Integral Ecology and Taxation: Catholic Social Teaching Pushing the Frontiers of Social Contract Theory in the Post-Pandemic Era

By:

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The Global Pandemic and the Challenge to the International Financial Order

By the beginning of April 2020, an event unprecedented since the beginning of the Industrial Revolution took place – the entire world stayed home behind closed doors in an attempt to contain the exponential spread of COVID-19. The global economy ground to a halt as countries closed their borders, non-essential travel ceased, and businesses shuttered their doors. While in some OECD countries unemployment rates are nearly double what they were prior to the outbreaks, the World Bank envisions a 5.2% contraction in global GDP in 2020 – the deepest global recession in decades. However, these numbers mask the economic cataclysm facing African countries as a result of the pandemic. In

2020, it is estimated that the combination of the pandemic and falling oil prices will cause a U.S. $45 billion shortfall in revenues for African governments; revenue which otherwise be used to address critical infrastructure and public health needs.

Moreover, even these dismal numbers may be wildly optimistic if the relatively modest number of cases in Africa seen to date should begin to match those in the United States or Europe. The fact of the matter is that we have no way of predicting right now whether Africa has weathered the worst of what COVID-19 has to offer. Nevertheless, what we can predict with certainty is the world the pandemic leaves in its wake will be fundamentally different from that which came before, and with that may come an unprecedented opportunity to rethink Africa's place in the global financial order, particularly in regard to taxation.

Is there a Social Contract at the International Level?

Global policymakers, such as those at the World Economic Forum, are wont to suggest that one of the challenges of the post-pandemic world will be reevaluating the social contract, making it "stronger, more sustainable and more inclusive," better representing the interests of the global workforce. As U.N. Secretary-General António Guterres puts it bluntly, "We can't go back to the way things were before the pandemic." Yet, what does social contract theory have to say in regard to international affairs, specifically how states relate to one another and how individuals relate to states?

Historically, there is no such thing as a social contract at the international level. Social contract theory in the western tradition deals with the principles of justice that govern the legitimacy of the authority of the state over the individual, i.e., the "contract people make," according to Martha Nussbaum, "for mutual advantage, to leave the state of nature and govern themselves by law." Nussbaum acknowledges that the greatest modern exponent of social contract theory was John Rawls. Yet, even though Rawls refined his ideas concerning international relations in *The Law of Peoples*, he ultimately accepts much of the theoretical framework regarding the international order established by his intellectual forerunner, Immanuel Kant.

In *Toward Perpetual Peace* and the *Metaphysics of Morals*, Kant proffers an analogy between individuals (who leave the state of nature and establish a state) and states (which should leave the state of nature and form a league of nations), but the key distinction at the international level is that the social contract there is between *states*, who have rights and obligations vis-à-vis each other but not to individuals. Thus, for the individual, the social contract is between the citizen and the state. Therefore, an individual's recourse for breach of duty is solely against his own state, not any international actor.

Kant's theory of international relations, and the premium it places on state sovereignty, is relevant to a discussion of international taxation and the social contract in the post-pandemic era in that it remains the operative framework for how the U.N., the OECD, the African Union, and other intergovernmental organizations are structured. Although international law in the postwar era has softened some of Kant's rough edges, his emphasis on state sovereignty remains the hallmark of international relations and states, not individuals, are the agents of power in the global arena.

Integral Ecology, Catholic Social Teaching, and the Global Economy

Our ethical conundrum as we think about issues of global distributive justice in the post-pandemic era is that social contract theory fails to provide an adequate framework for conceptualizing duties and obligations of international organizations to individuals, as opposed simply to their member states. The tension comes from the fact that people intuitively have a sense of justice which is offended by the manner in which power is wielded by those at the helm of the global financial order to place the interests of international organizations, banks, and multinational corporations over and above those of individual human beings, particularly those at the margins of the world economy.

While social contract theory fails to address this gap adequately, Catholic Social Teaching under Pope Francis has developed the idea of integral ecology, which flows from his understanding that "everything is closely interrelated" and that "today's problems call for a vision capable of taking into account every aspect of the global crisis." First laid out in his 2015 encyclical on the environment, *Laudato Si'*, the last five years have seen integral ecology broadened from a

conversation on care for a common home to include a framework for radically rethinking the ethics of the global economy, pushing social contract theory beyond its emphasis on states at the international level towards ethics that respects human dignity and is directed towards the common good.

In May 2018, the Vatican's Congregation for the Doctrine of the Faith (CDF) and the Dicastery for Promoting Integral Human Development jointly published a groundbreaking document which for the first time addressed moral questions related to the global financial system and was specifically addressed to those "working in the fields of economy and finance." *Oeconomicae et Pecuniariae Questiones* (Considerations for an Ethical Discernment Regarding Some Aspects of the Present Economic-Financial System). The fact that this document was issued by the CDF, "whose competence extends to moral questions," in tandem with the office specifically created by Francis in 2017 to institute integral ecology as a model for human development, suggests that the Catholic Church is placing itself at the cutting edge of rethinking the ethics of the global economy and that this is one of the Vatican's policy priorities for the post-pandemic world. As the document specifically addresses the morality of tax avoidance through the use of haven jurisdictions, Tax Justice is a key component of the Pope's integral ecology.

Tax Justice is the concept of global redistributional justice which examines means of reducing tax avoidance through the use of haven jurisdictions and increasing transparency in the current system of international taxation. The global pandemic has placed into sharp focus how as a result of tax avoidance by large corporations and wealthy individuals, developing countries, particularly those in sub-Saharan Africa, are deprived of revenue which otherwise could be used for desperately needed infrastructure and social services. The net effect of these avoidance schemes, as placed into stark relief by COVID-19, has been to deprive African governments of tax revenues that could have been used to mitigate the socio-economic cataclysm that the pandemic has wrought upon the continent.

Oeconomicae et Pecuniariae Questiones criticizes the use of offshore havens as contributing "to an additional impoverishment of the normal system of production of the distribution of goods and services" and as having "removed

decisive resources from the actual economy and contributed to the creation of economic systems founded on inequality." In few other areas affecting the world today, save that of the plight of migrants and refugees, is the Church speaking with such urgent and unequivocal language, all of which presents a tremendous opportunity for African policymakers.

The global pandemic, in a way unimaginable only a year ago, has shown how untenable the global financial system has become and how we cannot accept a post-COVID world that only goes back to "business as usual." Traditional social contract theory, as it has developed in the West since Kant, lacks a framework for remedying the injustices that individuals face in opposition to the structures at the heart of the global financial order. Under Pope Francis, the Catholic Church is articulating just such a vision of an economic future based on principles of integral ecology, emphasizing the interconnectedness of the human family and the understanding that no profit is legitimate when it falls short of the "objective of the integral promotion of the human person, the universal destination of goods, and the preferential option for the poor." As the world begins its recovery from the pandemic, a window is opening to rethink the assumptions that the global financial order is based upon. For those of us concerned with the building of a more progressive and transparent system of international taxation, and the role of Africa within that system, the integral ecology of Pope Francis offers us a compelling economic vision for the future.

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