

In his latest book, Cardinal Walter Kasper addresses the issue of social and economic justice in the chapter titled; For a Culture of Mercy. Cardinal Kasper states that justice is essential for social order. Cardinal Kasper quotes Cicero: Justice renders to everyone his due. A just society is a fair society. The notion of fairness thus extends itself to commerce, economics, and even taxation.

In this chapter, Cardinal Kasper refers to economist Adam Smith. Smith was the first economist to develop a set of principles upon which a fair and just tax system should be designed. "Wealth of Nations" sets out four principles or cannons of taxation. One of those cannons is the cannon of equality.

The Canon of equality states every person should pay taxes based on their ability to pay. What Smith meant by equality was equality of sacrifice. Adam Smith proposed that taxes be proportional to income. A fair and just tax system should have one set of rules that apply to all citizens without special treatment for some.

Under our tax system, if you work as a doctor, lawyer or school teacher, your earnings are ordinary income and taxed as such. The tax rates on ordinary income start at 0% and progressively increase to the current top rate of 39.6%. Special or preferential tax rates, that top out at 20% apply to anyone that puts capital at risk and nets a gain from their investment. If the ordinary income of a select few citizens was taxed at lower preferential rates would that be fair and just?

In 2012, then Presidential candidate Mitt Romney released for public scrutiny his 2010 federal income tax return. That tax return reported income of over \$20 million. Mr. Romney's overall

tax rate that tax year was about 14%. The main reason for this enormous tax break was Mr. Romney's carried interest from his Private Equity firm.

Simply put, Carried Interest is the share of the profits of an investment fund which is paid to the investment manager for putting the deal together. Rather than receiving current compensation for their services, investment managers receive a profits interest in the investment partnership which is not subject to current taxation. When profit from the deal is paid years later, the profit is treated as long-term capital gains instead of ordinary income and is taxed at a maximum tax rate of 20% instead of 39.6%. This is typical in hedge funds and private equity. Congress is well aware of the issue and has proposed multiple pieces of legislation to end this special tax break. Yet this tax break continues because of the effective work of Washington lobbyist. The lobbyist make sure that both political parties receive large donations. In fact, Obama received nearly twice as much in political donations from private equity and hedge funds as Sen. John McCain. Cardinal Kasper states that the church must have a say in the fundamental, ethical questions concerning the economy and society; the church must get involved, not on its own account nor out of self-interest, but rather out of the interest for people and the humaneness of society. Therefore, when it comes to the issue of economic and social justice, not the church alone but the laity must make their voices heard. Cardinal Kasper quotes St. Augustine on the fundamental meaning of justice for a political system.

If justice is set aside, then, what are kingdoms but great bands of robbers? For what are bands of robbers but little kingdoms. The band itself is made up of men, which is ruled by the authority of a single ringleader, is knit together by a pact of confederacy, and divide the booty according to firm agreement among them.

Therefore, I ask you is the cabal comprised of wealthy tax avoiders, paid lobbyists, and morally bankrupt politicians the band of robbers described by St. Augustine? If so, what are we doing about it?