

Discussion of
Private Innovation and Wealth Inequality
by
Mehran Ebrahimi and Alexander Ljungqvist

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MoneyWatch

Wealth inequality in America just hit its widest gap in more than 3 decades

By [Mary Cunningham](#)

Updated on: January 21, 2026 / 5:11 PM EST / CBS News

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Data from the Federal Reserve shows that the so-called [K-shaped economy](#) in America is alive and well, with low- and middle-income households falling further behind as the richest Americans pull away.

Key Point: The top 1% of US households holds more wealth than the entire bottom 50% combined for the past several years and this year it recorded its highest level in 30 years. Source: Fed DFA

Exclusive [Who's who's next?](#) An hour in the Oval Office with President Trump Fortune Editor-in-Chief: Alyson Shortell sat down with President Trump in the Oval Office for an hour. Tariffs, Intel, AI, Boeing.

ECONOMY • INEQUALITY

'100% completely unsustainable as a society.' Billionaire advisor calls out widening inequality that leaves America's poorest 80% 'falling behind'

By [Tristan Dove](#)
Contributing Reporter
March 11, 2026, 1:45 PM ET

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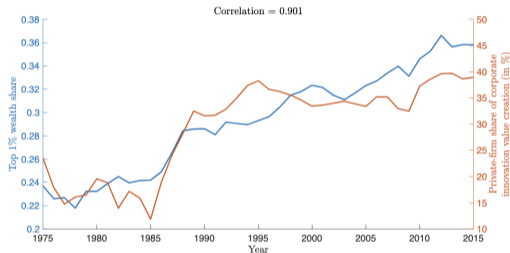


What the literature has established!

- **Heterogeneous returns** are central to top wealth concentration. (Benhabib, Bisin & Zhu 2011; Hubmer, Krusell & Smith 2021)
- Administrative-data studies document that wealthier households earn higher returns, partly because of **portfolio composition, leverage, and private-business exposure**. (Bach, Calvet & Sodini 2020; Fagereng et al. 2020)
- Canipek (2024) finds **access** causally raises private investment, net wealth, and returns, concluding the regulatory definition itself explains part of the rise in wealth inequality.
- Gocmen, Martínez-Toledano Mittal (2025) — shows that **capital-gains tax breaks** (QSBS) drove high-net-worth individuals' early-stage private investing, and that this widened the top-0.5%-vs-rest income gap.

This paper

Figure I: Wealth inequality and private-firm innovation rents



Note: The figure graphs the top 1% wealth share in the U.S. (on the left axis) and private U.S. firms' share of corporate innovation quasi-rents (on the right axis) between 1975 and 2015. Innovation rents are measured as the aggregate value of corporate patents (imputed from Kogan et al.'s (2017) estimates) net of R&D expenses (as measured by the NSF).

- Identifies **access to private innovation** as the **source** of return heterogeneity
- Aggregates the Bias-Ljungqvist (2025) patent-value imputation into a long-run **time series of innovation rents** that underpins the analysis.
- **Research Question:** How much of the post-1979 rise in the top 1% wealth share can exclusive access explain?

Policy-makers are debating this exact question!



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percentage-point rise in the top 1% wealth share is attributed to exclusive access (about two-thirds)

A model without exclusive access explains ~1 pp.

Mechanism — the wealth-accumulation wedge

$$\Delta_t = (1 - \tau_t^p) \cdot e_t \cdot (V_t / W_t) \cdot I / s_t$$

e_t private share of innovation rents

V_t / W_t rents / aggregate wealth

τ_t^p capital-gains tax rate

s_t top 1% wealth share

Key assumption: only the top 1% can access private innovation rents; e_t and V/W are fed in from data; calibrated to 1979.

What I like about the paper - 1/3

- It develops a new macro series for innovation rents.
 - **Extension.** It covers both public and private firms.
 - **Aggregate contribution.** Builds an economy-wide, long-run series of corporate innovation quasi-rents back to 1975.
 - The patent-imputation method is Bias & Ljungqvist (2025).
 - This paper's value-add is the aggregation, the model, and the attribution.
 - **New fact.** The private-firm share of innovation rents roughly doubled.
 - It is driven by value per patent, not patent counts.

What I like about the paper - 2/3

- It embeds a clean mechanism in the decomposition of the wealth-accumulation wedge
 - **Economic logic.** If innovation rents shift to private firms that only the wealthy can access, the return wedge widens and top wealth rises.
 - **Clean decomposition.** Separates rent magnitude (V/W) from the private share (e), and quantifies the complementarity between them.
 - **Structural model.** Builds directly on Gabaix et al. (2016), adding one margin: **threshold access to private innovation rents.**

What I like about the paper - 3/3

- Tax counterfactuals make the policy stakes concrete and genuinely interesting
 - **Capital-gains taxation matters most.** The framework shows capital-gains taxes govern the wedge at the top. Not interest or dividend taxes.
 - **A stark counterfactual.** Adding near-zero effective capital-gains tax for the top 1% (“buy-borrow-die”) lifts the model’s predicted rise to 11.4 pp, nearly the full 12.6 pp observed.
 - **Policy-relevant.** Speaks directly to current debates on capital-gains reform and democratization of access.

Comment 1: Measurement

Private-firm value may reflect composition and valuation-mechanics, not a real productivity divergence.

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- **Discount-rate effect.** Real rates fell from 5% to 0%. Valuation mechanically doubled from that alone.

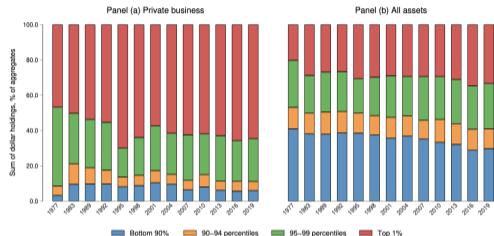
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 - Cross-check the capitalized series against a flow-based rent measure, such as operating profits attributable to patented products. If the rise survives in flow data, it reflects real cash flows; if not, it reflects the discount rate.

Comment 2: The Access assumption

Figure V: Private-business equity, by net-wealth percentile



Note: The figure plots the shares of private-business equity (in Panel a) and total assets (in Panel b) that are held by four groups of households: the top 1%, households in percentiles 95-99, households in percentiles 90-94, and the bottom 90% of the wealth distribution. The data come from the SCF Summary Extract Public Data (1989 onward) and SCF+ for earlier years (Kuhn, Schularick, and Steins, 2020)

- The binary assumption that only top 1% have access is false. See figure V.
 - Authors do robustness test with 5%/10% and but impose weights. Not the actual shares.
- Access has expanded.
 - JOBS Act, secondary platforms, mutual-fund participation, the 2025 401(k) order
 - **Fix:** Let the access threshold vary across time.
- **The binding constraint may be misidentified?** The paper itself finds the accredited-investor threshold does not bind.
 - The real constraint may be networks and intermediation, not wealth??

Comment 2: The Access assumption

ECGI Working Paper Series in Law

Private Equity for All: The Paradoxical Push to Democratize Private Markets

Working Paper N° 898/2026

February 2026

William W. Clayton
Elisabeth de Fontenay

- Debate about the cons of democratization
 - Expanding access erodes exactly those features that make the returns possible
 - Exposes retail investors to new risks
 - Unclear who the real winners are because of retailization?
- **Risk-taking capacity.** Even genuine access may not diffuse the rents.
 - The poor cannot bear concentrated, illiquid, idiosyncratic risk. So, broadening access may not close the wedge.
 - If risk-bearing capacity, not access, is the binding constraint, the policy counterfactual fails.
 - **Fix.** Distinguish access from risk-bearing capacity in the model.

Comment 3: Identification

- e_t is treated as exogenous.
 - But, it could plausibly be endogenous.
 - Wealth concentration \rightarrow supply of patient capital increased \rightarrow firms stayed private $\rightarrow e$ rose.
 - Feeding e in then may be double counting?
 - Wealth share and e_t are jointly determined, making the 2/3rds a projection and not a causal estimate.
- **Fix.** Instrument e_t with variation unrelated to wealth dynamics
 - Concrete instruments / sources of variation to consider include regulatory shocks to private-market depth such as SOX 2002, JOBS 2012, etc.,

Taking the historical Lens

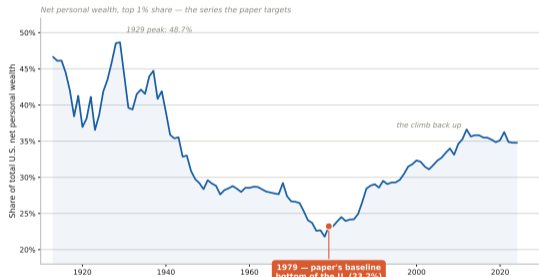
U.S. Top 1% Wealth Share Traces a Century-Long U-Shape, 1913-2024



- Wealth inequality is not a new problem.
- Reasons for compression:
 - **Capital shocks due to wars**
 - **Taxation**
 - Top marginal income tax rates reached 94% in 1944 and stayed above 90% through the 1950s, above 70% until 1981; the estate tax top rate reached 77%.
 - **Wage compression through unionization**
- Taxation may be the answer. The paper shows this!

Competing explanations?

U.S. Top 1% Wealth Share Traces a Century-Long U-Shape, 1913-2024



Source: World Inequality Database (wid.world), series shweal, USA — net personal wealth, top 1% share, adults, equal split.

- **Other channels unaddressed.** Monopoly rents

- Patents are legal monopolies
- Superstar-firm rents also rose.

- **Fix.**

- Separate the access channel from the capital-gains-tax channel.
- Benchmark against monopoly-rent and market-power explanations.

Conclusion

- Overall, a **GREAT** paper. **Novel** contribution.
- The paper is written well.
- I thoroughly enjoyed reading it!