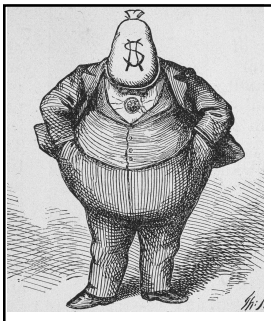
Osher Lifelong Learning Institute, Fall 2026

Contemporary Economic Policy

University of Hawaii, Manoa

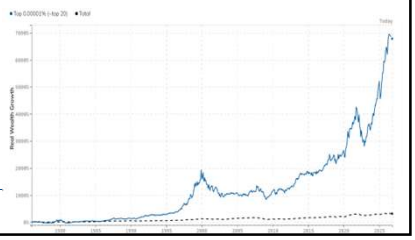
Host: Jon Haveman, Phd
Executive Director
National Economic Education Delegation

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The New, New Inequality

Geoffrey Woglom,
Professor of Economics
Amherst College, emeritus
November13, 2026



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Course Schedule

Contemporary Economic Policy

- Week 1 (10/23): Economic Update, Geoffrey Woglom, Amherst College
- Week 3 (10/30): Economic Mobility, Joseph Carolan, Oakland University
- **Week 4 (11/13): The New, New Inequality, Geoffrey Woglom, Amherst College**
- Week 5 (11/20): Health Care Economics, Robert Rebelein, Vassar College

Submitting Questions

- **I encourage questions. Please put questions in the chat and I will answer them periodically during the talk,**
- **We will do a verbal Q&A once the material has been presented.**
- **Slides are available from the NEED website https://needecon.org/delivered_presentations.php.**

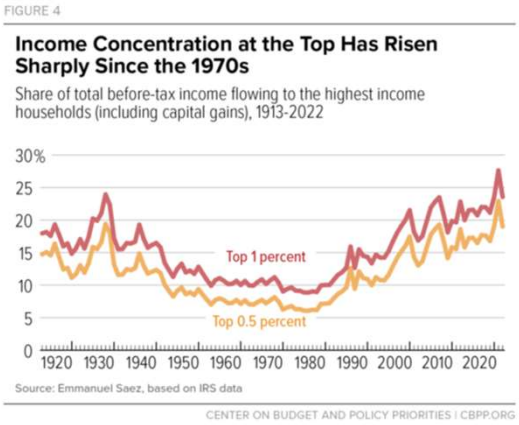
Key Points

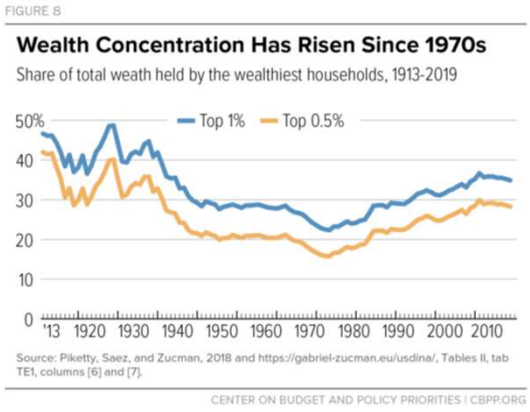
1. **The nature of rising wealth inequality has changed:**
   1. The share of national Income going to labor is falling
   2. The wealth of the most affluent (the super rich) is soaring
2. **These changes are most likely due to the rise in Superstar firms.**
3. **AI tech giants are Superstar firms which have the potential to accelerate these changes, and these firms are owned by the Super rich.**
4. **Our democratic government will have trouble slowing or reversing these changes because of the role of money in politics, particularly since the Citizens United Decision of 2010.**
5. **One possible improvement could come from public ownership stakes in AI companies.**

Definitions

- **Income is measured over a period of time, say one year, and measures ability to consume today.**
- **Wealth is one's accumulated savings, including the value of physical and financial assets, and measures the ability to consume now and in the future.**
- **(Labor) Productivity is the value of output per labor hour.**
- **Total Compensation of Labor is wages, salaries and employer contributions to social security and health insurance.**
- **Labor's Share is total compensation of labor as a fraction of national income.**

How Did We Get Here: The Long View





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Source: Arloc Sherman, Danilo Trisi, and Joseph Cureton, "A Guide to Statistics on Historical Trends in Income Inequality," Center on Budget and Policy Priorities, Policy Futures, Dec. 11, 2024.

Historical Trends in Material Inequality

- **The InterWar Period:**
  1. The Rise of Mass Production.
  2. Rapid Labor force growth due to immigration and urbanization.
- **The "Great Compression": 1935-1978**
  1. Rise of Unions
  2. Highly Progressive Taxation
  3. Surge in educational attainment
- **The "Great Divergence:" 1979-2010 (?)**
  1. Skill-Biased Technical Change.
  2. Decline in unionization.
  3. Globalization.

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Source: Chad Stone, Danilo Trisi, Arloc Sherman, and Roderick Taylor, "A Guide to Statistics on Historical Trends in Income Inequality," Center on Budget and Policy Priorities, Policy Futures, December 2024.

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So, What's New?

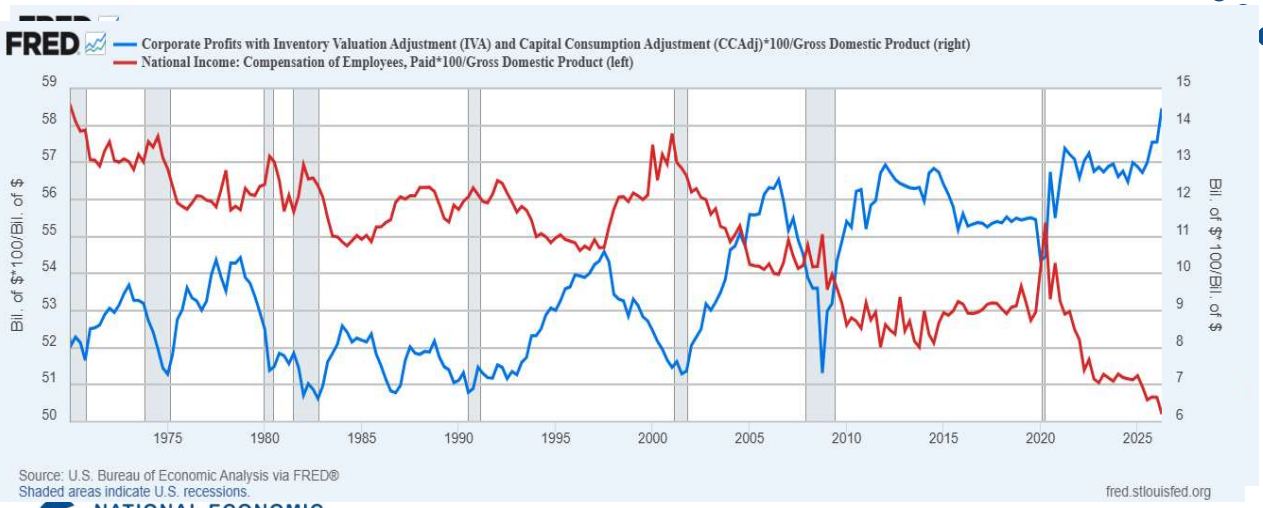
Two Interrelated Changes:

1.a. Real wages are not rising as fast as labor productivity.

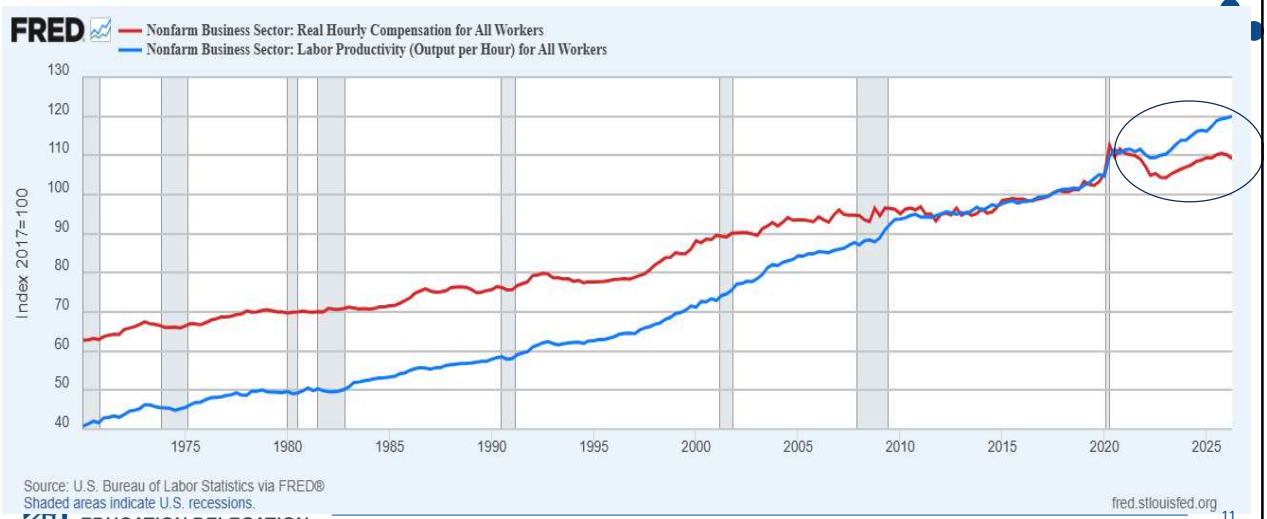
1.b. Labor's share of national income is falling.

2. The share of income and particularly wealth going to the very affluent is growing rapidly.

1.a. Declining Labor's Share



1.b. Real Wages Growing More Slowly than Productivity

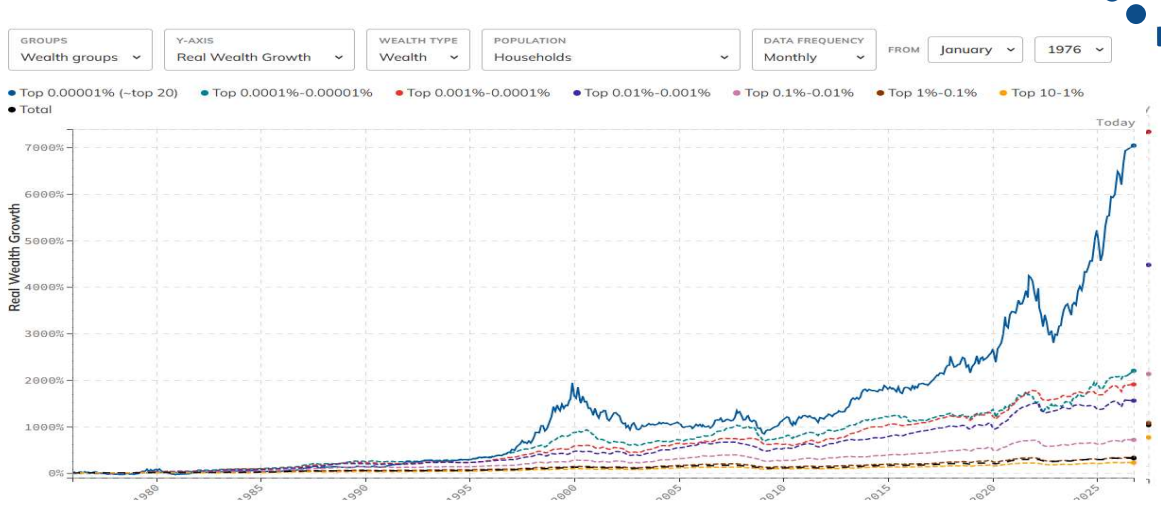


2. Rising Income Inequality



https://realtimeinequality.org/

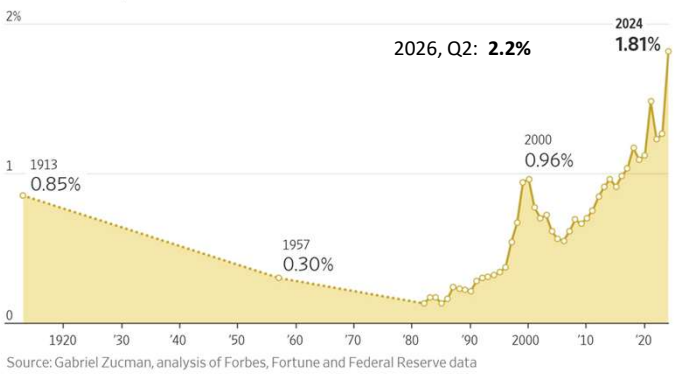
2. Rising Wealth Inequality & The Super Rich



Data in Perspective

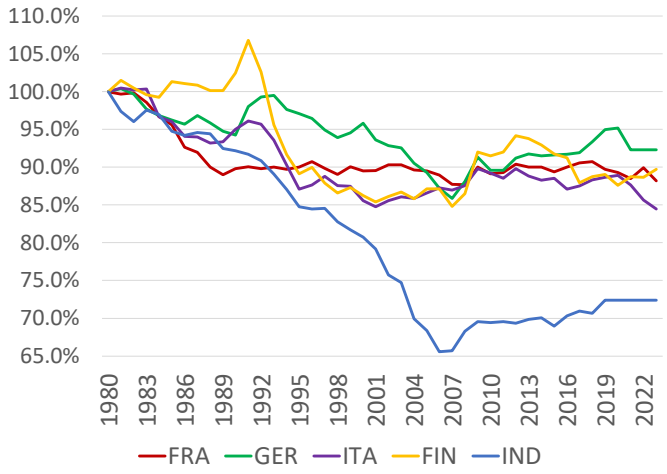
2026, Q2 | Wealth Threshold

Group	Average	Threshold	Population
Top 0.00001% (~top 20)	$197.4B	$67.7B	19
Top 0.0001%-0.00001%	$15.8B	$7.8B	173
Top 0.001%-0.0001%	$3.1B	$1.8B	1.7K
Top 0.01%-0.001%	$616M	$305.7M	17.3K
Top 0.1%-0.01%	$93.1M	$45.6M	172.7K
Top 1%-0.1%	$16.6M	$8.9M	1.7M
Top 10-1%	$3.3M	$1.8M	17.3M

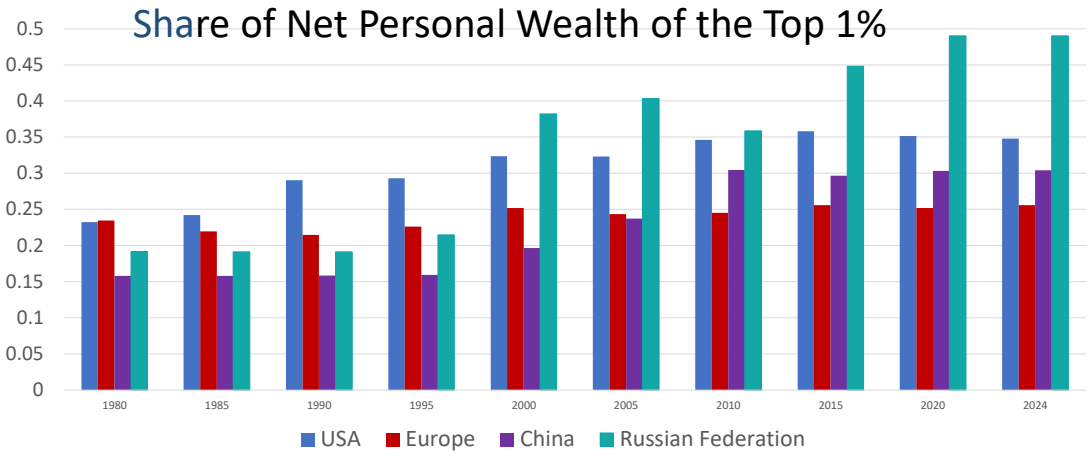


Are These Changes True for All Countries?

- Yes & No:
- Declining Labor's Share for Most Industrial Countries
- Rising share of the Super rich less so.



International Rise in Wealth Inequality?



https://wid.world/data/

Possible Causes

- **Decline in Unions**
  - Rapid decline in unionization is over by about 2010.
- **Globalization**
  - Increase in trade also stalls in about 2010.
- **Technological change that replaces capital for labor: e.g., robotics**
  - Growth in industrial robots stalls in 2018.

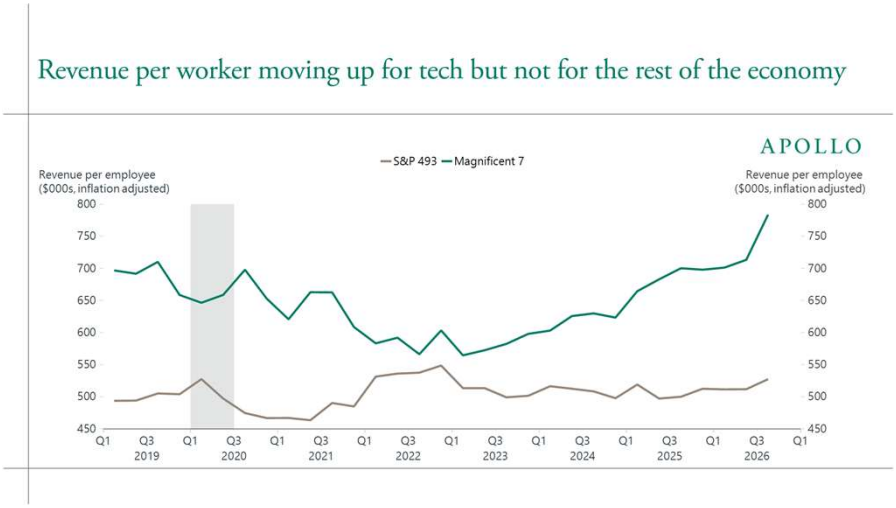
The Rise of Superstar Firms: a small group of exceptionally productive, large, and technologically advanced firms that dominate their industries.

Superstar Firms

- **High Productivity**
- **Large Market Share**
- **"Scale without Mass" large market shares with relatively small work force.**
- **High markups over cost primarily because of low costs.**
- **Intensive use of Capital and Technology**

Examples: Magnificent Seven, John Deere, Walmart.

Recent Evidence

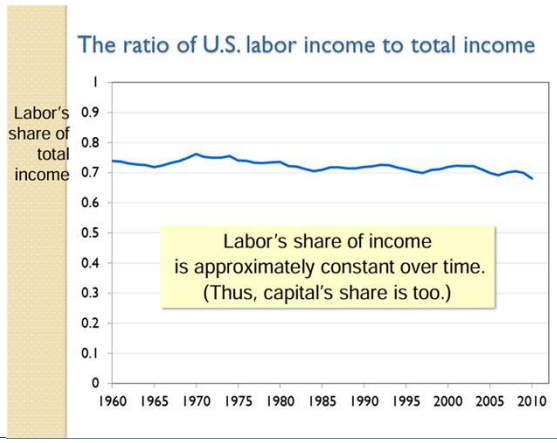


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Magnificent 7: Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla

Wait a Minute

- **Conventional Economics teaches that capital intensity that raises labor productivity leads to an increase in the demand for labor and does not affect labor's share!**



Source: G. Mankiw, *Macroeconomics*

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Two Kinds of Capital Investment

- Conventional: Labor-Augmenting capital investment (engineer uses specialized design software). Makes adding workers profitable, so that labor's share is constant.
- Superstar firms: Labor-Saving capital investment (self-checkout kiosks). Makes reducing labor profitable, so labor's share falls.

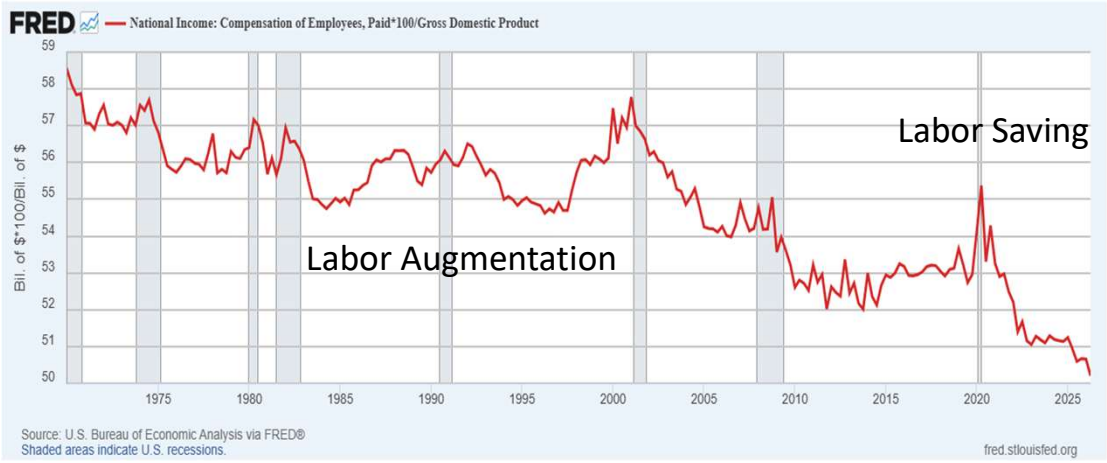
Technological Change can also be either labor augmenting or labor saving.

Rise of Superstar Firms Explains 2 Changes

1.a & b. Rise in labor-saving technology and capital investment goes to profits because it lowers costs, but does not raise wages and in some cases lowers wages.

2. Superstar Firms are owned by the Super rich

Labor's Share Revisited



Super Rich and Superstar Firms

Forbes 400 Richest People in America: Top 10				
	Net Worth (billions $)	Age	Source	Philanthropy Score
Elon Musk	908	55	Tesla, SpaceX	1
Jeff Bezos	378	62	Amazon	2
Larry Page	278	53	Google	1
Michael Dell	263	61	Computers	2
Sergey Brin	256	53	Google	2
Mark Zuckerberg	212	42	Facebook	2
Larry Ellison	204	82	Oracle	1
Jensen Huang	199	63	Nvidia	1
Steve Ballmer	156	70	Microsoft	2
Warren Buffet	144	96	Berkshire Hath	5
Source: https://www.forbes.com/forbes-400/				

Welfare Effects of Superstar Firms

- Consumers: Benefit because in spite of high mark ups, costs are lower. Great new products
- Workers: displaced workers clearly suffer.
- Society: Good-bye to your local book store.
- Nation: Wealthier, but very unequally distributed.

Most Importantly: Implications for our nation if labor's share continues to decline at the same time the share to the super rich continues to soar.

Will AI make things worse?

- AI firms fit the characteristics of Superstar firms, with the possible exception of market dominance (at the moment).
- Are AI tools labor augmenting or labor saving?
- Probably, some of both, but don't ask a computer programmer or a mathematician

Is There a Way Out of This Mess?

Acemoglu, Autor, & Johnson (2006):

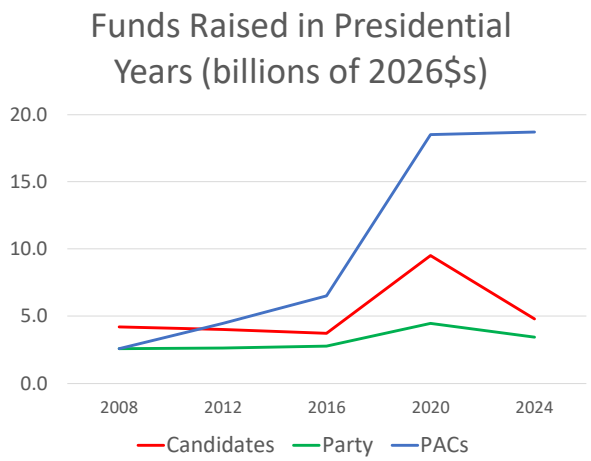
1. **Direct public funding and research incentives toward fields where AI can elevate human service providers (teachers, nurses, doctors).**
2. **Scale back heavy tax biases that subsidize capital equipment and automation over hiring and empowering human workers.**
3. **Use government leverage, competitive challenges, and public-private grants to reward innovators labor augmenting AI tools.**
4. **Protect workers from intrusive workplace monitoring, data extraction, and automated management. Give workers and unions a formal voice in how tech is adopted.**
5. **Equip regulatory and public agencies with deep in-house technical knowledge so the state can properly audit, guide, and regulate**

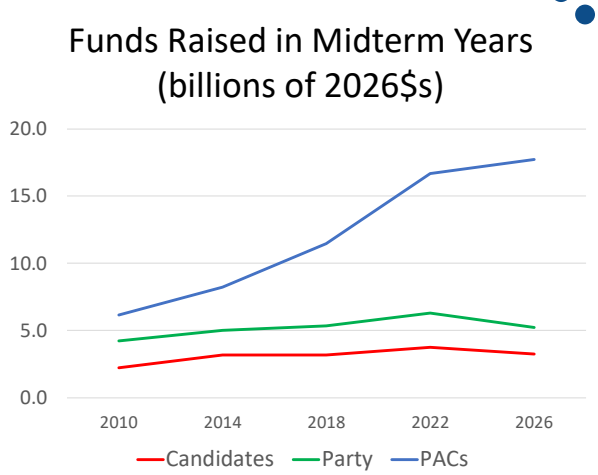
https://www.brookings.edu/wp-content/uploads/2026/02/20260223_THP_ProWorkerAI_Paper.pdf

Is Our Democracy up to the Challenge?

- **The link between the rise of Superstar firms and the Super rich makes this problematic.**
- **Particularly given the role of money in politics as a result of the Citizen's United decision of 2010.**

Money in Politics



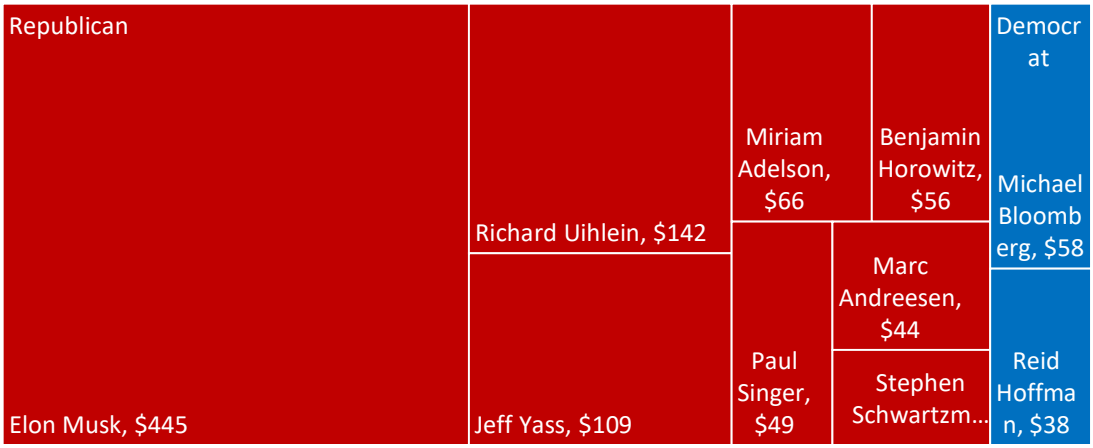


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https://www.fec.gov/data/browse-data/?tab=raising

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Mega Donors 2025-2026, Individuals (millions)

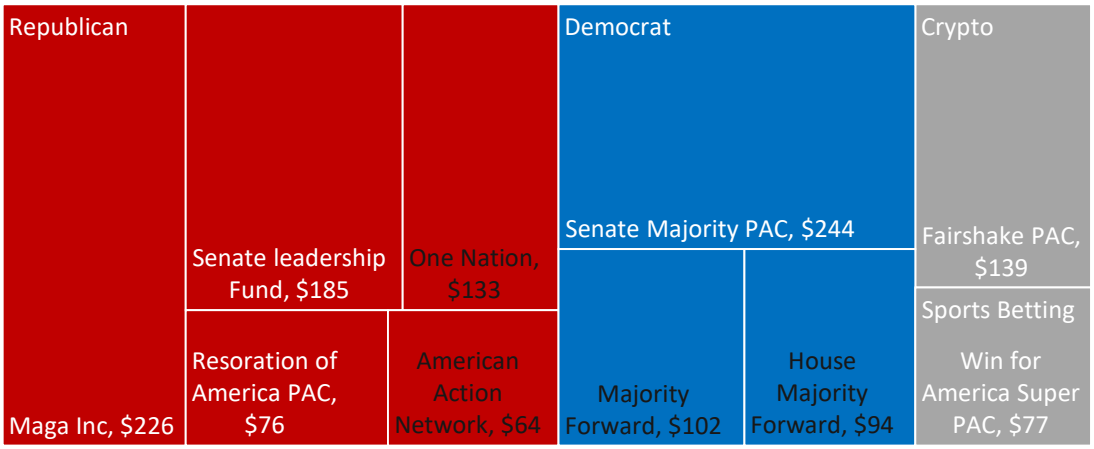


https://www.opensecrets.org/outside-spending-2026/top-donors

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Mega Donors 2025-2026, Organizations (millions)



More Facts about Money in Politics

- **In 2026, Elon Musk gave $445 million.**
- **Between FY 2008 and 2026 SpaceX received over $27 billion in Federal contracts; $3.6 billion last year which accounted for 20% of Total Revenue.**
  Sources: https://bidsparq.com/research/federal-contracts/spacex; *WSJ*, 5/20/2026.

Campaign Finance Basics (Pre 2010)

- Individuals cannot give more than $3,500 to a candidate per election (primaries and the general election are counted separately) and $5,000 to a PAC.
- PACs, e.g., MoveOn, National Right to Life.
- PACs cannot give more than $5,000 to a candidate per election. They can coordinate their activities with candidates and/or parties.
- Candidates are allowed to spend unlimited amounts of their own funds.
- Prohibited Contributors: corporations, unions, foreign nationals, federal contractors.

But,… Citizens United Brought Huge Changes

Citizens United (5-4 decision in 2010) findings:

- Previous Courts ruled that free-speech rights apply to corporations, unions, non-profit organizations and can only be restricted when there is a compelling government interest.
- The compelling government interest for donations to candidates and to PACs is preventing corruption and the appearance of corruption.
- The Court argued that preventing corruption and the appearance of corruption did not apply to independent, transparent “political communications” (TV ads)

https://www.brennancenter.org/our-work/research-reports/citizens-united-explained

The Findings

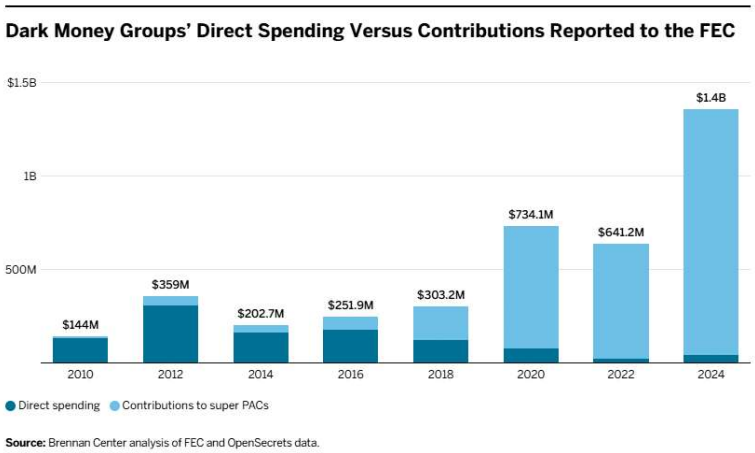
- **Corporations, unions and "certain other nonprofit organizations" could spend money on TV ads without limit.**
- **This gave rise to SuperPACs with very limited restrictions**
  - No donations from federal contractors or foreign nationals.
  - Donors names must be revealed.
  - No donations directly to candidates or PACs.
  - It is illegal for SuperPACs to coordinate with candidates or PACs
  - It is illegal for SuperPACs to be owned or controlled by candidates

What Are "Certain Nonprofits" (501c)

- **Social Welfare Organizations, e.g., NRA, Planned Parenthood.**
- **Labor and Agriculture, e.g., AFL-CIO, AFSCME.**
- **Trade Associations, e.g., US Chamber of Commerce American Bankers Association.**

Public Disclosure Loophole that led to Dark Money: These organizations do not have to make public their donors and they can donate to SuperPACs.

Dark Money Is "Bipartisan"



In 2024 Dark Money by: Democrats. $1.2 Billion Republicans, $664 Million

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https://www.brennancenter.org/our-work/research-reports/dark-money-hit-record-high-19-billion-2024-federal-races

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Irony of Citizens United Decision (My Opinion)

Is this corruption or the appearance of corruption?

- **About 44% of all the money raised to support President Trump's 2024 campaign came from 10 individuals.**
- **Nvidia, formerly headed by disgraced Jensen Huang, donated $25 million for the East Wing ballroom**

Is this illegal?

- ***NYTimes*, "'My Money' Trump's Claim That He Controls MAGA Super PAC Draws Watchdog Complaint" 9/19/2026**

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https://www.opensecrets.org/news/2024/11/big-money-big-stakes-5-things-everyone-should-know-about-money-in-2024-election/

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Another Way Out?

Public Stakes in AI Companies

- **OpenAI has discussed giving the US government a 5% ownership stake along with the other leading AI companies.**
- **Anthropic plans to allocate 5% of its shares to a Public Benefit Fund. The Board could approve and extra 2% for every 50% increase in the company's value.**
- **Bernie Sanders proposed a one-time 50% tax, paid in shares, on OpenAI, Anthropic, and xAI, depositing the equity into a public fund that gives ordinary Americans voting rights, board representation, and eventually dividend checks**

https://www.thestatesman.com/technology/us-government-equity-stake-ai-companies-openai-trump-sovereign-wealth-fund-1503602113.html

Key Points

1. **The nature of rising wealth inequality has changed:**
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5. **One possible improvement could come from public ownership stakes in AI companies.**
6. **Your Suggestions?**