

ITALY, THE VATICAN & DR MORARO

“Ever since the Reformation the old foundations of European life have been attacked... until society has arrived at its present chaotic, formless, distracted condition... In the economic world in particular, distraction reigns. Man is arrayed against man, and class against class and nowhere is there to be found any sure guide or preceptor...”

George O'Brien¹

In an article published in *The Australian* on 12th December 2011, Dr Piero Moraro, lecturer in philosophy at Australia's Charles Sturt University, expressed himself less than impressed by the advice of Archbishop Giancarlo Maria Bregantini of the Italian Bishops Conference that the highest income (earners) in Italy should be taxed more heavily to assist with the country's economic crisis. A copy of the article is included in the Appendix. Dr Moraro makes some telling points respecting deficiencies in the Vatican's approach to economic issues, but his own approach is not free from them.

Consistent with the elliptical advice Christ Our Lord gave to the Pharisees, “Render to Caesar the things that are Caesar's”, the Church has never sanctioned any particular method of raising revenue for government. The gratuitous rendering of *Romans 13: 7* in the Jerusalem Bible, “you must pay taxes”, is defective. The Vulgate has it: *Reddite omnibus debita; cui tributum tributum; cui vectigal vectigal; cui timorem timorem; cui honorem honorem*. That is, “Render to all men what is due to them; tribute to whom tribute is due; tax to whom tax is due; fear to whom fear is due; honour to whom honour is due.” [Cf. CCC n. 2240; also I *Peter* 2: 13] It leaves open the issues whether a tax is properly imposed, what, if anything, may licitly be exacted and, indeed, the whole issue of how revenue for government is properly to be raised.

Taxes, systematic exactions by governments, are a relatively modern phenomenon. The principal means for raising revenue by kings, abbots, archbishops, barons, and other earthly princes for the governance of their realms was, until the Protestant revolt, through rents for the use of the lands in their control. While kings imposed additional levies from time to time with or without the support of a parliament of their subjects for wars and other ventures they deemed essential, these were as unpopular as are the taxes so generously imposed by governments today.

There is only one basis on which a tax could be morally justified, namely, that it serves the common good. Pope Benedict XVI put the issue succinctly when, on September 22nd, 2011, he quoted the words of St Augustine to the German Bundestag—

“Without justice, what else is the state but a great band of robbers.”²

¹ *The Economic Effects of the Reformation*, London (Burns, Oates & Washbourne), 1923; my copy by IHS Press, Norfolk Virginia, 2003. This is from the anagraph at the opening of the book. O'Brien was Professor of Economics at University College, Dublin, from 1930 to 1961.

² *De Civitate Dei* IV, 4, 1,

While a Catholic prelate is bound through his preaching and example, then, to resist injustice it is inappropriate for him to call for the imposition of taxes on one section or another of the populace, especially when it is unlikely in the extreme that he has ever himself had to pay a tax other than indirectly.³

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In 1891 the American economist Henry George (1839-1897) addressed a submission to Pope Leo XIII (published as *The Condition of Labour*) challenging certain rulings the Pope had issued in his landmark encyclical *Rerum Novarum* (15.5.1891) and advocating the Church's endorsement of his thesis that the proper source of revenue for government was via a site rent on land. It is, he argued, the proximity of men and the social advantages they bring that renders one parcel of land more valuable than another: *ergo* that increment ought be applied not for the benefit of the landowner but for the society whose members have brought it about.

George argued that the right to private property should not, then, extend to land. But the Pope, insisting that "[t]he right to possess private property is derived from nature not from man", did not agree.

"[N]ot only should man possess the fruits of the earth, but also the very soil, inasmuch as from the produce of the earth he has to make provision for the future...

Nature accordingly must have given to man a source that is both stable and abiding from which he could draw continual supplies."⁴

Yet George's thesis that the increment in land value provides a natural source of revenue, reminiscent as it is of mediaeval historical practice where rents paid to landlords subserved this end, is compelling. So are his arguments that exactions by government involves taking from people what is rightly theirs; that these arbitrarily advantage some at the expense of others, create crimes that are not sins, lead men into temptation by giving them a motive to make false statements, and punish labour which Almighty God has ordained as man's proper burden.

How do you solve a dilemma? You accept each of its terms and look for a distinction in one, or in the other, or in both. A perusal of *Rerum Novarum* shows that Pope Leo's statement of principle was not made unqualifiedly.

"The chief and most excellent rule for the right use of money is one which the heathen philosophers hinted at, which the Church has traced out clearly and has not only made known to men's minds but has impressed upon their lives. It rests on the

³ Properties devoted to the service of God or to charitable purposes are ordained to the common good, at least materially, which is why Church authorities are justified in pressing secular governments to absolve such premises from the burden of exactions they may see fit to impose. This is not to deny that those who serve the Church may not abuse that end, to the scandal of faithful and faithless alike.

⁴ *Rerum Novarum*, nn. 5, 6. It would seem, moreover, this entitlement is Divinely revealed for *Genesis* 1: 26 runs, "And [God] said... *Let man have dominion over... the whole earth, and every creeping creature that moves upon the earth.*" And in the following two verses this appears: "And God created man to his own image... male and female he created them. And God blessed them saying, *Increase and multiply and fill the earth and subdue it and rule over the fishes of the sea, the birds of the air and all living creatures that move upon the earth.*" If man was precluded from ownership of the earth (or any part of it) this would derogate from the Divine commands.

principle that it is one thing to have a right to possess money, and another to use money as one wills..."⁵

Now money has no intrinsic value, only signified value: money is not wealth but wealth's representation. Hence the Pope went on to say —

"Man should not consider his material possessions as his own but as common to all so as to share them without hesitation when others are in need."⁶

In a society whose attitude to property is formed by Protestant and not Catholic principle the moral duties attaching to the ownership of property are suppressed, something illustrated by the modern notion of capitalism. The word *capital*, signifying wealth applied in the production of further wealth, is morally indifferent. *Capitalism*, however, has come to signify something something far otherwise.

"[Previously] enjoyment or consumption of some kind was regarded as the ultimate end of all economic effort; but... the person animated by the capitalist spirit [regards] accumulation... as a motive to be pursued for its own sake. This leads to an insatiable appetite for the saving of more and more wealth, which..., employed for productive purposes, tends still further to accumulate. [B]usiness for business' sake has become the watchword of the modern capitalist. His wealth is not designed for... enjoyment; it has ceased to be a means and has become an end; and success in business is not regarded as desirable because of the opportunities of leisure and of enjoyment which it provides, but because it is the outward and visible sign of the successful accomplishment of a vocation."⁷

Under the influence of the teachings of John Calvin, any duty attaching to the possession of God's gifts disappeared. *Capitalism* came to signify, at its worst, the denial of the entitlement to a just return by any influence other than capital. In this it resembled another Protestant driven incubus, usury. For like the capitalist the usurer thinks it no injustice to arrogate to himself what is due to another.

"[The Catholic virtue of magnificence] found no place in [the Protestants'] ethical and religious system, well-suited as it was to their cold, drab, whitewashed, pictureless kirks... Indeed, in Puritan ethics, the very opposite of *magnificentia*, miserliness, became one of the cardinal virtues."⁸

And that is what capitalism is, a species of miserliness.

Despite Protestantism's incursions many great landowners understood that moral duties attached to their ownership of property and they continued to treat their tenants accordingly. But the depredations wrought by taxes, and usury's systematic parasitism, and their chief effect, inflation, reduced the productivity, then destroyed the viability, of most of the great estates.

Among the moral duties attaching to the ownership of wealth is the obligation to contribute to that function which the members of society cannot perform for

⁵ *Rerum Novarum*, 15. 5. 1891, n. 19

⁶ Ibid. The qualification was repeated by Pius XI in *Quadragesimo Anno* 15.5.1931; and by John XXIII in *Mater et Magistra*, 15.5.1961.

⁷ George O'Brien, *The Economic Effects of the Reformation*, op. cit.; IHS Press edition at p. 64.

⁸ Werner Sombart, *Quintessence of Capitalism*, quoted in George O'Brien, *The Economic Effects of the Reformation*, op. cit., p. 88.

themselves and which most serves the common good, government—provided that by ‘government’ is understood the process of guiding or directing society, and not the modern notion involving systematic interference in the lives of the citizenry through overweening regulation and intrusive bureaucracy.⁹

The Church has long warned of the evils of socialism and has, as long, been ignored by secular authorities convinced of their own infallibility on what is a moral issue. It should be said that there is no moral obligation upon a citizen to support government indulgence in activities outside its proper sphere. Any duty to meet the exactions made of the citizen arises *only because the authority of the state is lent to them*.¹⁰ The only consolation for the citizen is that the disposition and provision that results may yet serve the common good, if clumsily and inadequately.

The syndrome of socialism and involvement in government in what falls outside its province is epidemic among modern states and, aided by the universal licensing of usury, is the chief cause of the parlous financial state in which many nations find themselves today—*scilicet* Italy. Prelates like Archbishop Bregantini should be calling for the removal of injustices such as these, not offering ‘band-aid’ solutions which seek to remedy one injustice by importing another.

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Let us look at Dr Moraro’s article.

If Henry George was right, a property ‘tax’ such as that mentioned by Dr Moraro as having been imposed by the Italian Government may be morally justified, at least in respect of productive land.¹¹ To this extent his argument that the Vatican ought contribute to the revenue of the Italian Government from its income earning properties in Italy has merit. Dr Moraro’s argument has merit, too, when he says that it is unjust for the Vatican to refrain from paying for services, such as the supply of water. The moral obligation may, of course, be met by means other than direct payment and it would be surprising if the 1929 *Concordat* had not secured that recompense. Also, since it needs to be spelt out in a world which thinks the payment of interest on money lent is a licit activity, no company, government, or government instrumentality is entitled to charge people for *the use of water*, since water is given by God to all men. Nor, if the administration of its supply is in the hands of a government instrumentality, may government treat the placement of a charge on its use as a way to levy a tax to fund its excessive activities.¹²

⁹ As occurs, for instance, in the fields of health, and education, and in what is termed ‘social security’ where individual initiative to aid oneself is stifled by the ideological view that some members of society should be permitted to live at the expense of others. The rejection of socialist ideology does not, despite arguments to the contrary, abrogate from charity. A charitable act is done out of love, not out of state mandated compulsion.

¹⁰ And every member of society is bound to respect the authority of the state. *Romans* 13: 1 et seq.

¹¹ No ready source would be available to meet this burden where the land was not productive.

¹² Which is not to deny that a company or government instrumentality engaged in supervising the supply of water is entitled to charge for the cost of *its supply* via a reticulation system, or that it is entitled to charge *for the maintenance of* such a system.

Again, Dr Moraro's appeal to "the Catholic values of modesty and simplicity" is to the point. The Church does not exist to satisfy the whims or excesses of indulgent monsignori. However, his argument would have had more force had he referred to the *virtues* of charity and justice. For charity is the supreme principle to whose adherence every prelate in the Catholic Church is sworn; and justice is one of the four cardinal virtues which support it.

But Dr Moraro is wrong when he asserts "[t]he immorality of all this untapped wealth [*videlicet*, the wealth of the Vatican] is obvious." The underlying thesis is that the state is morally entitled to tax the natural activity of producing wealth. This is grounded in the (quasi-Masonic and derivatively Protestant) principle that the right to be productive is a privilege granted by the state. This inverts ontological reality: for the state is subsequent, not prior, to the individual and the family.¹³ Contrary to the views of Dr Moraro it is not immoral to own property, even income producing property. Nor is it immoral to possess wealth 'untapped', whether the 'tapping' is effected by thieves, by protection racketeers, or by governments.

It is regrettable that Dr Moraro has allowed his criticism, so much of it constructive, to descend to the level of prejudice as he does when he characterises the Church as "an institution out of touch with the real world". For he infers that atheism and the varieties of moral turpitude, fornication, homosexuality, contraception, *in vitro* fertilisation and abortion, which the Church has consistently condemned, is the way of "the real world". It is certainly the way of the world; not the real world, but a world driven by ideology, that is, by folly.

As with the devils that possessed the Gerasene demoniac, the problems of the modern state are legion. Their ubiquity and universality have been assisted by ineffective leadership and a lack of teaching from the Church's hierarchy opposing the atheistic spirit that dominates the age. How much truer today are the words George O'Brien penned in 1923—

"Man is arrayed against man, and class against class and nowhere is there to be found any sure guide or preceptor..."

Michael Baker

11th February, 2012—*Our Lady of Lourdes*

¹³ *Man precedes the state and possesses prior to the formation of any state, the right of providing for the sustenance of the body.* (*Rerum Novarum* n. 11). The thesis smacks of Marxism, illustrating the force of the French maxim, *les extrêmes se touchent*.

APPENDIX

FOR DEBT-RIDDEN ITALY CHARITY BEGINS AT HOME

by Piero Moraro

THE Vatican has criticised Italy's new austerity bill as unfair. "More could have been done to make the reforms fair. The highest incomes should have been taxed more," said Monsignor Giancarlo Bregantini from the Italian Bishops Conference.

The Monsignor should have pointed out a more urgent measure to fix Italy's broke finances: the abolition of Vatican tax exemptions.

One of the central points of the bill is the reintroduction of the ICI (property tax), with one glaring exception: the Vatican. The Church argues that charities should not be taxed, which is plausible. Few of its properties, however, are devoted to beneficence: the Vatican owns clinics, schools, accommodation and transport. Even a few police stations in Rome are Vatican-owned buildings. All these properties produce a huge profit, on which no tax is paid.

Each year there are 35 million religious tourists in Italy, 30 per cent of them foreigners. They occupy 120,000 Vatican-owned bedrooms, 15 per cent of Italy's overall capacity.

The Vatican Tourist Board runs pilgrimages to Rome from across the world. Based in the heart of the city, with a fleet of seven double-decker buses taking visitors around for €18 (\$23) each, the board pays almost no taxes.

In 2004, the high court declared that ICI exemptions do not apply to commercial activities such as these. However, the judgment was promptly overturned by the Berlusconi government.

In 2006, the Prodi government clarified that the exemption applied to properties not "exclusively" commercial. This trick saved the Vatican: as long as there is a small chapel in some remote corner of its buildings, the Vatican pays no ICI.

According to the Italian Radical Party, of about 50,000 buildings around Italy owned by the Vatican at least 30,000 are used for business and commerce and are tax-free. Through the ICI exemption, the Vatican avoids paying about €2 billion a year.

While the Vatican does not contribute to the public purse, it certainly takes from it. The Vatican receives 0.8 per cent of each citizen's taxes: a compulsory payment that goes automatically to the Church if the taxpayer does not specifically state otherwise. Each year, the Vatican receives €1bn from Italian taxpayers. It also pays no VAT and enjoys a 50 per cent reduction on corporate tax.

Based on Article 6 of the 1929 Lateran Treaty, the Vatican also pays no water bills: good news for the clergy, given the five million cubic metres of water they use each year.

The immorality of all this untapped wealth is obvious. Monsignor Bregantini's comments are a slap in the face of those who will be hit hard by the austerity package. It is time for the Vatican to live up to the Catholic values of modesty, simplicity and charity.

The Italian newspaper *Il Fatto Quotidiano* reports that by introducing the ICI for the Vatican's commercial activities, abolishing VAT exemptions and corporate tax reduction, and halving the 0.8 per cent contribution, the Italian State could save €3bn a year. These measures would bear witness to an equal effort from all elements of Italian society to face the economic emergency with responsibility and fairness. They would also help re-establish the credibility of an institution that appears, more and more, out of touch with the real world.

During the press conference to present the austerity measures, a journalist asked Mario Monti if the ICI would apply to the Vatican. The Prime Minister's reply was less than encouraging: "We haven't considered that issue yet."