaks and incentives should be taken into account.



# JUST TAXATION

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4. Potential indirect impacts on public good, such as on employment opportunities, need to be taken into account in determining the ethical quality of tax policy.



# JUST TAXATION

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5. Transparency and simplicity are important components of good tax policy.

The basic elements of the tax policy (who pays how much on the basis of what criteria) need to be clear enough and simple enough so the public can understand.



# JUST TAXATION

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6. Citizenship tax responsibility does not end with ensuring the fair allocation of the tax burden. It also includes oversight of the use of tax revenues (government spending) to ensure the fair allocation of benefits, avoidance of waste, protection against conflicts of interest in decision making, etc.



# JUST TAXATION

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Given the diversity of beliefs among the public regarding what constitutes just taxation, the ideal tax policy is not realistically achievable.

The practical ethical goal = the best that can be achieved in the these circumstances.



# JUST TAXATION

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The hard work of tax justice advocacy is applying these general principles and recognizing what is the best possible in the circumstances.



# Part 3

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# EVALUATING TAX PROPOSALS



# EVALUATING TAX PROPOSALS

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The Catholic Social Justice Commission of the Archdiocese of Canberra and Goulburn (Australia) proposed a number of questions to be asked of new tax proposals. Here are some of them:



# EVALUATING TAX PROPOSALS

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“Who stands to gain and lose from the immediate impact?”



# EVALUATING TAX PROPOSALS

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“How will ...[the change] influence aggregate levels of employment?”



# EVALUATING TAX PROPOSALS

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“Do the measures widen or narrow the dispersion of incomes and wealth (in both the short and the long term)?”



# EVALUATING TAX PROPOSALS

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“Are people in similar circumstances treated alike?”



# EVALUATING TAX PROPOSALS

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“Will the tax system become simpler or more complex, and will compliance costs increase or decrease for people with limited incomes and assets?”



# EVALUATING TAX PROPOSALS

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“Will the impact of revenue gains and losses on the Government’s ability to fund its social programs for the disadvantaged be adequately recognized?”



# EVALUATING TAX PROPOSALS

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“How will incentives to work, save and invest – and therefore the tax base – be affected?”