Could Pope Leo XIV and Karl Marx see eye to eye?

Comments and Questions on MAGNIFICA HUMANITAS

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Introduction

I have read the Encyclical letter MAGNIFICA HUMANITAS of Pope Leo XIV, on *Safeguarding the Human Person in the Time of Artificial Intelligence (AI)*: insightful, engaging, challenging.

Whether you have religious beliefs or not, whether you are catholic or not, this is a must read. It should be compulsory reading in all Universities as a document for discussion in courses on Critical Thinking and as part of General Education. It should be read by faculty and students of all disciplines because it has messages for all of us, economists, political scientists, engineers, computer scientists, students of moral philosophy and ethics and students, and for those in the fields of biotechnology and biomedicine. Pope Leo XIV addresses us all. He is a man of the 21st century who understands our world, and writes about technology, the digital revolution, and employment. He will not leave you indifferent.

If you are catholic, read it also as a religious text written by somebody with whom you share your faith. If you are not, I guarantee you that the text will not disappoint you. Read it as a scholar. It will make you think. I have read it as an economist. One can agree or not with the Pope's views and arguments. The point is that all of them are sound, worth considering. The main achievement of the Encyclical is that a man of his stature has set the dialogue into motion in the 21st century. At the same time, I have to say that that he is by no means the first person to alert us about the role of technology and the impact on employment and wages. In fact, I believe others have done it more forcefully. For this reason, I will argue that Pope Leo XIV should have been more critical.

I focus on the two areas of most interest to me: (a) the references to Artificial Intelligence (AI) in Part I; and (b) the references to capital (6), wages (5), profit (12), business (7), fairness (8), and exploitation (11) —the numbers in parentheses are the number of times the word is mentioned, in Part II. I end with two wishes.

This document starts with a summary of what the Pope argues about (a) and (b) in the previous paragraph, and each is followed by a discussion. Underlying comments are three questions, all implicit in the Pope's arguments, on issues where I believe he should have had a much more definite stance: (a) where does he stand on class conflict?; (b) what value theory does he have in mind, the classical labor theory (value is created by labor in the production process —the socially necessary labor time), or the neoclassical (value is created when goods/services are exchanged —their marginal utility, i.e., the satisfaction a consumer gets from one more unit, and scarcity?; and (c) is he proposing a complete overhaul of the economic system or just cosmetic changes?

Part I: Technology and Artificial Intelligence (AI)

The Pope states that digitalization, AI, and robotics are transforming the world "rapidly and profoundly," affecting daily life, decision-making, and the collective imagination. He says these effects are not yet fully predictable.

Technology, he argues, is not in itself opposed to humanity and has improved human living conditions. But he also says tools can cause harm when they are not oriented toward the good. In practice, he argues, "technology is never neutral," because it reflects those who devise, finance, regulate, and use it.

On AI specifically, the Pope only provides "a few essential elements" for moral and social discernment, so that human intelligence, conscience, and freedom guide technical innovations and determine their use and limits.

The Pope says two things that should be kept in mind. First, statements about AI can quickly become outdated because these systems are developing very rapidly. Second, even those who design AI systems have only limited understanding of their actual functioning. He says current AI systems are more "cultivated" than "built," because developers create a framework in which the intelligence "grows," rather than directly designing every detail.

The encyclical says AI should not be equated with human intelligence. AI systems imitate some functions of human intelligence and may surpass humans in speed and computational capacity, but their power remains tied to data processing. Pope Leo XIV says so-called artificial intelligences "do not undergo experiences," do not have a body, do not feel joy or pain, do not mature through relationships, and do not know from within what love, work, friendship, or responsibility mean. He also says that AI systems do not have moral conscience.

AI can imitate language, behavior, analytical skills, empathy, and understanding, but it does not understand what it produces. When AI is said to "learn," the Encyclical says this learning is different from human learning: it is statistical adaptation based on data and feedback, not inner growth through choices, mistakes, forgiveness, and fidelity.

The Encyclical calls AI "a valuable tool" but says it requires a "measured and vigilant approach." In personal use, it highlights three issues: the ease of obtaining results, the impression of objectivity, and the simulation of human communication. It says AI can make life easier by giving access to information, complex analysis, media content, and practical assistance, but it can also encourage excessive reliance, ready-made answers, and weakened creativity and judgment.

Likewise, AI responses may appear objective, but they reflect the cultural assumptions of those who designed and trained the systems. The Pope also says AI's imitation of advice, empathy, friendship, and love can be engaging and sometimes helpful, but may mislead less-discerning users by creating the appearance of a relationship with a real personal subject. The danger it identifies is that people may gradually lose the desire for genuine human connections.

For society, the document says AI is already embedded in decision-making in sectors such as communication, management, and control. It recognizes gains in efficiency and possible improvement of services, but warns that rapid and uncritical adoption carries risks, including environmental impact. It specifically says current AI systems require large amounts of energy and water, affect carbon dioxide emissions, and require data centers and energy-intensive infrastructure.

On governance, AI is never a purely technical matter when it affects people's lives. Decisions concerning employment, credit, access to public services, or reputation may be delegated to automated systems, and this can create new forms of exclusion. It identifies harmful uses such as information manipulation and privacy violations, and also warns that AI systems may reflect and reinforce stereotypes or ideological bias.

The Pope argues that AI cannot be considered morally neutral. Every technical tool embodies choices and priorities through what it measures, ignores, optimizes, and how it classifies people and situations. Therefore, ethical discernment must examine not only whether a system is used for good or bad purposes, but also how it is designed and what vision of the human person and society is embedded in its data and models.

He calls for responsibility to be clearly defined at every stage: design, development, use, and reliance on AI for concrete decisions. Opacity makes it harder to assign responsibility and correct errors. The document, therefore, stresses accountability: identifying who must account for decisions, justify them, monitor them, challenge them, and remedy harm.

Prudence, rigorous evaluation, and sometimes a slower pace in adopting AI are not opposition to progress, but responsible care for the human family. Legal frameworks, independent oversight, informed users, and political responsibility are required. Otherwise, technological change will be governed by those who control data, infrastructure, and computing power.

The Pope applies Catholic social principles to AI. He says the common good requires naming new AI monopolies; the universal destination of goods requires universal access to technologies and education; subsidiarity requires protecting communities' ability to make choices and corrections; solidarity requires recognizing hidden and often exploited workers behind algorithmic systems; and justice requires questioning who can train AI models and who is merely subjected to them.

The Encyclical uses the expression "disarming AI." It says this does not mean rejecting technology. It means preventing technology from dominating humanity, freeing it from monopolistic control, opening it to discussion and debate, making it human-friendly, and restoring it to the plurality of human cultures and ways of life.

It directly addresses AI developers. It says they have "a particular ethical and spiritual responsibility," because every design choice reflects a vision of humanity. Developers are called to embed values in their projects with transparency, responsibility toward affected communities, and care that what is being cultivated is a genuine good.

On war, it says AI can change conflict by accelerating cyberattacks, information manipulation, campaigns of influence, and automated strategic decisions. It says AI can help defense and civilian protection, but can also lower the threshold for force, shield people from responsibility, and reduce enemies or victims to statistics. Regarding weapons, the Pope says that AI in warfare must face rigorous ethical constraints. It rejects the idea that machines can be "artificial moral agents" in the full sense, because moral judgment involves conscience, personal responsibility, and recognition of the other as a person. He says lethal or otherwise irreversible decisions must not be entrusted to artificial systems, and adds: "No algorithm can make war morally acceptable."

Finally, Pope Leo XIV argues that AI can de-skill workers.

I add that the reflections and discussions on AI in our (Philippine) Universities should also be placed in the context of the country having joined *Pax Silica*, a US-led coalition of about 30 nations (as of the time of writing this document) aimed at reducing dependence on China by securing supply chains for semiconductors, AI infrastructure, and critical minerals. Pax Silica will, the proponents argue, integrate semiconductor design, fabrication and advanced packaging, artificial intelligence computing, critical mineral processing, energy and data infrastructure, research and development (R&D), logistics, offices, housing, and commercial facilities as part of the Luzon Economic Corridor. Its detractors (and https://opinion.inquirer.net/193379/cielo-magnos-take-on-pax-silica) question the government's integrity and its capacity to defend national sovereignty, environmental interests, and Indigenous/local communities. Arguments pro and against it must be evaluated properly.

Discussion:

(i) Nobel Prize winner Daron Acemoglu wrote recently a comment praising the Pope for his words on AI. Yet, he argued that the Pope should have gone further: "He stops short of questioning the prevailing design philosophy of AI itself: a philosophy centered on mimicking human capabilities and automating human tasks, with the ultimate goal of artificial general intelligence (AGI) that can do everything a person can."

(ii) The background of this Encyclical is the Encyclical *Rerum Novarum* written by Pope Leo XIII in 1891. It is worth pointing this out because that document was written at the height of the Second Industrial Revolution (*circa* 1870-1914). There are parallels with what we are experiencing today with the so called Fourth Industrial Revolution, namely fear of what new technologies might bring. At the start of the 19th century, the Luddite movement opposed openly the use of machines. The Luddite movement was a 19th-century rebellion of English textile workers who protested against the automated machinery of the Industrial Revolution. Beginning in Nottingham in 1811, the protesters destroyed factory equipment and looms to fight against wage reductions, dangerous working conditions, and the loss of their livelihoods.

The Luddites were not blindly opposed to technology. Instead, they objected to the *misuse* of technology to circumvent labor standards, degrade working conditions, and replace skilled artisans. The movement was driven by the following factors: (a) mechanization threatened the livelihoods of traditional hand-weavers and skilled textile workers; (b) the shift to factory systems led to deteriorating labor practices and lower wages; and (c) organized groups staged raids to smash machinery, attack factories, and send threatening letters signed by a mythical leader named General or King Ned Ludd.

The British government responded with severe force, deploying thousands of troops, making machinery destruction a capital offense (the [Frame Breaking Act of 1812]), and executing or exiling many of the movement's leaders. By 1817, the original Luddite movement had been largely suppressed.

This (the questions about the impact of technology) is familiar to what we are experiencing today, except, of course, we do not have (at least openly) a modern Luddite movement and no government has acted like the British government in 1812. But drivers (a) and (b) above of the movement to act are mentioned today (in modern form) in discussions of the technologies that conform the Fourth Industrial Revolution, and, in particular of AI.

(iii) British economist David Ricardo discussed technical progress extensively. While he initially believed that machinery and technological advancements generally benefited society, he revised his stance. He analyzed the short-term negative impacts of technology on the working class, a concept often referred to as technological unemployment. Indeed, in the 1821 third edition of his seminal book, *Principles of Political Economy and Taxation*, Ricardo added a dedicated chapter titled "On Machinery". He argued that the introduction of machinery could lead to a reduction in the overall demand for human labor. He explained that capitalists often converted circulating capital (funds used to pay wages) into fixed capital (machines), which could displace workers in the short term. Interpreting this in modern language, Ricardo concluded that the Industrial Revolution was driving "capital-biased technological change," which could lower wages and reduce the immediate need for labor even while overall economic output increased.

So, nothing new here, the same as in today's discussions of the effects of technical progress. It is like *déjà vu*. It is in this context that we ought to understand and evaluate the Pope's comments on technology.

Are the current technologies different from those in the past, in particular from those of the Second Industrial Revolution, i.e., electricity, petroleum, steel, breakthroughs in mass production, long-distance communication, transportation, and synthetic chemistry, internal combustion engine, telephone, assembly lines, pharmaceuticals, medical imaging, precision instruments, and immunology and sanitation? Will AI and the other new technologies make a huge impact on humanity? Time will tell us. So far, they have not.

Having said this, the [World Development Report 2026 on The Promise of Artificial Intelligence] claims that AI technologies can leapfrog low and middle-income countries and advance in one decade what before would have taken them a whole century. Naturally, this requires the immediate adoption of this technology and adopt it to the local needs. The World Bank claims that IA should allow (if adopted) developing countries to have access to better health, education, and legal, services, as well as help them increase agricultural and manufacturing productivity. The difference with past technologies like the steam engine, electricity, or internet, is the speed of adoption, much faster in the case of IA. Improvements are almost instantaneous. Yet, the window of opportunity to introduce it is very short. It has to be introduced now, or the laggards will risk being left out. During this decade (2020s) and in the most optimistic scenario, IA could increase potential growth from 4.1% to 4.9% in the emerging economies, and from 1.2% to 3.6% in the advanced economies. Let's see. I will keep the report and assess in the coming years how far IA has taken the emerging economies, or whether the gap with the advanced nations has increased as a result of it.

(iv) I share the Pope's warnings about the misuse of AI. It is not a technology like those being deployed in textile factories in the early 19th century, actual machines. Like many readers of this document, I have started using it very recently (ChatGPT, Gemini, Claude). I have used it almost exclusively to search documents (references) and in a new research piece with a few colleagues, to go over and organize thousands of documents. I use it to help me in topics/areas that I am very familiar with. I know by now how to ask questions and I know if the correct is correct, or whether the Large Language Model is hallucinating. It is a great *help* (complement) not a substitute of my work. Now let's be clear: (a) will this change my life the same as electricity? No; (b) does it increase my productivity in the sense that I will be able to write many more articles? No; (c) Does it make my life easier? Definitely yes; (d) does the use of AI diminish my desire to research (ask questions and search for answers methodically)? Certainly not. If anything, the opposite; and (e) does it fool me to believe that I have a platonic relationship with IT? Oh please…However, for the average person, I agree with the Pope that AI (ChapGPT) will be no more than a toy, the same as a computer game. Very few people out there have the capacity and capabilities to use AI in a way that leads to dramatic increases in overall (economywide) productivity. Nobel Prize winner Daron Acemoglu has argued that the use of AI by millions of average persons will amount to a very small increase in overall productivity, critical for a nation's living standard to increase. The rest will be what the Pope refers to as misuses (useless or dangerous uses) of AI. This assessment is not very different from that of also Economics Noble Prize Wassily Leontief, who, in 1986, at the start of the personal computer revolution, published a study on the impact of automation on employment. What was the main conclusion at the time? That computer-driven technology will not cause mass unemployment, but it would shift demand toward professionals and decrease clerical jobs.

(v) As an economist who often looks at long-run data, I am optimistic about the role of technology. Think about what the wheel meant for humanity (invented about 3,500 BC) and the progress we have experienced since then; most of it is very recent. Yes, AI and other technologies) will displace work. This has been the history of humanity and today nobody cries today because in the 1440s Gutenberg invented the press, and the scribes in monasteries who painstakingly copied, preserved, and illuminated texts by hand, became suddenly unemployed. Likewise, in the 1930s, telephone companies replaced human operators with the dial service. Thousands of operators lost their jobs. Any complaint? Do we get back to the days of the manual operators? I have read that customer service employment in the US is declining and will likely continue to do so as more tasks are automated. While it's impossible to determine the future job losses, it has been estimated that almost half of customer service roles will be impacted by 2030. Globally, the steepest job cuts are expected to hit countries like the Philippines, where many Western companies have outsourced their most easily automated work. Salespeople at multiple tech companies routinely pitch call center AI tools as a way of lowering labor costs, undercutting a common industry claim that AI is primarily a way to help workers become more productive rather than kill their jobs. In the next decades, and definitely 100 years from now, our great grandchildren will read in history books that still during the first quarter of the 21st century, thousands of humans worked in places called call centers where they would pick up the phone to solve customers' questions and complaints. They would look at these jobs the same way we look today at the telephone operators of the beginning of the 20th century: with amazement. Yes, these jobs are being lost today (they represent a small percentage of the total number of jobs in any nation) but society at large will gain in the medium to long term.

(vi) Finally, on the comment that AI can de-skill workers, the assessment is correct but not new. As far back as 1776, Adam Smith argued in The Wealth of Nations (Book V, Chapter I) as follows (pp. 637-638 in this edition):

> "In the progress of the division of labor, the employment of the far greater part of those who live by labour, that is, of the great body of the people, comes to be confined to a few very simple operations, frequently to one or two. But the understanding of the greater part of men are necessarily formed by their ordinary employments. The man whose whole life is s pent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as *stupid and ignorant* as it is possible for a human creature to become. The torpor of his mind renders him, not only incapable not only of relishing or bearing a part in any rational conversation, but of conceiving any generous, noble, or tender sentiment, and consequently, of forming any just judgement concerning many even of the ordinary duties of private life (my italics)."

Part II: On capital (6), wages (5), profit (12), business (7), fairness (8), and exploitation (11)

The Encyclical recalls that *Rerum Novarum* was responding to the conflict between capital and labor, the workforce question, and economic and social transformations. It says *Rerum Novarum* placed "the dignity of work and of workers" at the forefront, affirmed "the right to a fair wage for oneself and one's family," and recognized that persons have a fundamental value that "takes precedence over capital and profit."

It also says *Rerum Novarum* defended private property, recognized its societal role, esteemed workers' associations, and proposed cooperation among the different components of society as an alternative to class struggle. It adds that two insights remain relevant today: "the primacy of human labor" over a mindset focused only on finance or productivity, and the pursuit of a more just social order.

On wages, the encyclical says *Quadragesimo Anno* (Encyclical by Pope Pius XI, 1931) reaffirmed that wages should be proportionate "not only to performance, but also to the needs of workers and their families." This is the document's explicit point on wage fairness.

On profits, it says technology and economic decisions should not be governed by profit alone. It warns against "the idolatry of profit that sacrifices the weak" and later says that current approaches to innovation are often driven by reducing costs and increasing profits. It also says that in some sectors there is job insecurity and inequality, with "outsized remuneration for a highly specialized minority" and "declining wages for a large portion of the workforce."

The key sentence on profit and jobs is: "The pursuit of greater profits cannot justify choices that systematically sacrifice jobs." The reason it gives is that "the human person is an end, not a means," and that "the economic order must remain subordinate to human dignity and the common good."

On business, the encyclical says new collaborative efforts are needed among "political leaders, labor organizations, the business world and the scientific community" to develop shared regulations and protections, including internationally. It also says every introduction of automation and AI should include verifiable measures to protect employment, retraining, and workers' participation.

It further says there should be "a corporate commitment to include quality and dignity of work among its indicators of success." It then adds that economic freedom is not absolute and must be measured against the common good and the dignity of every person. "Entrepreneurial initiative" can be a vocation, generating wealth and improving lives, but not when it is treated as dependent only on profit.

On fairness or justice, the Encyclical says justice should not be treated as something that comes only after wealth is produced. It says "justice concerns every phase of economic activity, from resource acquisition to financing, and from production to consumption." It also says that in the age of AI and robotics, it is no longer possible to rely solely on the "invisible hand" of the market.

It identifies practical criteria for firm action in the age of AI and robotics: transparency and accountability when data and algorithms affect credit, personnel selection, services, or opportunities; inclusion and access to the benefits of innovation; and equity through taxation, social protection, and industrial policies to correct imbalances created by concentrated wealth and power.

Finally, it discusses business models in the digital economy. It says parents alone cannot resist "business models that monetize attention and time." It also says that when "business models thrive on human weakness," those who design or finance such systems bear a moral responsibility. Later, it says companies and investors should adopt due diligence criteria that prioritize workers' protection, the fight against forced labor, and the social impact of "data-driven business models."

Discussion:
(i) Pope Leo XIV's words on these topics are debatable for me as an economist because they raise deep questions. I read statements where the Pope does not take an entirely clear position, or does not offer an alternative proposal. Most of what the Pope mentions has been discussed in the literature, by economists, historians, political scientists, sociologists, philosophers, etc.

Let me summarize in a somewhat thought-provoking manner the Pope's main point: the Pope is unhappy with *capitalism* (a term he does not use) because it leads to unfair outcomes and generates inequality. Capitalism is the mode of production that appeared during the Mercantilist period and later with the Industrial Revolution, and which has expanded and evolved until today. This system has an inner necessity to produce and sell goods on an ever-larger scale. It depends on continuous revolution in methods of production and rests on the persistent search for new profitable investments, spurred by competition among investors for markets. Pope Leo XIV seems to be critical with the system, yet he does not take his misgivings to the ultimate conclusion: we need a new system. Is this what he has in mind?

While I think Pope Leo XIV must be praised for raising very controversial issues, I think, like Acemoglu, that he did not go the extra mile to openly say what capitalism has to be replaced with (again, if this is what he really has in mind): is he advocating some simple cosmetic surgery, or a new economic system? Moreover, none of his criticisms of capitalism is new. The issues he discusses have been on the table since the 18th and 19th centuries, since the work and debates of the classical economists. Marx, of course, went the furthest: he praised capitalism because it was a system superior to the one it succeeded, feudalism; yet, he saw its flaws and internal inconsistencies and argued that it would be replaced by another system, socialism (though Marx did not elaborate on the specifics of this new system). The truth is that capitalism is not dead despite severe crises.

Pope Leo XIV cares, and Karl Marx cared, about the working class, each in his own way —not that different in the essence if one reads both carefully. The difference between Pope Leo XIV and Karl Marx is, I think, that the latter was clearer in the analysis (has Pope Leo read Karl Marx?). Complaining about the system is a first step but we need more from the Pope when he talks about profits, wages, productivity, or the labor market. He has to dig much deeper, not just stay at the level of "workers need to be paid fair wages." Why aren't they fair? How are wages set? What do we replace with the current system and mechanisms he refers to (e.g., wage setting)? What value theory does he have in mind, classical (value is created in the production process) or neoclassical (value is created in the exchange —what we teach our students!), when he refers to the primacy of human labor?

My reading is also that Pope Leo XIV questions the most basic tenets of a capitalist economy. One may disagree with Pope Leo XIV but if one agrees with him, this poses a problem for what many teach in Economics and Business programs in our Universities: (a) that the world is made of firms whose objective is to maximize profits. Reality: this is what we argue an entrepreneur is set to attain; (b) the primacy of neoclassical individualism. Consumers maximize utility subject to a budget constraint. Reality: this is what we argue consumers do. I acknowledge that discussions are much more subtle when one gets into welfare economics and justice (rawlsianism, utilitarianism, libertarianism); and (c) the 'invisible hand' and its power to reach an efficient allocation of resources (all fully utilized). Reality: we argue that self-interest and competition guide free markets to achieve an efficient allocation of resources. It works through price signals, voluntary exchange, and decentralized decision-making without central planning. There are many subtleties here too but our students go through this mantra over and over.

Bottom line: we can't have it both ways, agree with the Pope's arguments and teach what we teach. Or yes?

(ii) If Pope Leo XIV's advisors had read, and asked him to read, Harry Braverman's opus magnum Labor and Monopoly Capital, written in 1974, they would have had stronger arguments and would have been much clearer. The world we have, including labor relations, technical progress, inequalities, poverty and underdevelopment, etc., both good and bad, is the result of the capitalist system. Braverman provided in-depth discussions of work dissatisfaction (the creation of millions of contentless jobs) and why (more on this in (v)); the division of labor and what it leads to, namely that workers' skills are broken down by companies (employers) to obtain greater profits: indeed, given that the higher the worker's skill level the higher the wages to be paid, deskilling by breaking down work tasks into simpler components leads to the cheapening of labor, i.e., the reduction of labor costs; and that this process leads to polarization and greater inequalities (certainly the skill content of some jobs, very few, is very high today; but not that of the great majority). Braverman's analysis is as valid today as it was in 1974.

(iii) Unemployment is an evil. I completely agree but this is not a new problem. Read, for example, Global Unemployment, Fighting Unemployment, or the many publications by the International Labor Organization. The Pope makes dozens of references to this problem and I applaud it. The question is that he is not clear about how he thinks of what causes unemployment and its solution. Who does not agree with the statement that unemployment is an evil, unless he/she come from a very neo-neoliberal tradition and believes that unemployment is the fault of workers themselves and their putative representatives, the labor unions (incidentally, praised by the Pope)? I would like to have the Pope's views about why there is (always existed) unemployment (classical, demand-deficient economy, technological?) and the solution: do we ask workers to accept lower real wages? The Pope praises the work of the labor unions, seen by many as an obstruction to the good functioning of the labor market. Does the solution require government intervention by boosting fiscal spending, investing in public works, lowering interest rates, funding massive retraining programs so the transition? or, what about the implementation a job guarantee program by the government ? Or, better, can we ask firms to hire everybody (ethical?) and ensure nobody is unemployed? No, of course not. This is not how the system works.

(iv) Related to the point above, how does Pope Leo XIV think the labor market works, like the market for oranges —demand and supply (what we teach), or is it something very different, a set of social relations? This is the starting point of how we economists explain how workers supply labor: the labor supplied by a given population depends on household preferences for consumption and leisure, both of which yield positive utility. But in order to consume, income must be earned by replacing leisure time with working time. Hence, the preferences of workers and the real wage will determine the equilibrium amount of labor supplied. A rise in the real wage makes leisure more expensive in terms of forgone income and will tend to increase the supply of labor (this is the so-called substitution effect). However, a rise in the real wage also makes workers better off, so they can afford to choose some leisure (this is known as the income effect). This means that it could be argued (some economists do it) that unemployment is the result of workers choosing leisure over labor. Does this describe how the labor market works?

(v) The Pope refers to the need to crate "valuable jobs." May I inquire what is not a valuable job? Many companies (and the workers themselves) would be offended. In a market economy with profit maximizing firms (employers), all jobs perform a function and add value; otherwise, they would not exist. The real problem is that modern societies have a tendency to create *unsatisfying work*, with *work degradation* in the form of millions of "bullshit jobs" which pay low wages and that do not lead to personal growth. Why? First of all, because only a few jobs require high levels of human creativity (what provides satisfaction). There is a second argument. Historically, many countries managed to generate jobs that, at least, paid decent wages. Many of them were associated to the development of the manufacturing sector in the 20th century. The problem today is that the age of manufacturing is over for most countries as a result of the arrival of China into the world economy. What sectors generate significant employment today? Low-productivity services such as street sales, or transport (e.g., tricycle, motorcycle, jeepney). About 25% of all Filipino workers are classified as "laborers". These are workers who perform elementary occupations, simple, routine physical tasks. These are not satisfying jobs and pay low wages. Naturally, unsatisfying jobs exist in both developed and developing nations. What is the solution? Should everybody get a Ph.D. and do what I do? (I do not recommend it…).

(vi) Let's bring this point last point home (the Philippines) to understand why we are a poor country. Do we consider the work of helpers (domestic work), security guards, or of those in the gig economy, among others, valuable jobs? I am sure they are in the eyes of their employers. They are willing to pay for them. This is a fair exchange in a market economy. However, I am pretty sure they are not valuable jobs in the eyes of the Pope — unsatisfying and degrading activities, and some of them with a zero marginal product of labor. But this is what we have because we still have plenty of surplus labor, workers willing to work in our cities for just a bit over subsistence wage in the province. Helpers and security guards existed in today's advanced nations but disappeared during the course of development as the economy created jobs in industry and services at higher wages. Surely you can get a helper in an advanced nation in Europe but check how much you would have to pay (only a few people keep them). The same way that the decline in the share of employment in agriculture is an indicator of development, so is the decline in these types of jobs. I venture to argue that if these jobs still exist in the Philippines in the year 2050 (at today's wage rates), we will still be a poor nation, inconsistent with Ambisyon Natin 2040. This situation has led to great inequalities, which will continue increasing.

(vii) Pope Leo XIV also complains about economic models that exalt *efficiency* (my italics) and individual success. Here we open Pandora's Box. What do we do then? Isn't our economic system based on this idea? Isn't the term efficiency key to the definition of economics, i.e., the study of how to allocate scarce resources to their best potential use, which inherently involves minimizing waste and maximizing outcomes (i.e., efficiency).

(viii) Yes, firms maximize profits (their key objective function), but the Pope refers to it as "the idolatry of profit." Profit is the driving force of capitalism. What do we do without it? What should Business Schools and Economics departments teach tomorrow? This is the mantra we tell our students from day one.

(ix) Pope Leo XIV is also concerned with the fact that innovation is often pursued *solely* (my italics) for reducing costs and increasing profits, and argues that every introduction of automation and AI should be accompanied by verifiable measures to protect the employment, retraining and participation of workers. Does the Pope question what a capitalist firm does for living and what incentivizes it to undertake innovation? If we question this, many economists would not know what to teach their students tomorrow. We also know that there are different types of technical progress (e.g., labor-saving). The discussions of the effects of technical progress go back to Adam Smith and David Ricardo! This has been the history of capitalism since its inception: new technologies eliminate jobs but in the long run create more.

(x) We also read that wages should be fair, not only related to performance but also to the *needs of their families* (my italics). Another point that will raise eyebrows. How do we determine whether a wage rate is fair or not? In the most basic classical model (what is being taught in introductory and intermediate economics courses), a profit-maximizing firm will hire labor (the demand side of the labor market) as long as the additional cost of hiring an extra unit of labor (the wage) is less than the extra revenue generated by the additional worker. Profit maximization requires the equality of the additional cost and the additional revenue. In the economics jargon: a firm will hire labor until the point where the marginal product of labor equals the wage rate. The firm's demand for labor is an inverse function of the real wage. I point this out because, again, this is what we teach our students. It would be interesting to hear companies' views about this point. I am sure they will argue that they pay fair wages, within their means (they need to obtain a profit). Do we ask companies to pay more to those workers with larger families? Follow the discussions in the Philippines on the increase of minimum wages. Wages have to be linked to some measure of productivity for the survival of the firm. Likewise, when workers produce more per hour, competition among employers should cause their compensation to rise toward the additional value they generate. Yet productivity growth does not always lead to wage growth. The link between productivity and wage growth depends on how competitive the labor market is, and on whether or not workers have enough bargaining power. When a small number of dominant firms capture the gains, or workers cannot credibly move from one employer to another, higher productivity may raise profits without generating proportional wage increases. In recent years, researchers have documented a decline in labor's share of national income across many advanced economies for which reliable data are available, while the share accruing to owners of capital has increased. Productivity may therefore rise even as the link between national output and workers' living standards weakens. This is, ultimately, a question of class conflict. Is this what Pope Leo XIV has in mind? Class struggle is mentioned by the Pope Leo XIV in reference to Pope Leo XIII's Encyclical *Rerum Novarum*: "…proposes forms of cooperation between the different components of society as an alternative to the mentality of class struggle." We need clarity: what is Pope Leo XIV's view today?

(xi) Pope Leo XIV is concerned with the poor regions of the world, with the need to achieve "genuine transformation", and with forced migration. So am I as a development economist, and so were Arthur Lewis, Gunnar Myrdal, Abhijit Banerjee, or Daron Acemoglu (all Nobel Prize winners for their work in the field of development), to name a few economists who knew (the first two are dead) and know about development issues. Of course, the problem of development is one of economic transformation, namely how to evolve from being a traditional society based on agriculture, with surplus labor, to becoming a modern industrial and service economy—a fully modern capitalist economy. Is this what the Pope has in mind? The question is about how long this process takes, who leads it (the government through industrial policy?), and whether developing countries today can industrialize or whether they undergo premature de-industrialization (low-productivity services do not do what manufacturing did in the 20th century for today's high-income economies). On migration, we know a great deal about it in the Philippines, and we know why a couple of million workers are abroad. There is a whole field in economics that studies the causes of underdevelopment, poverty, and inequality. All these issues are current debates.

(xii) Inequality, another great concern, has been with us forever, both among nations and within nations. The latter is a feature of both developed and developing countries. Within nations, inequality occurs as a result of the fact that some people earn very high incomes and own wealth while many others earn regular incomes. The question to pose is why is this situation "unfair" in a market economy if their wages reflect the marginal product revenue and are a reward for investments in education, training, and specialized skills, and if the supply of rare talent is inelastic? These are the standard justifications in economics. This is a domestic problem with difficult solution (again, inherent to capitalism). Governments attempt to tackle it via taxation (of the high incomes) and by providing assistance of different types to people with lower incomes. The problem is not so much that a small group of workers earn disproportionate salaries but the fact that millions of workers earn close-to-subsistence wages and their working conditions are precarious. The great triumph of the 20th century labor movement was to secure human working conditions for contracted employees. The eight-hour day, sick leave, pensions, collective bargaining, all were extended to those who were formally employed by a company. Still today, many workers (most of them in developing nations) do not enjoy these benefits.

(xiii) International inequality is a different matter. The income per capita of today's advanced economies is many times that of poor nations. This means that, for a long time, poor countries grew at a very low rate. This was because their economies transformed very slowly out of agriculture. Accounting for the deleterious effects of colonialism in some cases, low growth since independence has been the result of bad policies. Here, I blame both these nations' policymakers and the international community, developed countries and international institutions, the latter for often misadvising developing nations and/or forcing them to implement policies that have done more harm than good (e.g., free trade-no industrial policy, Washington-Consensus-type of reforms), and which the developed countries themselves did not follow.

(xiv) Pope Leo XIV also advocates inclusive growth, or growth that reaches the "poor "eventually"." However, the evidence on this point is clear. Dollar, Kleineberg, and Kraay (2013) showed the central importance of economic growth for poverty reduction. Incomes in the poorest two quintiles on average increase at the same rate as overall average incomes. Recently, Pritchett and Lewis (2026) have shown that *any* cross-national measure of human material wellbeing that is (i) based on *basics* (not luxuries), (ii) *general* (uses indicators from multiple domains), and (iii) *plausible* (uses any defensible choices for weights) will robustly have a statistical relationship with GDP per capita (GDPPC). Moreover, they show that GDPPC is empirically sufficient, that is, achieving high levels of GDPPC will produce high levels of basics; and GDPPC is empirically necessary, that is, only countries with high levels of GDPPC will achieve high levels of basics. This also means that GDP per capita is an excellent metric of development (something also questioned). It is not that GDP neglects aspects essential to the average well-being of people, as the Pope claims; rather, GDP summarizes very well how countries do in development, broadly defined.

(xv) When it comes to finance, Pope Leo XIV makes a mistake and also surprises me positively. The mistake is to argue that savings are transformed into credit. This only happens in textbooks that still rehearse the fractional reserve system of money creation (loans are a multiple of deposits). In reality, money is endogenous: banks lend (not deposits!) and in doing so, they create the customers' deposits; and the quantity of bank money is not fixed in advance by the central bank. All commercial banks care about is whether a customer is worthy of a loan (the business proposal) and whether the loan is going to be reimbursed (no default) or not. But he is absolutely correct on the link between finance and economic crises (à la [Minsky]), and on the fact that credit is fundamental to the functioning of our economic system and is a creature of the state (à la [Knapp]).

(xvi) The term exploitation appears up to 11 times in the Encyclical, in the context of sexual exploitation (this is clear) and *labor exploitation*. But what does the latter mean? There is no labor exploitation in neoclassical economics because the value of a thing in this school of thought is determined by what one is willing to give up to obtain the thing, i.e., the exchange process. Hence, workers freely sign a contract with a company. One has to appeal to Marxian economics to understand this term. In such a body of work (school of thought), exploitation refers to the fact that capitalists (owners of the means of production) compel workers to produce a surplus which they appropriate as profit, not by virtue of any productive contribute of theirs, but simply owing to their superior bargaining position vis-à-vis their workers, deriving from their collective monopoly of the means of production. It is a structural feature of capitalism where workers are not paid for the full value of the goods they create. Much of the same, although without the term exploitation) had already been said by Adam Smith, who also anticipated Marx on the importance of the repressive state apparatus's support for the institution of private property. Is this what the Pope has in mind?

(xvii) Finally, Pope Leo XIV dedicates a portion of chapter 5 to the crisis of multilateralism. I also share his views. The reason is obvious (he has been vocal about it, though not in the Encyclical): in January 2025, Mr. Donald Trump took over the White House, for the second time, as President of the United States. He landed with a set of policies that defy the *status quo* that has defined world relations, economics, and politics, since WWII, namely multilateralism. Indeed, Mr. Trump has been defiant in key areas that until now were under the realm of multilateralism: trade, natural resources, and climate change. Mr. Trump has brought back to center stage an economic worldview that is surprisingly realistic: mercantilism. In this sense, Mr. Trump has sent the world 300 years back in time.

Mercantilism was the economic thinking that prevailed in wealthy nations between 1500 and 1750. It was a nationalist economic policy designed to maximize a nation's wealth and power at the expense of rival nations. Mercantilists believed that a nation's wealth was measured by its holdings of precious metals, primarily gold and silver (known as bullionism). The goal of mercantilism was to accumulate precious metals, as much as possible. To accumulate gold and silver, countries aimed to achieve a favorable balance of trade. A core tenet of mercantilism was the belief that the world's total wealth was finite. This meant that one nation could only gain wealth at the expense of another. Trade was a "zero-sum game."

President Trump's policies can be labeled as "neo-mercantilism", and are reflected in two issues. First, his attitude toward trade and the objective of eliminating the American current account deficit, which he thinks is unfair and damages the American economy. This is a question of multilateralism versus predatory behavior. While I thought that the issue was more of less forgotten, I read (as I was writing this piece on July 24) that he is back with vengeance: he has imposed new tariffs of between 10% and 12.5% to over 60 countries to maintain the trade wall (12.5% for the Philippines). The new tariff rates will substitute the universal tariff rate approved after the Supreme Court reversal that expired on July 24.

Secondly, is the struggle to secure key natural resources. This is also a matter of predatory behavior and of ignoring that natural resources are scarce and finite. In both cases, China is at the center of the problem.

The label of "mercantilist" or "neo-mercantilist" in reference to Mr. Trump's policies is quite logical, supported by his economic nationalism, trade wars, reshuffling of geopolitical alliances, and threats to seize foreign territories. In the same vein as during mercantilist times, President Trump has claimed that annexing Greenland or regaining control of the Panama Canal is a matter of national security.

I end with two wishes. First, after reading Magnifica Humanitas, I would be delighted to meet Pope Leo XIV and interview him to dispel doubts about his position on the three questions I posed at the start of this piece. Second, I am sure that Pope Leo XIV and Karl Marx would enjoy meeting and getting to know each other. There is a significant chance that they would see eye to eye on areas of common interest, in particular on the role and impact of technology on millions of workers, and on how the economic system operates so as to yield the outcomes that concern the Pope the most, unfairness and inequality.