

# **SOCIAL MORTGAGE: ORIGINS, QUESTIONS, NORMS**

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Now if the earth truly was created to provide man with the necessities of life and the tools for his own progress, it follows that every man has the right to glean what he needs from the earth ... *All other rights, whatever they may be, including the rights of property and free trade, are to be subordinated to this principle* [Paul VI, §22; emphasis added].

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Based upon and justified by the Church's principle that "God intended the earth with everything contained in it for the use of all human beings and peoples" [*Gaudium et Spes*, §69], John Paul II in *Sollicitudo Rei Socialis* [§42] argues that private property is not exclusively private in nature, that it has a social function. Borrowing language that applies to residential property sales in which the buyer borrows some of the funds necessary to purchase the property, John Paul asserts in *SRS* that "private property ... is under a "social mortgage" [John Paul 1987, §42].

Property has a social function in the sense that the property holder is a social being, joined together with others in a network of communities such as family, neighborhood, place of worship, workplace. For Catholics that community is called the Body of Christ. At the same time, private property has an individual function in the sense that the person holding that property is an individual human being, unique and apart from all other human beings. Thus the owner of private property is accountable for the manner in which the goods produced by means of that property are held for his/her own use or released for the use of others.

The social function of private property means that ownership confers stewardship. Just as a conventional mortgage binds the homeowner to repay the institution that made ownership of that home possible, a social mortgage obligates the owner of private property to give back to the community so that those with no private property holdings have access to basic services such as health care, education, transportation, police and fire protection that helped make possible the personal development of that property owner. *Homo economicus* of the libertarian persuasion recognizes the duty in accepting a conventional mortgage, but not the duty in a social mortgage. The *acting person* of the personalist persuasion knows both.

Writing more than 50 years ago, Divine supplies three arguments in defense of the individual function of private property and three others for its social function. Following Aquinas and fellow Jesuit Duff, Divine asserts that the institution of private property provides for the needs of society through the greater productivity of private property holders, the enhanced order characteristic of a society in which property is managed privately, and the greater peace and harmony that derives from the contentedness of property holders. Private property provisions the needs of the individual by endowing the

property holder with economic independence, making the holder more secure, and promoting creativity and personal development. [Divine, Chapter 27].<sup>1</sup>

In what follows, we include as private property, land, structures, equipment, mineral deposits, patents, copyrights, and financial assets. Some private property holdings, such as an abandoned manufacturing facility, farm land that has been devastated by a flood, timber land that has been destroyed in a wild fire, may produce nothing that can be released for the use of others. Clearly, there is no social mortgage associated with those holdings, at least for the moment. What concerns us is the obligation of the holder of property that *does* produce goods that can be held for his/her use or shared with others.

### ORIGINS OF “SOCIAL MORTGAGE”

In *SRS* John Paul identifies three sources of support for his claim that “private property ... is under a social ‘mortgage’.” The first is his address at the Third General Conference of the Latin American Episcopate in Puebla, Mexico, on January 28, 1979.

[It is] when the growing wealth of a few parallels the growing poverty of the masses ... that the Church’s teaching, *according to which all private property involves a social obligation*, acquires an urgent character. [John Paul 1979, §III.4; emphasis added].

Notice that in this address he uses “social obligation” not “social mortgage.”

The second source is his *ad limina* address to Polish bishops on December 17, 1987 that is available only in Polish and Italian. The third appears one day later in *L’Osservatore Romano* and is not available online.

While in *SRS* he does not refer to his May 15, 1982 comments to workers in Portugal, John Paul in that address states that “... the private ownership of property is always under social mortgage, and so must always serve the common good ...” [John Paul 1982, §8]. Nor does he cite in *SRS* his use of “social mortgage” on at least three occasions in 1979.<sup>2</sup> Clearly, then, “social mortgage” predates his use of it in *SRS* by at least eight years.

In researching the origins of “social mortgage” we encountered two problems. First, the *Compendium of the Social Doctrine of the Church*, which John Paul commissioned and was published in 2004, does not include “social mortgage” in its extensive index, even though

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<sup>1</sup> Divine’s unpublished book-length manuscript is undated. However, Divine’s biography by Herbert Zollitsch, also unpublished but available in the Divine archives in Marquette University’s Raynor Memorial Library, indicates that Divine’s manuscript was completed in 1960.

<sup>2</sup> See John Paul 1979a, 1979b, and 1979c.

the expression is used again in 2001, 2002, and 2003 in addresses by others that are posted on the Vatican website<sup>3</sup> and by John Paul himself in 1999.

Second, in 2004 Cardinal Trujillo attributes “social mortgage” to *Populorum Progressio* and states that in this regard Paul VI renders “a faithful interpretation of St. Thomas.” A careful search of *PP* reveals no such use of “social mortgage” though the underlying concept is present in the encyclical. Further, it is not St. Thomas but St. Ambrose that Paul VI cites regarding the use of private property (see Paul VI, §23). Additionally, Ketteler in 2007 states that it was John Paul who used “social mortgage” for the first time though he does not trace its origins to 1979. We conclude that “social mortgage” originated with John Paul in 1979 but the fundamental concept itself dates as far back as St. Ambrose in the fourth century.<sup>4</sup>

## TWO ELEMENTAL QUESTIONS

John Paul’s assertion that private property is under a “social mortgage” raises two elemental questions. First, why is the principle of private property subordinated to the principle of the universal destination of the goods of the world? Second, what kinds and amounts of social mortgage payments or other transfers are sufficient to satisfy the demands of the social function of private property?

To address these questions, it is necessary to differentiate private ownership of property from how that property is used as John Paul suggests in *SRS*.

... the *option* or *love of preference* for the poor ... is an option, or a *special form* of primacy in the exercise of Christian charity, to which the whole tradition of the Church bears witness. It affects the life of each Christian inasmuch as he or she seeks to imitate the life of Christ, but it applies equally to our social *responsibilities* and hence to our manner of living, and to the logical decisions to be made concerning the ownership and use of goods [John Paul 1987, §42, emphasis in the original].

The principle of the universal destination of the goods of the world addresses the issue of the *use* of the goods of the world. The principle of private property deals with *ownership*.

Regarding the first question, the principle of private property, which states that a person has a right to what he creates with his own hands, is not an absolute principle because, as

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<sup>3</sup> See Diarmuid Martin, 2001 and 2002, and Frank Dewane, 2003.

<sup>4</sup> We found two other uses of “social mortgage.” Unity Trust Bank in the United Kingdom uses it to call attention to its mortgage program that helps “charity and voluntary organizations purchase new or additional premises.” See Unity Trust Bank. The Russian city of Kazan in the Republic of Tatarstan uses “social mortgage” in referring to its housing construction program. See Ilсур Metshin.

**John Paul argues, God created the universe for the benefit of all humankind. The goods produced through the ownership of private property are the means by which human material need is met and for that reason alone private property is subordinate to the human destination of the goods of the world.**

**Further, humans who do not own private property are thereby limited in their access to the goods produced by that property and if all human beings truly are created equal how can they claim equality if they are routinely denied access to all that they need to survive as humans? In other words, private property ownership is a lower-order principle and therefore subordinate to the use of that property.**

**Two extreme types of economic systems are to be avoided. (1) A market economy based entirely on private property in which all goods are produced and held by one person who shares none of them. Everyone else is left to fend for themselves. The system collapses from nearly universal unmet need in the midst of surplus production or underutilized production capacity. (2) A command economy based exclusively on public property in which goods are produced by some and are shared with everyone on the basis of need. The economy collapses from unmet need due to an insufficient incentive to produce.**

**In both instances, the problem is production: too much production that is not shared resulting in unmet need or too little leading to the same outcome.**

**As to the second question about the kinds and amounts of social mortgage payments or other transfers that satisfy the demands of the social function of private property, there are two basic forms: private and public. Examples abound. One very common private arrangement is the establishment of a business enterprise that employs persons who have no private property of their own. The employees share in the goods produced in that enterprise through the wages paid by the owner of that property. A second private form is the voluntary transfer of funds generated from production at private enterprises to organizations that provide services for those in need either by those enterprises acting individually or collectively through such community-based appeals as United Way. A third is through enterprise-based plans that provide employees an opportunity to acquire ownership in the enterprise. A fourth, and very common form of private arrangement, is the direct transfer from one person to another of goods or the money to buy the needed goods.**

**Examples of public arrangements that qualify as social mortgage payments include taxation, regulation, mandates, patents, and eminent domain. Taxation transfers some of the proceeds from the ownership of private property to public use to provide for such public services as police and fire protection, transportation and education. Regulation restricts the ways in which a private property owner may use his/her holdings by setting limits, for example, on hazardous emissions into the environment and through zoning**

ordinances that set limits on the specific activities – residential, commercial, industrial -- that are acceptable in a given geographic location.

A public mandate such as a minimum wage or health insurance coverage for workers forces the private property owner to transfer some of the proceeds from production originating on private property to needy others who do not own that property. The protection afforded by a patent allows the holder of that patent time to recoup the cost of developing the patented item in a market that must respect that property right. However, when protection for that intellectual property expires, other companies are free to manufacture and sell a comparable item that has the effect of cutting away some of the excess profits involved and thereby making it available to the public at a lower price.

Eminent domain is an extreme form of public transfer in that a public body actually seizes private property on the basis of its claim that the property has a social function that completely overrides its private function. In return, the owner is owed a public payment that approximates the fair market value of the property

Whether public or private in nature, social mortgage transfers are justified only as a means by which individual or collective need is addressed.

In the end social mortgage is grounded in social justice as set down by Pius XI in his 1937 encyclical *Divini Redemptoris*.

Atqui socialis justitiae est id omne ab singulis exigere, quod ad commune bonum necessarium sit [Pius XI, §IV, emphasis added].

The Vatican website incorrectly renders this passage in English as follows.

Now it is of the very essence of social justice to demand *for* each individual all that is necessary for the common good [Pius XI, §51, emphasis added].

Carefully translating the Latin version from the same website into English produces the following.

Now it is of the very essence of social justice to demand *from* each individual all that is necessary for the common good.<sup>5</sup>

“For” indicates entitlement; “from” points to obligation. Thus, “social mortgage” is simply a special expression John Paul has coined to reinforce the obligation of private property holders under social justice.

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<sup>5</sup> The author is grateful to John Czyzynski, SCJ for help in translating the Latin text correctly into English.

## NORMS THAT EXPLAIN WHAT IS OWED UNDER SOCIAL MORTGAGE

Because what is owed to another depends very much on how one defines and measures that obligation, social mortgage as with all contingent being is constituted of two norms, one positive, the other negative. The positive norm functions in the actuating mode and explains how much of the goods produced by owners are to be shared with others. The negative norm operates in the limiting mode and explains why no more than that must be shared. See Table 1.

Table 1. Norms Explaining What is Owed Under Social Mortgage

*Positive Norm: Operates in Actuating Mode*

Unmet human material need

Basic

absolute standard

relative standard

Beyond basic

*Negative Norm: Operates in Limiting Mode*

Ability of private property holders to meet need

Individually

Collectively

private action

public action

The principal positive norm is the material need that humans are not able to meet acting alone or, simply, unmet human material need. That need may be defined in absolute or relative terms. The chief negative norm is the ability of private property holders to meet that need. Following the principle of subsidiarity, unmet need is to be addressed preferentially through private action because private persons and groups in general are closer to the parties requesting assistance and therefore better able to detect false claims of unmet need and to rank authentic unmet need by its scope and intensity.

As to the positive norm of how much to share with others, at minimum it must be sufficient to address basic human needs. This norm, we are convinced, must be constructed to incorporate both an absolute standard of need and a relative standard because human beings are at once individual and social beings, with the absolute standard reflecting

human individuality and the relative standard human sociality. To simplify, basic need clearly (a) is unmet when the income of the party seeking assistance is below both standards, (b) is met when income is above both standards, and (c) is marginally unmet when income is below one of the standards and above the other. Due to differences in the cost of living, the thresholds that express those standards in measureable form will vary from place to place and one time period to another.

We recommend incorporating in this norm the official poverty standard for the United States, which is an absolute standard and for that reason alone is seriously flawed,<sup>6</sup> precisely because it has been in use for 50 years, has achieved widespread acceptance, and therefore is socially significant.

Assume that the absolute threshold for a family of four is annual income of \$18,900 and the relative threshold is \$20,350. A family of four with annual income of \$14,670 has basic needs that clearly are unmet, while a similar size family with income of \$31,569 has no such needs. A family of four with income of \$19,472 has needs that are marginally unmet. In distributing the goods available for sharing among the needy, more must be given to those whose incomes fall furthest below the lower of the two thresholds. In our example that would mean families with incomes below \$18,900, with more given to those with the lowest incomes. The marginally needy would be provisioned only when the more severely needy have been assisted.

In the United States federal and state programs of aid to the needy sometimes are based on a qualifying threshold that is a *multiple* of the official poverty threshold that in turn is based on an absolute standard of the income required to provision basic needs. A threshold that is 150 percent, 200 percent, or even higher than the official poverty standard often is used to determine eligibility for Medicaid or Children's Health Insurance (CHIP). We find that such standards are unsatisfactory because there is no hard evidence of a direct linkage between these higher-than-100-percent-of-poverty thresholds and need. For that reason, we think it unwise to use multiple standards to determine what is owed the needy under social mortgage.

The negative norm that explains why no more than the goods that meet basic human material need are to be shared is problematical especially in a wealthy country. In a poor country, the overall level of production from private property may be so small as to make earning a living difficult even for property holders. What is shared is widespread impoverishment. In a wealthy country, however, the level of production from private

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<sup>6</sup> A second serious flaw is that from the very beginning poverty threshold income has been estimated at three times the cost of a nutritionally adequate diet as determined by the Agriculture Department on grounds that consumers in the late 1950s and early 1960 typically spent one-third of their income on food. This multiplier has not changed over the years though clearly consumer expenditure patterns have. The threshold income estimate is further flawed because it makes no allowance for differences in the cost of living from place to place.

property may be so substantial as to make possible a level of assistance well beyond basic human material need.

The question then is how much above that basic-needs threshold is owed under social mortgage? The answer lies in the conscience of the property holder because if due to government action more than the goods required to meet basic need is demanded of the holders of that property, those holders may respond by reducing production making it more difficult to reach that threshold of support. Government action in other words may be self-defeating.

Better to leave that decision to one's own conscience provided it is properly informed to avoid the crass materialism to which John Paul calls our attention in his warning that "the more one possesses the more one wants" [John Paul 1987, §28]. By having and wanting more, the holder of private property puts his/her development as a person at risk of becoming a genuine *homo economicus*, a rational, utility-maximizing human driven by an acquisitive desire.

The properly informed conscience could lead to strictly private action either individually or collectively or to public action. Here again preference is given to private action as against public action on grounds that being located closer to the parties claiming assistance, private action likely is better informed as to true extent of human material need.

#### CLOSING REMARKS

"Social mortgage" is a normative concept whose meaning depends critically on the persons who use the expression and for that reason consensus on how it is defined and measured is difficult to achieve. Nevertheless, our discussion of the norms that explain what is owed under social mortgage perhaps may contribute to wider acceptance at least with regard to basic human material need thereby moving the discourse toward greater specificity and social significance regarding the proper norms and critical values (criteria) that express those norms in measurable form making it more socially significant.

As to need beyond the basic necessities, we have argued that the issue primarily is a matter of one's private conscience and that coercive public action is called for when the private conscience is asleep and cannot be awakened and enlightened through public discourse. Even so, and very much in accordance with the principle of subsidiarity, a poorly informed private conscience is better than a badly informed public consensus because public action has far wider effects than private action.

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