



Markets, AI, and Human Flourishing: A Market-Oriented Commentary on *Magnifica Humanitas*

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Pope Leo XIV's May 25, 2026, encyclical *Magnifica Humanitas* is an ambitious effort to restate Catholic social teaching in the age of artificial intelligence (AI), robotics, data-driven platforms, and accelerating technological change. Its animating concern is humane and recognizably Catholic: Economic and technological systems must serve the human person rather than reduce him or her to a disposable input, a manipulable data profile, or an object of bureaucratic or corporate control. The document treats poverty, labor insecurity, digital surveillance, platform power, and the concentration of wealth as interconnected moral problems. It warns that the benefits of innovation may be captured by a narrow elite while workers, families, and marginalized communities bear the costs.¹

The encyclical's moral aspirations are admirable. The Church is right to insist that economic institutions are not morally autonomous, that work is more than a paycheck, and that the poor must not be treated as an afterthought. Yet the document's policy instincts raise serious economic questions. In responding to the challenges posed by AI, automation, digital platforms, and technological change, it repeatedly turns toward redistribution, regulation, state oversight, and a more deliberate shaping of markets in order to protect workers and the poor. Drawing on historian of Catholic culture and economic thought Thomas E. Woods Jr.'s *The Church and the Market: A Catholic Defense of the Free Economy*, as well as the broader market-oriented tradition associated with scholars at the Acton Institute and related schools of thought, I argue that the encyclical risks confusing moral ends with economic means, particularly in its treatment of AI, labor displacement, technological innovation, and economic governance. In doing so, it may recommend policies that would undermine the very goals it seeks to advance.²

The Encyclical's Vision for AI, Labor, and Economic Justice

Magnifica Humanitas criticizes market economics chiefly where markets appear insufficiently ordered to human dignity, solidarity, and the universal destination of goods. The encyclical does

not deny all value to private initiative or enterprise. On the contrary, it acknowledges the positive potential of markets when they remain subordinate to moral law and the common good. But its dominant concern is that profit, competition, and technological efficiency may come to govern social life in ways that marginalize the vulnerable. The market, on this view, may generate wealth while also producing exclusion, insecurity, and new forms of dependence.³

This critique becomes especially pronounced in the encyclical's discussion of labor. Pope Leo warns that AI and robotics may de-skill workers, subject them to automated management and surveillance, and force human beings to adapt to machines rather than requiring machines to serve human beings. The encyclical treats work not merely as a source of income but as a dimension of personhood, community, responsibility, and family stability. Accordingly, the encyclical worries that technological progress could produce a divided economy: a highly compensated technical and managerial class on one side, and a large population of precarious or displaced workers on the other.

The encyclical therefore calls for public intervention before dislocation becomes severe. In particular, it recommends government backing for worker retraining, protection of employment, participation by labor in decisions affecting production, and corporate metrics that account for the quality and dignity of work. It also calls for a vigilant state and for civil institutions that can ensure that technology and capital are directed toward the vulnerable. In this respect, *Magnifica Humanitas* echoes a recurring theme in modern Catholic social teaching: Economic growth must not be assumed to reach the poor automatically, and political authority has responsibilities that cannot be replaced by market processes alone.⁴

The same orientation appears in the encyclical's treatment of taxation and redistribution. Pope Leo argues that just laws and redistributive methods are necessary to correct imbalances, including tax systems that ask more of those with greater resources and reduce burdens on the weakest. The encyclical also insists that justice should not be treated as an after-the-fact transfer of wealth created in an otherwise morally neutral economy. Rather, justice should shape economic activity from the beginning: Finance, resource acquisition, production, consumption, and distribution should all be ordered to human dignity.⁵

Finally, the encyclical extends this approach to AI, data, and digital platforms. It treats data, algorithms, patents, platforms, and technological infrastructure as new forms of power that can be concentrated in ways that contradict social justice. The document calls for transparency, accountability, public oversight, independent review, and legal frameworks to ensure that AI serves the common good. It also suggests that data should in some sense be governed as a shared or common good, not merely as private property controlled by dominant firms.⁶

The Encyclical Misunderstands Markets, Innovation, and Technological Change

These concerns are morally serious, but from a market-oriented perspective they rest on an incomplete understanding of how markets coordinate social cooperation, incentives, and information. Markets are not merely arenas in which powerful actors pursue private gain. Properly understood, they are systems of social cooperation using private property, contract, prices, competition, entrepreneurship, and voluntary exchange. Prices are not arbitrary expressions of greed or power. They are signals that summarize dispersed information about scarcity, consumer preferences, opportunity costs, and alternative uses of resources. Profits and losses are not simply moral rewards and punishments. They are feedback mechanisms that guide entrepreneurs toward serving consumers and away from wasting scarce resources.

Woods's analysis is especially helpful here because it distinguishes moral theology from technical economics. Catholic doctrine can tell us that human beings have dignity, that theft and fraud are wrong, that the poor deserve concern, and that economic life must be judged morally. But it does not by itself determine whether minimum-wage laws, industrial policy, foreign-aid programs, rent controls, inflationary finance, or detailed labor regulation will help or hurt the intended beneficiaries. Woods argues that many Catholic statements on economic policy have tended to assume what must be proven economically. A sincere desire to protect workers is not enough; one must ask how wages are formed, how capital is accumulated, how entrepreneurs discover opportunities, and how regulation changes incentives.⁷

In market economies, wages are not normally set by employer whim. They are shaped by productivity, capital per worker, worker skills, consumer demand, and the alternatives available to workers and employers. A worker's bargaining power improves when that worker has more skills, when firms must compete for labor, when new businesses can enter the market, and when investment increases the productivity of work. Policies that increase productivity and employer competition are therefore central to helping labor. Policies that make hiring more expensive, riskier, or more legally complex may hurt precisely those workers with the fewest alternatives.

This point bears directly on *Magnifica Humanitas*. The encyclical is right that technological change can disrupt existing jobs. But it risks treating automation chiefly as a threat to employment rather than as a process through which productivity rises, prices fall, new industries emerge, and real wages can increase over time. The visible effect of a machine replacing a human task is immediate and emotionally powerful. The less visible effects—lower prices for consumers, new complementary jobs, higher output, new businesses, safer work, and better tools that lead to innovation-driven abundance—are dispersed and slower to appear. A social teaching document that focuses on the first effect without sufficient attention to the second may favor policies that preserve existing jobs while preventing the creation of better opportunities.

The poor often benefit most from innovation-driven abundance. Cheaper food, energy, communication, transportation, education, medical services, and financial tools matter enormously to low-income households because they devote a larger share of their budgets to necessities than wealthier households do. AI may make high-quality tutoring, translation, diagnostics, legal information, job matching, accessibility tools, and small-business services cheaper and more widely available. If regulation slows these advances, the wealthy will still obtain personalized services, while the poor may lose access to technologies that could have lowered costs and expanded opportunity.

The Acton Institute's work is relevant because it often asks whether the poor are harmed by markets or by exclusion from markets. In many cases, poverty reflects barriers to participation: insecure property rights, poor schools, occupational licensing, corruption, inflation, weak rule of law, crime, zoning restrictions, lack of access to credit, and obstacles to business formation. If the problem is exclusion from ownership, enterprise, and exchange, then more redistribution may treat symptoms while leaving causes untouched. A policy that helps the poor consume today but prevents them from accumulating capital, acquiring skills, moving to opportunity, or starting enterprises tomorrow may be compassionate in intention but damaging in effect.⁸

This is particularly important in developing countries. Many poor societies do not suffer from excessive market freedom. They suffer from cronyism, predation, unstable money, arbitrary regulation, insecure land titles, trade barriers, and political favoritism. Foreign investment, trade, entrepreneurship, and technology diffusion can be powerful anti-poverty forces when embedded in a reasonably just legal order. A Catholic concern for the global poor should therefore distinguish between markets as voluntary exchange and crony capitalism as political privilege. The former can liberate; the latter corrupts both politics and business.

Redistribution presents similar difficulties. The encyclical's call for higher taxation on those with greater resources may appear straightforwardly just, but taxes change behavior. They can reduce investment, discourage risk-taking, encourage avoidance and relocation, and shift resources from productive activity toward compliance and lobbying. Innovation is especially sensitive to incentives because it requires uncertain investments whose returns may arrive years later. Research on taxation and innovation suggests that inventors and firms do respond to tax incentives and that tax policy can affect entrepreneurial and inventive activity. This does not mean that all taxation is unjust or unnecessary. It does mean that taxation has costs, including costs borne indirectly by workers through slower capital formation, fewer startups, and weaker productivity growth.⁹

The same caution applies to labor regulation. Rules intended to protect workers may protect some incumbent workers while excluding outsiders. A mandated benefit or wage floor can be absorbed more easily by large firms employing high-productivity workers than by small firms considering whether to hire inexperienced workers. Compliance mandates may encourage firms to automate faster, hire fewer people, outsource tasks, or avoid marginal applicants. The worker most likely to

be harmed is often not the unionized incumbent but the young, poor, disabled, less credentialed, or geographically isolated person seeking a first chance.

AI and data regulation pose an additional risk. The encyclical worries that AI may concentrate power in the hands of a few large companies. That concern is legitimate. But heavy regulation may entrench precisely those firms. Large incumbents can afford lawyers, compliance officers, audit systems, lobbying teams, and relationships with regulators. Startups, nonprofits, churches, universities, and small businesses often cannot. Complex AI rules may therefore convert today's market leaders into tomorrow's regulated oligopoly. A policy intended to democratize technology could end up making it harder for new entrants to challenge dominant platforms.

This risk is especially acute if data are treated too broadly as a common good subject to political allocation. Data governance must protect privacy, property, contract, security, and civil liberties. But public control over data can also empower surveillance, politicized access, favoritism, and bureaucratic delay. The Catholic principle of subsidiarity should warn against unnecessary centralization, whether by corporations or governments. A more promising approach would combine enforceable rights against concrete harms with openness to competition, interoperability, permissionless innovation, and decentralized experimentation.

The Encyclical Ignores Government Failure

Public choice economics reinforces this caution. *Magnifica Humanitas* often contrasts private technological power with public oversight, as though government will act as a neutral guardian of the common good. Public choice theory challenges that assumption. James Buchanan and other public choice scholars applied economic reasoning to political decision-making, showing that voters, politicians, bureaucrats, regulators, and interest groups also respond to incentives. They are not angels standing outside the economy. They have limited knowledge, institutional constraints, electoral motives, career interests, and susceptibility to pressure from organized groups.¹⁰

The result is that government intervention can fail for reasons parallel to market failure. Regulations can be captured by incumbent firms. Subsidies can flow to politically connected enterprises. Redistribution can become clientelism. Industrial policy can reward lobbying rather than service to consumers. AI oversight bodies can be dominated by the same experts and firms they are meant to discipline. Tax policy can be shaped by exemptions, loopholes, and privileges unavailable to ordinary citizens. Public choice economics does not deny the need for law: It insists that political institutions must be judged realistically rather than idealized as automatically benevolent.

A Market-Oriented Catholic Framework for Human Flourishing in an AI World

A market-oriented Catholic response would therefore not say that the economy is morally self-sufficient. Markets require law, virtue, and culture. They require protection against force, fraud,

theft, and coercion. They require families, churches, schools, and associations that form persons capable of using freedom responsibly. They require a legal order that protects property, enforces contracts, permits entry, punishes corruption, and secures the rights of the weak as well as the strong. But these requirements do not imply that broad intervention, redistribution, or regulatory management will reliably help the poor.

Indeed, subsidiarity should lead Catholic social teaching to favor institutions closer to the person whenever possible: families, parishes, mutual-aid societies, charities, schools, local associations, and competitive enterprises. The state has a role, especially in securing justice and maintaining the rule of law. But it should not absorb responsibilities that can be performed by persons and communities. Nor should it obstruct entrepreneurship, innovation, and capital formation, since these are among the chief means by which workers become more productive and the poor gain access to better goods and opportunities.

The encyclical's treatment of AI innovation deserves special emphasis. AI may become a major tool for helping the poor and workers. It can reduce the cost of education, assist persons with disabilities, help small firms manage accounting and logistics, improve medical triage, translate across languages, detect fraud, expand access to legal information, and help workers learn new skills. Heavy regulation, slow approval processes, broad liability, and high taxation could confine these benefits to large firms and wealthy consumers. A policy posture that treats innovation primarily as a danger may inadvertently deprive the poor of precisely the tools that could improve their lives.

The Catholic question is not whether markets should be morally evaluated. They should. The better question is which institutions best advance human dignity under conditions of scarcity, ignorance, and imperfect virtue. Market prices, profits, competition, and entrepreneurship are not perfect, but they are indispensable mechanisms for coordinating dispersed knowledge. Government commands, by contrast, often lack the information needed to allocate resources well and are vulnerable to capture by concentrated interests. A humane economy therefore requires both moral formation and economic realism.

Catholic history itself provides resources for such realism. Medieval and late scholastic Catholic thinkers reflected deeply on exchange, money, just price, entrepreneurship, and the moral legitimacy of commerce. Their work anticipated important insights about subjective value, market pricing, and the social function of voluntary exchange. The Church need not import market economics as a foreign ideology. It can recover an older Catholic appreciation of how free exchange, rightly ordered by law and virtue, can serve the common good.¹¹

Consider Factoring In Market Economics

In conclusion, *Magnifica Humanitas* is right to insist that AI, data, finance, and markets be judged by their effects on the human person, especially the poor, workers, and marginalized communities.

Its warnings about dehumanization, surveillance, exploitation, and technological arrogance deserve serious attention.

But its call for more intervention, redistribution, taxation, and AI governance risks underestimating the market processes that create work, raise wages, lower prices, diffuse innovation, and expand opportunity. It also risks overestimating the neutrality and competence of government actors.

When issuing encyclicals that seek to advance Catholic social teaching for the poor, workers, and marginalized individuals, the Vatican would do well to consult the insights of market economics—insights understood in important respects by Catholic scholastic philosophers since the Middle Ages—and to take care that prudential policy recommendations do not inadvertently undermine the just social goals the encyclical seeks to advance.

About the Author

Alden Abbott is a senior research fellow focusing on antitrust issues. Before joining Mercatus, he served as the Federal Trade Commission’s General Counsel from 2018 to early 2021, where he represented the Commission in court and provided legal advice to its representatives. Prior to working at the FTC, he worked at the Heritage Foundation and BlackBerry Ltd. He also served as an adjunct professor at Mason’s Antonin Scalia Law School from 1991 to 2018. Alden Abbott has a J.D. from Harvard Law School, an M.A. in economics from Georgetown University, and a B.A. from the University of Virginia.

Notes

1. Pope Leo XIV, *Magnifica Humanitas* (Libreria Editrice Vaticana, May 25, 2026), <https://www.vatican.va/content/leo-xiv/en/encyclicals/documents/20260515-magnifica-humanitas.html>.
2. Thomas E. Woods Jr., *The Church and the Market: A Catholic Defense of the Free Economy* (Lexington Books, 2005). See also Philip Booth, “Creating an Economy of Inclusion,” *Religion and Liberty* 33, no. 4, <https://www.acton.org/religion-liberty/volume-33-number-4/creating-economy-inclusion>.
3. See *Magnifica Humanitas*, chapter 2 and 4 (discussion of markets, moral law, and the common good).
4. See *Magnifica Humanitas*, chapters 2, 3, and 4 (discussion of labor, technology, worker participation, and the responsibility of public authority).
5. See *Magnifica Humanitas*, chapter 2 and 3 (discussion of redistribution, tax burdens, and social justice).
6. See *Magnifica Humanitas*, chapters 3 and 4 (discussion of AI, data governance, platforms, transparency, and accountability).
7. See Woods, *The Church and the Market*. For a contemporary review emphasizing Woods’s distinction between Catholic moral teaching and technical economics, see Edward J. O’Boyle, review of *The Church and the Market: A Catholic Defense of the Free Economy*, by Thomas E. Woods Jr., *Quarterly Journal of Austrian Economics* 8, no. 4 (Winter 2005): 111–118, https://cdn.mises.org/qjae8_4_8.pdf.
8. Booth, “Creating an Economy of Inclusion.”

9. National Bureau of Economic Research, “Inventors and Innovation Respond to Tax Incentives,” *Bulletin on Entrepreneurship*, 2022, <https://www.nber.org/be-20221/inventors-and-innovation-respond-tax-incentives>.
10. James M. Buchanan, “The Constitution of Economic Policy,” Nobel Prize Lecture, December 8, 1986, <https://www.nobelprize.org/prizes/economic-sciences/1986/buchanan/lecture/>. See also William F. Shughart II, “Public Choice,” *Econlib*, accessed June 10, 2026, <https://www.econlib.org/library/Enc/PublicChoice.html>.
11. See Woods, *The Church and the Market*, chapters 2 and 3, *passim*, especially its discussion of Catholic scholastic contributions to economic thought on such topics as the just price, money, and exchange.