

**THE QUESTION OF JUSTICE IN TAXATION  
THE BASICS OF TAX REFORM IN TERMS OF THE  
SOLIDARITY CONCEPT OF HEINRICH PESCH, S. J.**

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By

Heinrich Lechtape

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A Translation by Rupert J. Ederer

Professor of Economics *Emeritus*

State University of New York, College at Buffalo.

Translator's Foreword: About Heinrich Lechtape

Heinrich Lechtape was born in Recklinghausen in the Westphalian sector of Germany on 31 May 1896. The family moved to nearby Münster in 1914, and when World War I broke out, Heinrich volunteered and served on the Russian front from 1915-1917. His health broke down, and he was returned to Germany. Following studies at the University of Münster, he subsequently served on the social-science faculty until he was dismissed by the Nazis in 1934. He died two years later on 16 January 1936, following recurrence of the lung ailment he had contracted as a soldier.

During his brief academic career, Lechtape developed significant competence as a published scholar. He also visited the United States (1929-30), where he came in contact with various leading American sociologists. Meanwhile, the chaotic conditions in Germany following the war and the vindictive Versailles Treaty had a profound impact on his thinking. While some of his countrymen were persuaded by political currents from the Left and from the Right, Lechtape was impressed by the centrist ideas of the great Jesuit economist, Heinrich Pesch, then living in Berlin, with whom he also exchanged correspondence. As a sociologist, he was impressed by the notion of solidarity with its stress on the significance of the interdependence of people at all levels of society, from the family to the nation and beyond. That led to his publication of this work, *Die Frage der Steuergerechtigkeit* (1920), and also *Der christliche Solidarismus nach Heinrich Pesch* (1922). He left behind an outline for an impressive treatise on solidarity from the perspective of sociology, which unfortunately he could not complete because of his untimely death.

I am grateful to my friend, the late Dr. Franz H. Mueller, a longtime professor at St. Thomas University in St. Paul, Minnesota. It was from there that a copy of original German text of the Lechtape work was made available for translation. While he was a student in Berlin, Franz Mueller, like Heinrich Lechtape, also got to know Pesch personally and discuss his solidarist economics with him. Like Lechtape, Professor Mueller too was declared a *persona non grata* by the Nazis, whereupon he came to the United States and resumed his academic career. He brought many works of Pesch and related material with him to what was then St. Thomas College. It remains there now in the Franz Mueller Collection of the St. Thomas University Library.

My sincere thanks are due also to Dr. Brian Simboli, at the Lehigh University Library (Pa.). As a fellow member of the *Society of Catholic Social Scientists*, he located and provided a copy of the German text for this translation, as well as biographical information about Heinrich Lechtape.

Rupert J. Ederer  
Lent, 2007

### **Foreword**

In the course of the ongoing tax-reform process, the most important one that a state was ever forced to undertake in coming to grips with the means and the level of particular taxes, there was, until now, scant reference to the general principles of taxation. It is the purpose of this work to present the basics of this matter that are of such decisive importance, not only for our financial system but also for the reconstruction of our society.

Münster in Westphalia. 15 November 1919.  
Heinrich Lechtape

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## Introduction

War devastates finances. War is to the tax structure as devastation is to construction; as life is to death. The German Reich is faced with having to start its financial system anew. This restoration cannot be accomplished at the same time in all of its various aspects. It must take place in harmony with the restoration of economic life overall.

Following the irrevocable collapse of the individualistic-capitalistic structure, establishment of the financial system of the economy in a new manner is also desperately necessary. In fact, the application of postulates that are of a socio-ethical nature is the first prerequisite for a sound financial system. The socio-ethical approach to economic life must also apply to financial theory, and the social approach must guide and shape financial economic postulates. Just as in economics, therefore, in the science of finance too, principles must be developed and ethical postulates must be ascertained and established.

In fact, amid the conflict of opinions and the unrest of every day politics, and from among the mass of fleeting everyday events, a body of unified and clearly defined principles did emerge, on the basis of which a certain consensus is easier to arrive at. That is true in particular with regard to the supreme principle: justice! *Iustitia fundamentum regnorum*. Justice provides the foundation for states.

Only by the application of correct principles will our exhausted nation, whose innermost resolve is so desperately afflicted, be capable of bearing the enormous financial burdens which the war and its aftermath placed on our shoulders. Therefore we will start with the presentation and establishment of the most important principles which come into play for our financial system.

### 1. The Legal Basis of the Tax Obligation

The right of the state to levy taxes corresponds to the obligation of the citizen of the state to live up to the obligations that are imposed. The basis of the state's right to tax must therefore precede the citizen's obligation to pay taxes.

The right to tax stems from the purpose of the state. Thus, the question of the right to tax leads to the examination of the nature and purpose of the state itself. Without an understanding of that, it is impossible to arrive at a proper concept of the means that make possible the survival and activity of the state. One must understand the body if one is to comprehend how it is to be nourished.

Without a doubt, the particular state is a product of history. However, as Pesch says, “that ever-recurrent development toward a political society and toward the state itself would remain inexplicable if we did not go back to causes that go beyond merely historical ones which give rise to particular individual states: namely to universal needs that abide in human nature.”<sup>1</sup> Man needs man. He has the capacity and the need to extend beyond the family to a more potent and more comprehensive form of society, to the state. Only in the state association can human objectives be realized for which individuals, families, and other associations within the state lack the capacity. That is the reason for—and the basis of—the state, and herein at the same time lies its objective.

The state is not here for its own sake, simply to exist. As Pesch says, political society should provide, in accordance with the purpose of its existence, “for what people by their own personal capabilities cannot accomplish; and that includes the orderly and assured protection of their rights, effective assistance, and seeing that their shortcomings are complemented by the power which citizens of a state have when they act in concert.”<sup>2</sup>

It is necessary to keep in mind always, however, that the assistance which the state provides does not, as a general rule, in itself and directly, extend to the individual person. The state must approach the goal which nature assigns to it, the welfare of all of its citizens, in an indirect manner. It must see to that indirectly by providing the social conditions overall which make it possible for the citizens of the state to work out their private welfare on their own initiative and on the basis of their own responsibility. It is true that the state will provide directly for its own officials and soldiers, and it must provide for those who are in need, in the event that private welfare is not up to doing so. But in such cases, the direct intervention of the state for individual persons is not its actual purpose, but simply a means to fulfill its purpose.

To sum up, the purpose of the state as Pesch sees it, consists in providing, safeguarding, and complementing the sum of those social conditions, institutions, and structures which alone provide and preserve for all members of the state the fuller capacity to secure and maintain their temporal welfare on their own, and by relying on their own abilities. Direct procurement of the welfare of private individuals by the state becomes legitimate only in exceptional cases, where other appropriate aids designed for that purpose are lacking or inadequate. The involvement by the state becomes necessary for the orderly, effective prevention of misery and poverty among persons who are unable to help themselves.”<sup>3</sup>

Accordingly, it is on the realization of this purpose of the state that the presence of state authority is based, and the purpose of the state establishes its purpose and puts a limit on its power. The general welfare, the purpose of the state, as it is seen here, is the regulating principle for positive active engagement by state authority for every kind of policy. And on the other hand, all citizens and groups within the state are obligated to this purpose of the state, and all are bound in solidarity toward the general welfare of the nation. Thus the private interests of individuals and other organizations within the state are subject, both positively and negatively, to the overall general interest. The general welfare cannot survive where private interests seek to advance themselves at the expense of the general welfare.

This concept of the state stands opposed to the liberal theory of the state and of society, which proceeds on the assumption that society is merely a contractual community. For liberalism, the state does not have an autonomous significance. The various individuals have concluded the social contract, and they can also dissolve it according to whatever their interests dictate. According to the liberal concept, the state is merely a power structure which protects the legal order. The state is supposed to provide security, protect property, and remove obstacles which stand in the way of private interests. The general welfare is simply a sum of the welfare of individual interests, and the national economy is merely the sum of the autonomous private economic units which are, to a degree, autonomous, standing alongside the state. As opposed to liberal individualism, the correct notion holds that the state is not merely the sum of bourgeois atoms, but that it is an organism. In the state, a plurality of people live together, and it is by their action that the state first becomes the state; by their action, it is preserved and fulfilled. Furthermore, inasmuch as the Christian world-view sees the state as something enclosed in the moral order serving a human purpose, as something which *ought to be*, it separates the concept of the state from the arbitrary will of individuals, and it makes it into a moral organism.

The national economy also participates in this moral-organic character of the state. The economy is, in fact, a plurality of autonomous private economic units, but not a mere sum of these economic units as liberal economic theory teaches us. Instead, it represents a social unit. All individual units work together organically to achieve the purpose of political society, the general public welfare of all. Yet, in the process the autonomy of the individual economic units is not destroyed by that unity, as is the case in communistic socialism. Instead, each individual economic unit retains its economic independence, but always in

subordination to the general welfare—the national welfare. From these basic propositions of Christian political philosophy and economics, we derive what are here the most important principles for public finance.<sup>4</sup> In order for the state to live and to fulfill its purpose, it needs material, that is to say, financial means. The state must live; it must fulfill its purpose, which means that it must have the necessary finances for this purpose. The individual economic unit must subordinate itself to the concept of the state, and therefore to the notion of taxation which stems from that. Citizens cannot enjoy the wider social goods without sacrificing private goods. These means which are necessary for the existence and the fulfillment of the state's purpose are provided in the first instance by taxes. Therefore, the legal basis for taxation is to be found in the concept of the state as a moral organism. For the right of the state to levy taxes, there is the corresponding obligation of the citizens of the state to pay taxes.

Genuine needs of the state reflect the needs of all, and they can therefore only be satisfied by the efforts of all. The state is comprised of all of its members, so that it must be sustained by all. The moral nature of the state forbids that some individual or class would arbitrarily be exempted from the burden which arises from the care for all. This general application of the tax obligation does not however exclude the exemption of certain groups, insofar as by such exemption the principles of just distribution of taxes are taken into account. As Hamm notes,<sup>5</sup> “The freedom of the poor is in part necessity, and in part benevolence, and the freedom of the officials is a form of recompense). On the other hand the liberties of the estate era are not reconcilable with the sense of justice in the bourgeois era of personal, political, and economic equality and liberty.”

Furthermore, the obligation to perform cannot be based on reciprocal giving and receiving. That was the false position of liberalism (equivalence and benefit theory) based on the political contract theory. The state is more than merely an insurance company where each person pays according to his interest in the association (the “insurance theory” of Thiers). For liberalism, insurance was the price at which each person purchased the benefits which the state provided to him. The state and the taxpayer confronted each other in an exchange relationship, and the tax was a payment by the citizen for the service offered by the state.

According to the Christian viewpoint, however, there is, as indicated, a genuine moral obligation to pay taxes, which does not stem from the particular advantages that the individual derives from the state, but which is rooted in his personal bond with the state. The state is, as Pesch notes,<sup>6</sup> a natural necessary society, whose members are therefore

personally required, as such, to share in its general burdens, according to the natural law, on the basis of their resources and ability. Without establishing one's tax obligations on the basis of whatever specific advantages one derives from the state, everyone is required to help bear the burdens of the state. It can never be a question of each individual having the option of offering, for a certain sum of state services, an equivalent reciprocal return. Each person belongs to the state not by choice but of necessity, and every person is therefore of necessity required unconditionally to contribute toward what the state requires for its survival and to achieve its purposes. Just as the state does—and is—*for* each individual, not for remuneration but without any concern about such, rather solely as fulfilling its obligation, so too the individual must provide what is required by the state out of necessity and as a direct consequence of his being a part of the state, and not as a reward for what he wishes for or expects to gain from the state (*Solidarity theory*).

Between what the state provides and what it requires, there is a relationship only insofar as the state, by the advancement of its purpose as a state, promotes the interests of individuals by way of the general interest. But the services of the state come to the individual only indirectly, in indistinguishable portions. The reproductivity of taxes, as the designated ratio is now termed, by no means rules out the aforementioned justification of taxes.

The right to tax, therefore, finds in the state's purpose not only its basis but also its limitation. We have already seen that for all of a person's life in the state, the general rule is that, in the first instance, everything is to be left to private endeavor which is reconcilable with the well-being of the whole; and the state is to intervene in a supplementary manner where private resources are inadequate and where private endeavor does not conform to the requirements of the general welfare. It follows that, so far as financial needs are concerned, no expenditures should be made for things which can be provided just as well, if not better, by private resources. The right of the state to tax does not extend any further than its purpose.

Even though in principle the purpose of the state and the scope of state authority are the same in all times, it is nevertheless proper that with advances in the culture, ever more demands are made on state authorities, so that the purpose of the state undergoes some expansion. And with the advancement of culture, there is a corresponding shifting in the state's financial needs. But as Pesch says,<sup>7</sup> the undeniable growing activity of the state and the accompanying effect on the state's financial needs still does not add up to a law, meaning a tendency that stems from constant causality. That is to say it is merely a means to the end that is

itself governed by a higher law: the common good of the entire nation, whose realization also presupposes the existence and capacity of the state. Here lies the borderline of state socialism. According to Pesch,<sup>8</sup> state socialism involves the basic denial or practical negation of natural justice and therefore every basic natural law limitation on state activity and state enterprise.

Thereby, the danger is also clearly indicated as lying in the recognition of a so-called socio-political role for taxes. This approach involves the nucleus of the idea that the management of finances not only has the purpose of covering public expenditures by coming up with public income, but that taxation also ends up with the further purpose of directly bringing about regulation and changes in the distribution of the national income and national wealth, and also of getting involved in the use of the individual income. Even if we may point out emphatically that in the economic order of free-market capitalism a just price and income distribution can never—and in no case—be expected through the free play of the various forces, and even if the principle of absolute free competition is a totally bankrupt concept, on the other hand, taxation does not have the purpose of directly regulating and altering income and wealth distribution. A just tax structure will in fact have the effect of equalizing wealth. But such equalization is not the purpose of taxes. Otherwise, taxes would still have a purpose and be legitimate even if there were no financial need for the tax. The socio-political principle of taxation in itself also contains no rule for its application; that would always be chosen on a strictly arbitrary basis or fall victim to the pressure of shifting external circumstances. Thus, it would be all too easy to blur the border between private and public law, leaving it to the discretion of state authorities and leading to state socialism, with the way opened up to the eventual abolition of private property. Once state authority has crossed the border clearly established for it by the purpose of the state, it has, in fact, introduced a system of patronage against whose further incursion there is no limitation in principle, and which also involves the great danger that by the introduction of ever more taxes, the individual operations of citizens of the state are devoured by the collective economy. That would be communism, and the state would be reduced from a living organism into a dead mechanism. Therefore, Strutz<sup>9</sup> rightly calls the socio-political tax principle an extremely hazardous proposal which lies outside the realm of the purposes of taxation; if we regard that kind of corrective as called for, then one should take the bull by the horns, and say point blank what one is about, and not use taxation as a cover. If we can accomplish—by taxation also—such objectives without violating the governing principles of tax policy, then so much the better. But they cannot become the immediate purpose of taxation.

For communistic socialism, as it is proposed in the Party programs of the social-democratic parties, its position is established by its character as seen and represented by a single class of citizens. In denial of the basic principle of democracy which fosters the life and development of every force in society, and which goes against every kind of dull equalization, communistic socialism wants to make use of taxation far beyond its financial purpose, placing it in the service of the distribution problem, according to its viewpoint. It wants to tax away the property and income of the wealthier classes in order to level everything. As opposed to this approach, which stems from the instincts of one-sided class conflict, we insist that taxation ultimately has to serve the general interests of all citizens. It is not supposed to take from the one in order to give it to another. The true national wealth, as the purpose of the state, is also the governing principle for taxation. If now, for example, the surrender of some wealth is necessary for the survival of the state, for the preservation and the restoration of the national well-being, then that will take place in the interest of the entire nation, because according to solidarity, all citizens of the state are responsible for the state's purpose. Political dominion should be in the service of all also in tax matters; and it contradicts its innermost essence if it is used as a means to satisfy class instincts.

If we see in taxation an institution which is absolutely essential for the survival of the state and for the general welfare of the nation, and which finds the limit of its extension at one and the same time in the actual needs of the state and in the general welfare of the whole nation, then we grasp what is for taxation its sole clear basis and limit.

Communistic socialism does not acknowledge such a principle. When it views taxation first and foremost in the light of its prior class concept, then it does so with reference to the existing economic order whose basis and cornerstone is private property. But its goal is obviously the abolition of private ownership of the means of production, to which, according to its viewpoint, the "laws of development of the capitalistic era" are leading. Thus, its tax system rates merely as a "transitional norm" that is brought along in pursuit of its class interests, accompanying the existing legal and economic order. But once "evolution" has progressed to the point where the socialist state of the future becomes reality, then private incomes are transformed into official salaries in accordance with the all-embracing state economy. As this brutal experiment is carried out, and with the realization of this general enslavement, the dark night of world history for all advanced nations would set in, which would lead to either a frightful awakening or none at all.

Even if what is contained in the foregoing discussion deals only with the question of the taxation principles with regard to the state, with appropriate modifications we may derive an application of recognized proper principles also to other bodies as, for example, local governments and districts below the state level.

Let us recall once again the nub of what was said so far: Just as the state with its purpose involves a human purpose as involved in the moral order, the tax obligation is also a moral one that binds in conscience. To the question: Is it lawful to pay tribute to Caesar or not? Christ gave the decisive reply: "Render to Caesar what belongs to Caesar." Therefore, it is morally objectionable to avoid the tax obligation. As K. Werner said,<sup>10</sup> "It amounts to uncharitable and unconscionable egotism if the well-to-do try to shift the heavy burden of taxation to the poorer people. It is gross deception to deprive the state of appropriate taxes by lies and by concealing one's true wealth, by avoiding tariffs, by smuggling, etc. In times of dire need and distress, the citizen who seeks to be true to his fatherland may be expected also to give more than what is legally required. Every act of deception, every kind of evasion and concealment at the expense of the state is an act of theft involving the goods of all—a deception of all who contribute to the state. That is because ultimately and finally these are always affected by the shortfall in the means which the state has to work with; and they must replace and fulfill what is missing because of the criminal selfishness of such individuals. The obligation to pay taxes is an obvious obligation which is not even open to question."

If the obligation to pay taxes is an obligation that is binding in conscience in normal times, it is doubly so now, when our nation is faced with the heaviest financial burdens. Precisely when the burdens are so great, he who seeks to evade them sins doubly against the state and also against all other citizens. The greater the number of the evaders, the heavier is the burden on the shoulders of the honest citizens, and the more imminent the danger of a total collapse of the state and of the economy.

The notion that the evasion of tax laws, and dishonesty, and avoidance toward tax officials is a less serious offense than such conduct toward private citizens, stems ultimately from the liberal-individualistic notion of the state, which places individual autonomy above the self-restraint that is required because of the moral organic unity of political society in accordance with its one-sided notion of obligation toward the state and the relationship between it and the individual. As opposed to that, each individual citizen must be aware that he is a responsible part of a whole, and that the obligation to pay taxes is a moral necessity. If

that awareness permeates the individual person, tax payment too will turn out to be a free moral act.

But precisely now the well-to-do exert themselves especially in many cases to avoid their obligation to sacrifice for the fatherland, at the same time that the state authority lacks the acumen to keep pace with them. The words that are prescribed by the Reich government for the *Reich Need Fund*—"In its extreme need the wealthy offer a portion of their wealth"—remain mere words for many. Capital flows outward across the German borders, supported by the chaos of the time, seeking refuge from tax obligations. The state must pursue it in order to find it in its hiding places in neutral sites. It is a sign of the times that the state, in its direst need, must resort to the most extreme legal measures to combat capital flight and tax evasion. It is the selfsame egotistical capitalistic spirit, contemptuous of the moral law and of the most basic requirements of the national welfare and fattened on orgies of profiteering, which now in totally irresponsible fashion wants to evade its tax obligations at the expense of the entire nation. It is this "cream" of society which sat around champagne-laden tables in our large cities, which now hastens abroad to seek salvation from the threatening avalanche of taxes, while the noblest segment of our national wealth, our male youth who were the hope of our future, bled to death in the muddy fields of Ypres and Langemark. Public opinion should brand and pillory these crimes against the nation as what they are: the flight of capital abroad as national desertion in time of need; the avoidance of taxes as contemptible betrayal of the nation's integrity.

But will not a simple appeal to morality fall largely on deaf ears in our age that is steeped in materialism?

## 2. Justice in Taxation

The state must observe justice in tax morality with regard to the taxes that are to be established. Justice in taxation involves the just distribution of the tax burden. The moral nature of the state itself requires that, in the distribution of public burdens, justice must be the supreme norm. Here too, justice is the foundation of the state. As Cohn says,<sup>11</sup> we are dealing here "with a postulate which the projection of ethics into all basic economic issues suggests to us as an inescapable fact of life.."

It would contradict the nature and purpose of the state if with as with egotistical financial interest, it would ask for or even seize what it needs only where it finds and can take it most easily. State authorities must act according to principles; and the principle for taxation is the principle of distributive justice—*iustitia distributiva*, which accords to each his due burdens.

Justice requires—assuming equality before the law—the universality of taxes, as the obligation to pay taxes is universal (doing away with special tax privileges); thus proportionality of taxes so that everyone subject to tax is taxed in the same proportion. It goes without saying that proportionality in the overall tax process does not mean that the state authority requires everyone to pay an equal amount of taxes, but that for the distribution of direct taxes the gradation of the amount to be taxed always requires taking into account the economic capacity of the individual.

Now the measure of gradation in that distribution varies depending on the point of view from which we view the concept of the state.<sup>12</sup> Thus the question is: According to what guideline are the individuals to be treated proportionately for tax purposes?

In terms of the liberal-individualistic concept of the state, *the equivalence or benefit theory proposes the advantages which the individual derives from his membership in the state.* The point of view which the older liberalism proposed was simply a private economic approach to the state; and from this world of ideas stemmed, as we have seen, also the application of the so-called equivalence principle—that the level of the tax burden for the individual should be adjusted according to the value received from the state. So one may impose a tax burden on each according to the measure of the advantages that the state and its institutions provides to him. This approach was expressed most emphatically by the Frenchman Bastiat, who proposed that the state should maintain a written account with every citizen.

This doctrine, in fact, presents an unacceptable generalization of the fee principle. The fee is a specific repayment for some special service by the state (e.g. vaccination fee, postal fee, etc.) Its level should be in proportion to the specific advantage that the individual derives, who makes use of the particular state institution. The tax, on the other hand, is a general payment to the state based on the universal obligations of a citizen, and without any specific relationship to some particular benefit or special service of the state.

*The equivalence principle* applied to taxes, however, also contradicts reasonable equity by its consequences. For according to it, the poor person who actually requires public assistance frequently and to a considerable degree (health insurance, etc.), would still have to pay taxes so that he would, in effect, be partially deprived of the effect of the assistance. If we were to try to derive a distribution measure for taxation from the principle of equivalence, then the equal proportional taxation of one's wealth would emerge from it as the only basis for just distribution of the tax burden. But that is impossible in practice, since it

is not possible to weigh the special interest of all elements of the nation objectively in order to distribute proportionally on this basis. That is because taxes must also cover such services of the state (e.g. general cultural outlays, military expenses etc.) where it is impossible to determine the particular advantage to individuals. In fact, the more widespread the realm of expenditures of a state extends, the more elusive the possibility of weighing the specificity of advantages deriving from the state to individuals.

It is only in special cases that the *equivalence principle* appears to be a fair and practical basis for taxation, e.g. in the tax structure of local governments and bodies below the state level. For example, if a local government spends large amounts for new streets, by virtue of which certain persons whose property lies along the new traffic arteries experience increases in their property values, it is possible to base special taxation on this increase in value, on the grounds that such persons derive benefits prior to and over and above their fellow citizens. Thus a special assessment can emerge as fair and equitable.

The *insurance theory* then, which is closely related to the benefit theory, regards the tax as an insurance premium for the protection of one's property, which the state provides. In fact, this theory is in the realm of practical possibility, inasmuch as the value of one's property is used as a measure for distributing the tax burden: taxes are imposed on the basis of the protected property in proportion to its value. But this goes against the essence of taxation, since it is not possible to use the protection of wealth as the basis for taxation. For just as in the case of the benefit theory, here too we must reject the notion that the state is merely a provider of security, and that the obligation to pay taxes stems from a *do ut des*. The state is, in fact, more than a free association of owners who reciprocally guarantee ownership. It is an organized national community for which the soldier offers his life without remuneration, and for which the citizen of the state, as such, is obligated to also render material sacrifice.

And thus, there stems from liberalism's false concept of the state in the equivalence and security theories, also the denial of the true basis for taxation. From this it follows also that both of these theories are unable to provide the basis for the proper proportionality in taxation.

The *moral-organism concept of the state*, on the other hand, requires that the burden to which each person is subject should be apportioned according to his ability, so that each must pay taxes according to the measure of his capacity. Accordingly, ability is the principle for the distribution of direct taxation. Taxes should be distributed not according to the benefits which the taxpayer derives from

the state; but for the common purpose of the state as members of the political community, all citizens of the state should make proportionately equal sacrifice of economic goods according to their personal capacity and their personal ability. With regard to this factor, one speaks of a *sacrifice principle* or a *sacrifice theory*. That designation is a less than satisfactory choice, because “sacrifice” is easily understood as a voluntary donation. We prefer the designation “*solidarity theory*.”

Now, however, it is necessary to determine more carefully, and to circumscribe the measure of personal capacity to contribute.

The state can demand from each person only as much sacrifice as each can bear. It cannot demand the impossible; and, as the saying goes, where there is nothing, the emperor has lost his right to demand. But the state can only demand taxes from its citizens subject to a particular limit, and this limit is set by the minimum needed for existence (*Existenzminimum*). “The minimum required for existence (as defined by Pesch)<sup>13</sup> constitutes the sum of material goods considered necessary simply to sustain life. We are dealing here only with the existence of the natural needs of the person whose satisfaction is assured by that minimum. But minimum required for existence (*Existenzminimum*) is not the same as bare subsistence (*Darbeminimum*); it always involves instead a decent human level of living that is geared to particular circumstances; and it is constituted differently at higher and lower levels of culture. That is because natural needs with regard to food, clothing, and shelter are satisfied differently in a more highly developed culture even in the most modest circumstances, than at the time when civilization began or at a lower level of civilization.” Thus the minimum required for existence is not rigidly set psychologically, but it too is a cultural concept. The state may not encroach on this minimum required for existence; it must remain immune from taxation. He whose income does not exceed the limit of this minimum required for existence may be regarded as exempt from taxes; but he whose income exceeds it is subject to taxation. The state would violate its own actual purpose if it required sacrifice from its members that would endanger their bare level of existence. “The state’s purpose requires precisely that even for the lower classes a level of living is assured which is at the very least in conformity with human dignity at the particular level of culture, and that they are safeguarded from continuous misery.”<sup>14</sup> From this more exalted point of view, that the advancement of the national welfare is the real purpose of the state which public finance may not suppress as it is itself ultimately only a means for advancement of the purpose of the state, we derive the law of *tax exemption for the minimum required for existence*.

If the state were to violate that minimum, it would be acting not only contrary to its purpose, but also against its own interest. By a blind and reckless exploitation which ignored the limit imposed by the minimum required for existence, the state would cut off the source of prosperity of its national well-being; the state authority would, in fact, damage itself if it violated that which maintains its citizens at the borderline of a subsistence worthy of a human being. The state is only safeguarding the roots of its power if, in the matter of taxation too, it keeps constantly in mind its purpose for which taxes simply provide the means, so that it will not destroy that whose nurturing and cultivation constitute its basis and its destiny.

To the question, whether tax exemption should also be extended beyond what is absolutely necessary for living, to take into account a level of living in accordance with one's station in life, the answer is no. You would simply end up with prejudicial self-seeking—if the latter were allowed—to claim a greater tax exemption on the basis of one's lifestyle than is allowed for the poor person.

The minimum needed for subsistence determines only the question of whether someone is taxable in the first place. It does not determine the level of taxes. The level of taxes is not determined hereby, just as the principle of taxation according to ability designates first of all only the general direction; it does not offer a precise measure for the distribution of burdens.

Aside from exceptions and modifications, how is it possible to derive a criterion for ability to pay taxes, and how can one cope with the unavoidable, great precipitous gap in the transition from exemption from taxes to full taxation? Ability-to-pay is measured according to the size of income. However, ability-to pay does not rise in direct proportion to total income, but more than proportionately. A percentage-wise equality of taxes with regard to numerical size of income would fail to take into account differences in the urgency of the wants that a small as opposed to a large income is expected to serve. The smaller the income, the greater the portion of it that is required to provide for the most necessary wants. The greater the income, the greater the amount of *free* income, i.e., income not required for satisfying necessary wants. (Translator's note: In current parlance this would be termed *discretionary income*.)

And such income can bear a heavier burden without the sacrifice becoming greater. Obviously, no proof is needed to show that the person who, other things being equal, has as much income as two or three others together has a greater economic, and therefore tax-paying capacity, than the two or three others. It is obvious that the taxpayer who has to come up with 100 dollars in taxes out of a 1000 dollar income

experiences a greater burden from such tax than the person who has to pay 10,000 dollars in taxes from an income of 100,000 dollars. Let us assume that the former, with the 1000 dollar income, must spend 900 dollars to provide for the most necessary wants, then the 100 dollars in taxes takes away his entire free income, whereas the other person, after paying his taxes and providing for his livelihood still has in the remaining 90,000 dollars a generous free income. Therefore, the higher income must be taxed not merely percentage-wise according to the size of the total income, but at a higher level and, in fact, on the basis of the free income. A direct proportional tax based on the size of the total income would be inversely proportional with regard to the free income. The lesser free income would thereby be burdened more heavily than the larger free income. Tax equity would be achieved only if for the free income the equal percentage is applied. Assume, for example, the 10% rate, then the person with the 1000 dollar total income and a free income of 100 dollars will be paying not 100 dollars in taxes, but 10 dollars or 1%. The other would pay 10% (10,000 dollars) from his total income (100,000 dollars). That would amount to a progressive taxation of the total income as would be necessary for equitable taxation.

At the lower level, the limits of the progression are established by the minimum required for existence. As was indicated, this has its basis and limitation in the requirements of the national welfare. The same principle also gives us the upper limit for progression. The increase in tax rates may rise from the minimum required for existence upward, but only to the extent that this is compatible with safeguarding the national welfare as the state's purpose will permit this. Precisely here is where we see the danger in using taxation to accomplish a socio-political purpose, as was indicated in the first chapter.

Now we are faced with the question of where and at what rate progression should be discontinued. To answer that question, what is always decisive is ultimately, along with the tax needs of the state, the tax-paying ability of the citizens. What may not enter into the discussion are the notions which lean toward a communistic property orientation and lead to the confiscation of wealth. Social and economic consequences are certainly to be taken into account. We also recognize a socio-political norm, but we understand this norm in the sense that principles of Christian social ethics and policy, especially the principle of distributive justice, are to be realized in taxation; at the same time we reject all other "goals" which are harmful to the national welfare as contradicting the purpose of the state. Acceptable progression rests on the foundation of the state's purpose. This does not add up to absolute arbitrariness, but we have here a firm principle on which a tax schedule can be established.

Beyond that, the arbitrariness which remains in setting up the scale of progression is in any case better than the injustice of proportional taxation which would take away from the poorer people their free income.

Tax-paying ability rests not only on one's income but also on personal situations.

To the person of the taxpayers, there is also related the moral necessity of the continuation of the family. It is by natural necessity and by the will of God, the first form and eternal basis of all human society, the cell unit of social organization which continuously develops and renews itself from it. Therefore, the family has an unconditional justification for its existence. The state would deny its own origin and undermine the basis for its existence if it did not put the obligation to support the family on a par with the right of self-preservation. Therefore, it is simply in keeping with the relationship of the state to the family, and also logical, if the state takes into account in distributing the tax burden the obligations which a citizen incurs as a result of family status and circumstances. Even for the normal family, the state should allow for an equivalent tax-free minimum subsistence allowance. Taxation must take into account the size of the family and the number of children. It is clear that the number of family members that must be supported has a bearing on one's economic situation, so that the tax-paying ability of one who must support no family or a small family with the same income is greater than that of a person who must support a large offspring and perhaps elderly parents. Justice in taxation must take such factors into account.

Another factor which has an influence on tax-paying ability is the difference in income based on origin and stability. So-called funded income has greater capacity, i.e. income stemming from property (land- and house-ownership, the ownership of capital or business), than unfunded income, i.e. the kind where that is not the case (for example, income from labor). That is because unfunded income is endangered by all of the circumstances by which one's ability to work may be impeded (like sickness or unemployment); and it ends with these—one's lifetime at the latest. Funded income is independent of such possibilities, and by the inheritance of this basis, like property ownership, it can continue to provide support for the eventual owner. The owner of funded income is, therefore, far less compelled to make allowance from that income for a time of unemployment and for the future support of his family, than a person who must live off the work of his hands or his mind. In its tax policy, the state must take into account, where unfunded income is involved, the setting aside of emergency funds for times of need to the

extent that this is not provided for by pensions or insurance. If the state were to dodge that responsibility, it would be responsible for recklessly plunging large numbers of otherwise important and dignified economic beings into poverty. Allowing such a situation to emerge would be gruesome and, at the same time, harmful for the state. All of that already implies the extent to which tax concessions for the wages of labor may be permissible. Only so many savings from unfunded income may be granted tax-exempt status as will suffice to assure the minimum needed for existence when the ability to work is interrupted. In addition, justice requires that savings, over and above what is needed to live, should not be burdened as heavily as the kinds of wealth that are acquired and saved much more easily.

With regard to the savings quota in the ongoing tax reform effort, Fassbender observed correctly that “the current need, because of the war, to raise huge amounts of taxes represents the greatest danger for the willingness of the public to save.”<sup>15</sup> The importance of the middle class, given the ongoing rant against “capitalism” and against great wealth, does not get the attention it deserves. In the rebuilding of Germany, however, we cannot do without the middle class in particular, with its sense of thrift and ambition that were so weakened by the war. During the war, the sense of thrift in our population, which formerly had such far-reaching economic social and moral consequences by the spread of the cooperative idea and the founding of savings and lending institutions, disappeared. Therein lies the danger for any kind of tax reform; and one could depict it as a danger for national morality if, because of the enormity of the taxes which need to be raised, an exemption of savings from taxation in order to encourage them cannot be undertaken. Yet, let us consider that the rebuilding of Germany can only proceed hand-in-hand with a moral renewal, while weighing the importance of the sense of thrift for national morality, and on the other hand, the urge toward wastefulness for the decline of national morality. Then we come to the conclusion that tax policy also makes allowance for psychological and ethical factors, so that it must take into account especially measures which of themselves will lead with psychological probability to promotion of the sense of thrift. Along with special treatment of income from modest labor which is a given, a moderation of taxes based on income conditions, family status, the ability to work, and age would undoubtedly serve to increase the sense of thrift. Fassbender concludes his noteworthy statements: “That it is easier to come up with ethical principles for taxation regarding tax obligations, than it is to put them into operational tax measures given today’s desperate situation, I understand well. And I don’t need any well-

intentioned advice in this regard. What I have in mind in these proposals is the reference to the dangers which threaten because of the loss of the sense of thrift, and that notwithstanding the desperate condition we are facing, the well-being of those whom we characterize as “the middle class” must not be lost sight of, but always enjoy high priority. The health of the social body requires for a broad sector of the population, which has the stamina and the moral fiber to provide for itself by its own efforts, diligence, and thrift, sufficient means to maintain itself in old age and in the event of incapacity to work. Such self-sufficiency is always of greater value than calling on the state for help and for socialization. Now, what is more valuable ethically is also more valuable for the real and lasting welfare of the state.” The middle class, which suffered especially from the hardships of the war, and which also was left virtually defenseless during the postwar period in the face of the general deterioration of the currency and inflation, requires special consideration in any reform with regard to its tax-paying capacity. Even if it is an inevitable fact that because of the desperate financial condition of the state, the reform of taxes must proceed with harsh measures, and that this approach will turn out to be very painful under all circumstances, yet the harsh taxation of the propertied classes may never lead to the point where the real holders of capitalistic power are confused with persons and classes who are, in fact, powerless victims of the recent development.

Finally, as we have seen, justice requires the imposition of a burden on income from capital ahead of income from labor. However one must not simply assume that there is capital income and funded income simply because there is ownership by an entrepreneur. The heavily indebted farmer, for example, is legally the owner of the land, but his actual income is nothing less than rental income not involving labor. Such personal situations too, must be taken into account in determining norms for taxation. It should be noted here too, that in the case of the inheritance tax, the capital levy, etc., the replacement of the common value with the yield value for land that is used for farming and forestry is called for by tax justice. It would be unfair and dangerous at the same time if we used the common value, which is subject to all kinds of fluctuation in the business cycle etc. instead of the constant value, based on yield, as the measure for taxation. Replacing common value with yield value does not imply that we are dealing with the special interests of agriculture, but on behalf of the well-being of the entire country.

In the case of indirect or use taxes, which we will not go into here in great detail, realizing the goal of justice in taxation is especially

difficult. Since they, in order to be productive, must be derived from the goods of mass consumption, they will have to impact more heavily the economically weaker classes than the well-to-do. Therefore they can be justified only by the urgency of the need for them, and even then only if a just social balance is struck by prior levies on those who are propertied and in higher income brackets. To the extent that we are, in fact, talking about goods which are not really necessities, any clamor about the injustice of indirect taxes is not in order. In this category one would find such consumer items as tobacco, alcohol, coffee, tea, chocolate, which, even though they may have become articles of mass consumption, still cannot be regarded as necessities, so that their use by and large is dispensable. Tax justice calls for still higher special taxation on the kinds of real luxury, along with levies on goods, a need for which is dispensable. In the matter of tax justice, one cannot take into account only the particular taxes, but they must be seen in the context of the entire tax system of which each is a part.

Further elucidation of the fact that taxes are to be structured so that no harm is caused to the national economy is unnecessary after what has been said thus far. If a tax conforms to the norms of justice, and if the fiscal system maintains its proper relationship to the national economy and thereby does not lose sight of its correct relationship to the national welfare as the purpose of the state, then there need never be any concern about damage to the national economy of a state.

Having established the main guidelines for just taxation, mention is to be made that with the rising level of taxation there is need for a further detailed differentiation in the matter of how much tax can be supported. Especially in the face of the enormity of the burdens which the German nation must now bear, it is certainly not possible to make no distinctions at all. If this endeavor gives rise to some new distinctions in the way taxpayers are burdened, and even if existing distinctions get to be refined, social justice remains the main guideline. Each is to get according to his ability—nothing more, nothing less. It is basically nothing other than the actualization of the basic notion which is presented as the leitmotif in #151 of the new Reich Constitution for the economic structure: “The ordering of the economic system must provide a decent human existence for all according to the principles of justice.” Justice: the flaming signal fire of our time!

Thus the requirement of taxation according to ability goes far beyond the framework of practical financial operation. It is rooted deeply in the area of the moral world order. Cohn says: “The appeal of the basis of ability for the state household therefore is firmly rooted in our perceptions of justice, because that basis extends beyond the

economic, and it is merely a practical application of the more universal and deeper basis of moral solidarity.”<sup>16</sup> The sense of solidarity—that all must work and sacrifice for one and one for all—this sense of community requires that each bears the share of the burden which he can bear according to his ability. *Solidarity*, this guiding principle for the economic system, which Pesch established as a mediator between the absolute centralization of socialism, and the absolute decentralizing force of individualism, also applies fully in the fiscal sector of the economy.<sup>17</sup>

### **3. Private Property and its Relationship to Taxation.**

A tax policy which does not limit itself to getting money indiscriminately from wherever it is to be found, but which sees its uppermost objective as justice in taxation, will find the focus of its activity confined time and again on the three great direct taxes: levies on property, income, and inheritance.<sup>18</sup> Here alone there is the possibility of determining the tax-paying capacity of the individual citizen systematically and from an all-around perspective, so that on the basis of his ability to pay taxes, it is possible to enact a keen and effective imposition of the burden. However, if one wishes to approach such matters from a proper perspective, one must have a clear notion regarding the concept and the limits of private property. All of the questions arising from this relate to the opposition of both the liberal-individualistic and the communistic-socialistic worldview to the positive Christian one.

Private property is a personal, original, natural right of each person. Its deepest foundation is to be found in unchanging, rational, human nature. Reason recognizes that the physical and moral development and the personal freedom of the person are influenced by access to material goods. Where this influence is lacking, it must be replaced in another manner in order to assure those personal goods of the person. All ascent by nations to a higher culture was in fact connected with an economic order where private property was the centerpiece, the actual crystallization point for all essential aspects of the national economy. And so private property arose *iure gentium* from the natural needs and rights of the human person, the family, and political society.

Accordingly, private property has a twofold aspect: it stems from two elements: a personal and a social one. Even if the right to acquire private property is the natural right of every person, there is nevertheless no unconditional, free, absolute property free of all

obligations.<sup>19</sup> That is because, while it indeed signifies power and dominion, it is at the same time a “right” so that it belongs, like all rights, to the moral world order. Furthermore, even though—among rights involving things—it is the first and the highest one, it is not the highest right over the material world overall. The right to exist, and to life and all that is necessary to preserve it stands above the right to own property. For that reason, in the case of extreme need, everything is common property; and that means anyone finding himself in that situation is entitled to appropriate for himself whatever is needed from the property of others to alleviate that danger, even against the will of the owner. The derivative property right must give way here to the right to exist. Ultimately, property is not an end in itself. It is only a means to provide for people in an orderly way, with due regard for the welfare of the individual, the family, and political society.

The Christian concept of private property is sharply distinguished from the individualistic-capitalistic viewpoint. According to the latter, the property right is the exclusive, absolute, and unrestricted right of the person to the thing. Thus, it is simply an extension of the ego into the material world, which serves private economic interests, and which does not allow for the social and economic meaning of property. Everyone can do as he pleases with things, unlimited by any obligation, because they are his property. That is what atomistic individualism, relying on Roman law, teaches. The rank and file of people have had to learn through bitter experience about the dangerous consequences such an exaggerated and unbounded notion of the property concept leads to in the individualistic free economy, amid “the free play of economic forces.” Nevertheless, the time of individualistic capitalism is at its end; and the time when private property was constituted as nothing but an instrument for nurturing unbounded egotism, and where it was entirely a matter of the personal noblesse of the owner whether he would allow himself to be persuaded to a greater or lesser degree by a notion that ownership brings obligations—that time ended amid the turmoil which emerged with the World War. As Pesch said:<sup>20</sup> “History does not operate according to logical proofs; it has only one line of argument which is, however, a terrible, destructive devastating one. It is the *Reductio ad absurdum!*”

As opposed to the liberal-individualistic notion of property, the Christian approach acknowledges property ownership only so long as, and within the limits where, it serves reasonable and morally legitimate goals without harm to the interests of the whole. Private property too, must adapt itself to the whole. The moral obligation which stems from property is not accomplished merely by almsgiving; the property owner

also has *social obligations*! Christianity confronts egotism and the harsh concept of the property, and it proclaims to the property owner: Ownership brings with it obligations!

As opposed to individualism, socialism slips into the other extreme, in that it accepts the Marxian formula contained in the Erfurt Program: “Socialization of the means of production.” That calls for doing away with private ownership of the means of production. Socialism sees in this kind of private ownership only, as Marx put it, “capital dripping with sweat and blood from all pores,” nothing more. He thereby denies completely that capitalism is merely an abuse of this institution, an abuse in the acquisition and use of goods. Socialism wants to overcome the capitalistic disease, by simply killing the patient, as Pesch said.<sup>21</sup> Socialism fails to distinguish between the right of private property and the actual form which property ownership takes on. Christianity, which makes a careful distinction between the just ownership of private property and its proper use, explains that private ownership is rooted in the natural law. But it also establishes limits and barriers for its use which the owner is not free to violate; it imposes social obligations on ownership to which the owner must live up. When socialism promises its faithful all salvation and all relief by the abolition of private property, that constitutes a gruesome deception of the people. It is a promise that can never be fulfilled, because that futuristic state is actually a *fata morgana*. Thus far, socialism has only proclaimed rights and exercised criticism. The moment that the socialist majority assumes responsibility for the state, it also suddenly begins to proclaim obligations. But their admonitions find no echo. The masses respond that they will switch over to the independents and communists, because out there in the vestibule, the old familiar tune continues to be chanted. It is not possible for socialism to bring obligations to fulfillment, and for that reason it must perish.

Thus, the position of Christianity is clearly set forth, as opposed to individualism which acknowledges no limits on private property, and to socialism which goes to the other extreme and simply negates private ownership of the means of production in stark contrast to human nature and even to human history. According to the Christian position, the state has a far-reaching influence on the way the property system is structured. To the extent that private property in its concrete expression, in the way it is used and in its extension, stands in opposition to the well-being of the nation as a whole, as soon as it takes on forms which go against the national welfare, as soon as the individual seeks to derive from his property a profit for himself which cannot be reconciled with the well-being of the nation, state authority must step in so as to

safeguard the interest of the whole by the force of its jurisdiction. The new Reich Constitution gives expression to that idea in its second main part—*Basic Rights and Basic Obligations of Germans* (Article 173):

Private ownership is protected by the Constitution. Its content and its limitations arise from the laws. Expropriation can only be undertaken for the good of the whole and on the basis of legal processes. It is accomplished in return for appropriate indemnification, to the extent that a Reich law does not decree otherwise...Private property carries with it obligations. Its use should at the same time serve the overall best interests.

For the right of state incursion, we can by no means resort to a “latent superior property right” of the state. According to that approach, which stems from the notion that the state has some right prior to the individual, and that it has a higher right to the wealth of the citizens of the state than they themselves have, it would follow that the individual, in a sense, has his wealth handed down by the state, so that it is granted to him only for his use, and therefore the state may exercise, by its own right, direct jurisdiction over such property. The degree and the way in which it exercises that right would thereby be left to the state’s discretion. That this approach will not allow itself to be reconciled with the right and the purpose of the state is revealing. First of all, it is incorrect that the state is prior to the individual. The human person came first, then the family, and only then the state. To establish the basis for the right of the state to exercise some control over the way private property is constituted, the simple jurisdiction that exists for it to protect the public welfare is sufficient. One can only speak of God’s higher prior right of property; and in doing so, we express God’s property right over everything. With regard to God, man is only the steward; but with regard to his fellow human beings and the state, he is the true owner.

By virtue of the natural law purpose of private property, there can be no question but that the inheritance right is also subject to some limitations. The right to inheritance is a natural right, but by no means the most important one. As a natural right, it is subject to moral obligations; and that already implies that there is something higher to which it is subordinate. This *something* higher is the national welfare, the well-being of the whole. It must serve that too, not only the private interest. Also, the positive structuring of the right to inheritance must order itself according to the higher principle of the national welfare.

The conclusions that must be drawn for taxation from all that has been said about it emerge clearly. The propertied classes must

recognize their twofold obligations to the whole, aware that their “ownership involves a social stewardship and control with the attendant obligations”; and they must feel that “he who does a poor job of administering his obligations as a steward is a worse enemy of the present-day order of property ownership than the socialists are. He undermines it from within and at its roots.”<sup>22</sup> The argument that all burdens imposed on property ownership sound a “socialistic” note and lead ultimately to socialism, always arises historically where there is an effort to direct the owning classes from their privileged status to where their obligations are, and where the attempt is made to get the rich to render to Caesar what belongs to Caesar, according to their ability. Dietzel recalled in 1909, during the campaign to install the inheritance tax, “that when at the start of the ‘70’s the progressive principle was proposed by us, liberals (among others, Gneisi) fulminated against this ‘poison’ in taxation.”<sup>23</sup> F. J. Neumann replied: “It is like those poisons which do not shorten life but lengthen it; this ‘socialistic’ attack does not endanger the existing social order, but it is instead geared to protecting it, in that the social aristocracy would demonstrate its awareness of the *noblesse oblige*.” As a general application his expression applies also to every just burden on ownership and every just limitation of the property right. That involves a morally-based requirement, an absolutely necessary step, not toward a socialistic future state, but toward the fulfillment of the present state, or a state where social justice prevails.

The waves of the socialist flood have until now only swirled around the private-property institution; they have not yet engulfed it. And harsh reality will certainly see to it that the socialist trees will not grow up to the heavens. The growing surges of the socialist waves, however, do contain a warning to those who have wealth, to live up to their obligations toward the community overall, and not to exaggerate the concept of private property. One has to concur with Harnack when he said in 1909, “As much freedom as possible for each legitimate enterprise, appropriate limitations where gifts and inheritance are concerned, and strict social obligations for every kind of ownership--those are the requirements which must be applied if we expect to maintain private ownership, this *Rocher de bronze* of our culture, with a good conscience.”<sup>24</sup>

In the ongoing financial reform, the capital levy is especially suited to rectify the prevailing “sovereignty” of private ownership in the present liberal-capitalistic era, and to address the conscience of the owning classes, making them aware that private property too must adapt itself to the whole. On the other hand, any kind of prudent legislation too must steer clear of exaggeration of the capital levy. The old saying in

public finance—One must not kill the hen that lays the golden eggs—still has a place today. Pesch<sup>25</sup> points out that the cameralist Wilhelm v. Schröder, in his work about a Prince's Treasury and Finance Chamber, included a vignette that depicted a rural sheep pasture. The picture was explained by an accompanying verse: "If the flock of a prudent prince lives according to this norm, then it can live a good life and provide wool for the prince. But whoever shears off the wool at the start deprives himself of future profit." Just as a farmer must first fertilize and plow his acres, so a prince should "first help his subjects to achieve healthy nutrition if he expects to eventually derive something from them." Royal greed should never encroach on the foundations of the national wealth. Those cameralists who recklessly urged exploitation, Schröder compared with the pigs that tore out the plants in the garden by the roots, thereby destroying the garden itself.

In our time, the enrichment of the "landed aristocratic class" is not the purpose of taxes. Nevertheless, our statesmen too might take to heart the wisdom of that cameralistic warning.

It is not possible for us to go into the many other kinds of taxes here. There are only two perspectives which may never be lost sight of in the contemporary partisan contention. First: in the matter of raising taxes, what is involved is the survival of the state which must be brought out of this time of misfortune and toward a better future. Second: taxes must be just, since justice is the foundation of states, without which no nation will develop, and no state will thrive.

However, both of those perspectives are combined in the notion of community, in *solidarity*. That is the foundation of social and economic life; and it must also be the starting point for rebuilding our financial structure.

## Notes

1. *Ethik und Volkswirtschaft* (Freiburg 1918) 18. (Engl 27)
2. *Ibid.* 19. (Engl. 27)
3. *Ibid.* 19.
4. For a more detailed treatment we refer to the works of H. Pesch, especially the *Lehrbuch der Nationalökonomie* Vol. 1-III, and to the publication *Ethics and the National Economy*, as well as the treatment of the private economy and state socialism in Vol. II of the work *Deutschland und der Katholizismus*.
5. *Zur Grundlegung und Geschichte der Steuermoral* ( Trier, 1908) #4.).
6. *Lehrbuch* I, 277.
7. *Ibid.* 178.
8. *Ibid.* 166.
9. Cited by Hamm, *op. cit.* 86.
10. Cited by Hamm *op. cit.* 284.
11. *Finanzwissenschaft* (1889) 241.
12. Regarding tax principles, cf. especially Ad. Wagner, *Finanzwissenschaft* II, *passim*.
13. *Lehrbuch* I, 6.
14. *Ibid.* 260.
15. *Germania* ( Newspaper) #423, 16 September 1919.
16. *Finanzwissenschaft* 246.
17. *Nationalökonomie* I & II.
18. Cf. “*Frankfurter Zeitung*”—evening edition of 4 July 1919.

19. Pesch, *Ethik und Volkswirtschaft*, pp 44ff.
20. *Sozialisierung* (Freiburg 1919) 3.
21. *Neubau der Gesellschaft* (Freiburg 1919) 9.
22. Neurath, *Eigentum und Gerechtigkeit* (Braunschweig, 1902) 148.
23. *Reichsnachlass-steuer oder Reichsvermögensteuer?* (Berlin 1901). 58.
24. *Die Nachlass-steuer vom sozial-ethischen Standpunkt, Sonderabdruck aus "Deutscher Revue"* (February 1909) 6.
25. (Freiburg, 1919) 31.