Predistribution AI Lab Discussion Paper Series—Part II

Beyond Ghost GDP:

Who Owns Our Future? A Predistributive Blueprint for the AI Transition

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Context & Executive Summary

This is the second part of PDI's *Predistribution AI Lab* discussion paper series. Where Part I modeled the systemic financial consequences of AI-driven labor displacement—tracing how income loss propagates through consumption, credit, equity, pension, insurance, and fiscal channels—Part II asks the structural question: what does a predistributive architecture for the AI transition look like in practice, and why do workers, investors, companies, communities, content creators, and democratic institutions each have a self-interested reason to support it?

Whether or not unemployment scenarios play out,[1] the United States (US) has been on a trajectory of eroding job quality and incomes for the majority of the population for several decades. Accommodative monetary policy has in parallel eroded the value of cash incomes, while asset prices soar. As BlackRock CEO Larry Fink highlights in his most recent annual letter, "Since 1989, a dollar in the US stock market has grown more than 15 times the value of a dollar tied to median wages."[2] Only about half of Americans are earning a living wage.[3] This trajectory has implications for aggregate demand, mortgage markets, credit card and student debt, and interlinked macro-financial dynamics.

At the heart of our analysis is a recognition that the foundations of our economy are weakening as it becomes ever more dependent on asset values that cannot be sustained by a weakening consumer base. If indeed asset values are rising exponentially higher than cash, and a wealth effect is sustaining consumption,[4] then more people will need to own equities. Stronger retail investor participation in capital markets is one path toward that outcome, and living wages or income levels will be required to unlock opportunity for more people to invest. Broadening equity-linked compensation beyond corporate executives and investors is an additional pathway through which material wealth has been built historically. Like corporate executives and financial capital, workers (human capital) and communities (social capital) take risk and create value in the economic production process, as well, but are not compensated with equity, leaving them at a disadvantage and misaligned in terms of incentives.

In Part II of this Discussion Paper Series, we review these dynamics and acknowledge that many consider the rapid recent advancement of AI and automation to be an inflection point. Society is at a crossroads, particularly given:

[1] We opine on these dynamics further, for instance at: https://www.linkedin.com/posts/delilah-rothenberg_2024-01-18beyondaiexposurepdf-activity-7445239010429566977-YEJJ?utm_source=share&utm_medium=member_desktop&rcm=ACoAAAFhfWgB1U0tsGQBquMmrnxdqxSx1lxQuVk. We also acknowledge some predictions that society may experience an increase in unemployment as labor potentially transitions to build new skills suited for the future economy, and that this transition may be temporary.

[2] Fink, Laurence. "Larry Fink's 2026 Annual Chairman's Letter to Investors." BlackRock, 2026. https://www.blackrock.com/corporate/investor-relations/larry-fink-annual-chairmans-letter

[3] Dayforce and Living Wage Institute, "Earning Enough: Living Wage Access in America 2026" (Minneapolis: Dayforce, 2026), https://www.dayforce.com/Ceridian/media/documents/resources/Report-Earning-Enough-2026.pdf

[4] Jeff Horwich, "Have U.S. Consumers Gone 'K-Shaped'? A Review of the Data," Federal Reserve Bank of Minneapolis, March 20, 2026, https://www.minneapolisfed.org/article/2026/have-us-consumers-gone-k-shaped-a-review-of-the-data

1) The erosion of job quality and typical real incomes over the past several decades, even as technology has advanced;

2) AI's transformative nature affecting the structure of employment, consumption, productivity and supply of goods and services;

3) High levels of government debt and accommodative monetary policy since the dot-com crisis that has accelerated asset values while depreciating cash, with little cushion for mitigating future financial crises; and,

4) High existing levels of economic inequality, polarization, and mistrust in institutions.

We can choose to continue down the current path of few owners of capital who capture and shape the benefits, or we can broaden equity ownership and corporate governance participation to include workers, communities, and consumers in addition to corporate executives, legacy corporate board leadership, and investors.

We argue that broadening equity ownership and corporate governance participation to include a wider subset of society can help ensure that AI both economically benefits the majority of the population and is overseen by a representative subset of the population. In addition to economic considerations, broadening corporate governance participation (BCGP) to be more inclusive of workers, communities, and consumers offers strong potential to address risks around AI safety and cognitive limitations (should AI only be trained and governed by a few in more homogenous classes and cultures). This approach overcomes challenges relating to top-down and centrally formed commitments of purpose which may be well-intentioned, but have fallen short when it comes to AI governance to date.[5] These reforms also help restore trust in institutions and align incentives of stakeholders throughout the economy to advance a constructive rollout of these incredible emergent technologies. Our proposals also center the dynamism of markets, recognizing that equity ownership held by a centralized entity on behalf of workers and communities can inhibit this critical element of capitalism, while more distributed ownership and governance can help the economy thrive.

In this paper, Part II of this Discussion Paper Series, we do five things.

First, we situate the AI moment within a longer trajectory—the steady decline in returns to human and social capital relative to financial capital that has shaped the US economy over recent decades. This trajectory is the reason we are at an inflection point regardless of whether AI produces mass job displacement**.** As we review in our four macro-financial stress tests, AI and automation could accelerate the trajectory—but the underlying problem precedes them.

[5] The proposed models speak to philosophical arguments for "positive alignment" and more distributed governance. See for instance https://arxiv.org/pdf/2605.10310 and https://www.linkedin.com/posts/andrew-hall-40a88444_ai-companies-are-building-extraordinary-new-activity-7442961725055741952--d_U?utm_source=share&utm_medium=member_desktop&rcm=ACoAAAFhfWgB1U0tsGQBquMmrnxdqxSx1lxQuVk

The AI moment does not land on a healthy economy. The labor share of US national income has fallen to 54.1%—its lowest level since measurement began in 1947. Three-quarters of the entire post-1947 decline has occurred since the early 2000s. A worker who held $50,000 in savings in 2000 holds roughly $28,000 in year-2000 purchasing power today; the same amount invested in a diversified equity index would be worth approximately $195,000 in real terms.

The compensation structure of working Americans—paid almost entirely in cash, with little or no equity component—has placed them on the losing side of this divergence for a generation. AI and automation are poised to accelerate these dynamics.

Second, we summarize the risks across the full set of stakeholders—workers, investors, companies (including AI companies themselves), communities, content creators, and government—and show why each has a self-interested reason to support structural reform. **Ultimately the structure of the economy has embodied misaligned incentives where those who do not participate in the development and upside of technology are increasingly in tension with it. Further, declining incomes, concentrated wealth, and centralized market power reduce aggregate demand and market dynamism, threatening diversified portfolios of for instance pension funds, insurance companies, sovereign wealth funds (SWFs), and endowments.**

Third, we review the major proposals on the table for addressing the AI moment, including Universal Basic Income (UBI), SWFs, AI revenue taxes, Employee Stock Ownership Plans (ESOPs), cooperatives, Employee Ownership Trusts (EOTs), Community Benefit Agreements (CBAs), purpose trusts, and benefit corporations. Each has merits and limitations.

Without structural ownership reform, UBI leaves the underlying asymmetry intact, further concentrating wealth and power, and adds a transfer payment onto a potentially contracting fiscal base. The 3% token tax proposed by Amodei covers at most 35% of the consumption gap in the Light scenario and just 3% in the Aggressive scenario. Centralized SWFs create their own concentration and capture risks. CBAs fail in enforcement when regulatory oversight is weak, largely have not produced direct household wealth, and developers can threaten litigation to avoid penalties. ESOPs and cooperatives are valuable but limited in scope and reach—covering primarily formal employees of participating firms, leaving an increasingly fissured workplace unaddressed. The paper does not dismiss any of these; it argues that none is sufficient as a standalone solution and that predistributive structural reform tailored to various contexts must be the primary mechanism, with redistribution as a complement.

Fourth, we document the growing interest in predistribution and offer concrete proposals for what predistribution can look like in practice. This includes broad-based equity-linked compensation (BEC) for workers, communities, and content creators and BCGP, which together extend stakeholder voice into the boardrooms where AI deployment decisions are made and align incentives between stakeholder groups, companies, and investors.

BEC structures compensate workers, communities, and content creators through a three-pillar architecture: Pillar 1 (current income distributions), Pillar 2 (equity participation in the value-creating enterprise), and Pillar 3 (individually owned diversified portable investment accounts). BCGP extends meaningful stakeholder voice into the boardrooms through direct board representation, advisory councils, works councils, or other mechanisms tailored to the company and context. Importantly, proposals are made as complements to living wages where workers remain employed (formally and informally), as well as freedom of association and collective bargaining, which offer protections for workers beyond what BEC and BCGP enable.

The proposals address both the income and wealth gap (through equity participation) and the voice and governance gap (through board-level and other corporate governance participation) simultaneously. Similarly risks ranging from macro-financial, to safety, to cognitive bias limitations are mitigated by this framework. These structures align incentives of investors, companies, workers, communities, and content creators in the advancement of companies and rollout of technology.

The Driver Equity Transition Stakes (DETS) model is summarized as a prototype and further explained in Part III of the *Predistribution AI Lab Discussion Paper Series.* Designed for the autonomous vehicle sector, this proposal is the most developed prototype of this framework. AV deployment is unfolding under active regulatory frameworks that require operating permits, creating a natural leverage point. The DETS Trust receives revenue contributions from AV operators attached to those permits, holds them, and distributes them to driver-beneficiaries across three pillars that offer ongoing cash incomes, exposure to the equity appreciation of AV and rideshare companies, and diversified investment accounts. Eligibility is defined by work activity thresholds rather than employment classification, covering gig and W-2 drivers alike. The paper discusses the trust's governance structure—driver-elected trustees, independent financial fiduciaries, and labor organization representatives—and explores what generalizes to other industries and what requires redesign.

The paper further develops three applications of the framework across stakeholders: workers across the economy (not only at AI companies, but at every enterprise adopting AI in ways that affect workers' livelihoods—including both workers who remain employed formally and informally and those who are displaced); communities hosting infrastructure (data centers, power generation, mining operations); and content creators whose work trains AI. Each application requires its own design work—the regulatory hooks, contribution structures, eligibility rules, and governance mechanisms differ by context—but all share the same structural logic: stakeholders who take risk and create value deserve equity participation and governance voice, not only cash.

The governance gap in both AI developers and AI-deploying companies is real. Of 3,048 US companies in the Russell 3000 and S&P 500, only 8% disclose board-level oversight of AI, only 9% have established AI policies, and only 16% have a director with specialized AI expertise. Among frontier AI developers, de facto control resides with founders and senior leadership, with limited external accountability and no tradition

of stakeholder representation. **The paper argues that this governance homogeneity is not merely a fairness concern—it is a source of systematic blind spots and safety risks.** Workers who interact with AI observe failure modes executives do not see; community members understand how infrastructure decisions ripple through local economies; consumer advocates identify harms that insiders rationalize. Drawing on international models—German codetermination, Nordic worker representation, France's statutory employee directors—the paper develops a framework for BCGP tailored to the US context.

Fifth, we close with the financial and economic case for these reforms—including shareholder returns, federal tax revenue, and macroeconomic resilience. Broad-based ownership is not only sound social policy—it is a structural precondition for the AI sector achieving the revenue trajectories investors are pricing in. As Part I demonstrates, AI company revenues flow through enterprise software, consumer subscriptions, cloud infrastructure, and advertising—channels that are all directly vulnerable to the consumption contraction that displacement produces. Maintaining consumer purchasing power through BEC reduces systemic value at risk across all the channels modeled in Part I. The paper also examines the shareholder value case: shareholders modestly diluted in a sustained economy hold more absolute value than concentrated holders of a contracting one. The quantitative modeling of coverage rates and risk reduction across the four Part I scenarios is identified as the next output of the Predistribution AI Lab.

Next Steps

The framework's design parameters are starting points calibrated to available data, not final recommendations. Critical design questions remain open, and several are flagged explicitly, for instance, the appropriate calibration of severance allocations for displaced workers; how to structure distributions without creating work disincentives; how to maintain trust payment adequacy if displaced cohorts grow faster than contributions under the more severe displacement scenarios; and how to avoid gaming of the system in various manners.

The paper is a discussion paper, not a manifesto. The goal is to make the case that predistributive approaches deserve a central place in policy and corporate practice, and to offer a workable architecture for moving forward through co-creation - adapting to localized nuances and contexts - with the full range of stakeholders whose participation will determine whether the framework succeeds.

The figures are illustrative, and the assumptions can be stress-tested. The design parameters including ownership thresholds, allocation ratios, and governance structures are starting points for stakeholder conversation, not final recommendations. **In *Magnifica Humanitas*, Pope Leo XIV centers the beauty and magnificence of human intelligence. Only together can we co-create solutions. We hope you will join us in a process of learning and building a shared future, centering dignity, agency, and respect, through the Predistribution AI Lab.**

1 Why We Are at an Inflection Point

1.1 The Long Trajectory: Returns to Capital, Returns to Labor

Before turning to AI, it is worth observing where the US economy has been heading for several decades. The AI moment lands on top of trends that were already well underway, and it is poised to accelerate and deepen those trends. Indeed, this moment is taking place within the context of rising populism—itself a reaction to economic structures that have left too many behind in terms of wealth and societal influence. We review these dynamics in detail in a forthcoming paper, "Understanding Inequality as a Systemic Risk to Financial Markets and Diversified Portfolios, and What Investors Can Do," but provide a summary of key relevant points here.

The share of economic output accruing to workers has declined markedly over the postwar period. In the nonfarm business sector, labor compensation as a share of output fell to 54.1% in the first quarter of 2026, down from 65.8% when the Bureau of Labor Statistics (BLS) first began tracking the series in 1947.[6] On a broader national-accounts basis, labor's share of gross domestic income (GDI)—the portion of national income paid to workers in the form of wages, salaries, and benefits—fell to 51%, also its lowest level since records began in 1947.[7] Roughly three-quarters of the total postwar decline has occurred since the early 2000s, a period characterized by rapid technological change, globalization, weakening labor bargaining power, and accommodative monetary conditions.[8] As labor's share has fallen, the share of gross domestic income accruing to corporate profits has risen, reaching 12.1% in early 2026, its highest level since 1950.[9] Against this backdrop, recent analysis suggests that only about half of Americans are earning a living wage.[10]

[6] U.S. Bureau of Labor Statistics, "Productivity and Costs, First Quarter 2026, Preliminary," news release USDL-26-0835, May 7, 2026, https://www.bls.gov/news.release/archives/prod2_05072026.htm; U.S. Bureau of Labor Statistics. "Labor share of output has declined since 1947." *The Economics Daily*, March 7, 2017. https://www.bls.gov/opub/ted/2017/labor-share-of-output-has-declined-since-1947.htm

[7] Greg Ip, "The Record Divide Between Corporate Profits and Worker Pay," Wall Street Journal, May 29, 2026, https://www.wsj.com/finance/stocks/the-record-divide-between-corporate-profits-and-worker-pay-ea4c75bc

[8] McKinsey Global Institute, *A New Look at the Declining Labor Share of Income in the United States*, 2019, https://www.mckinsey.com/featured-insights/employment-and-growth/a-new-look-at-the-declining-labor-share-of-income-in-the-united-states

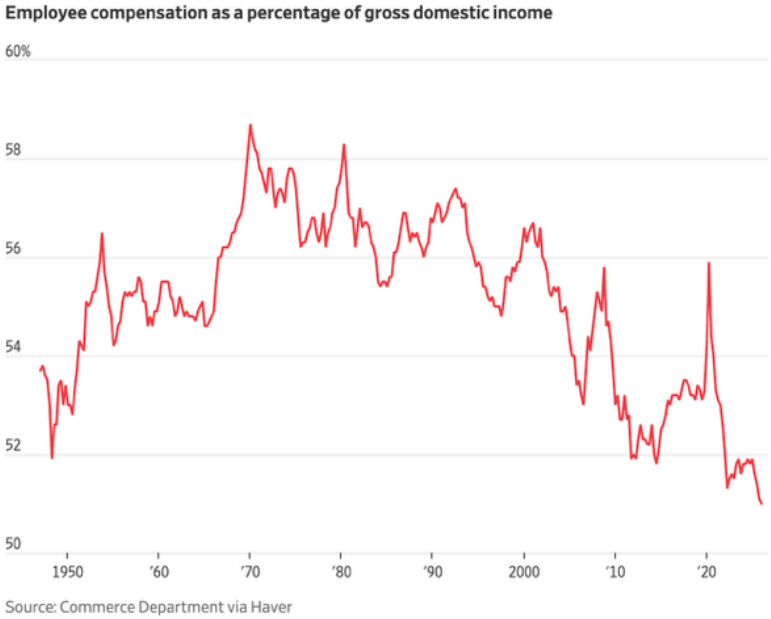
[9] Greg Ip, "The Record Divide Between Corporate Profits and Worker Pay," Wall Street Journal, May 29, 2026, https://www.wsj.com/finance/stocks/the-record-divide-between-corporate-profits-and-worker-pay-ea4c75bc

[10] Dayforce and Living Wage Institute, "Earning Enough: Living Wage Access in America 2026," April 2026. https://www.dayforce.com/Ceridian/media/documents/resources/Report-Earning-Enough-2026.pdf

Figure 1: Corporate Profits as Share of Gross Domestic Income, 1947-2025

Source: Commerce Department via Haver, as reported by Greg Ip, "The Record Divide Between Corporate Profits and Worker Pay," Wall Street Journal, May 28, 2026, https://www.wsj.com/finance/stocks/the-record-divide-between-corporate-profits-and-worker-pay-ea4c75bc.

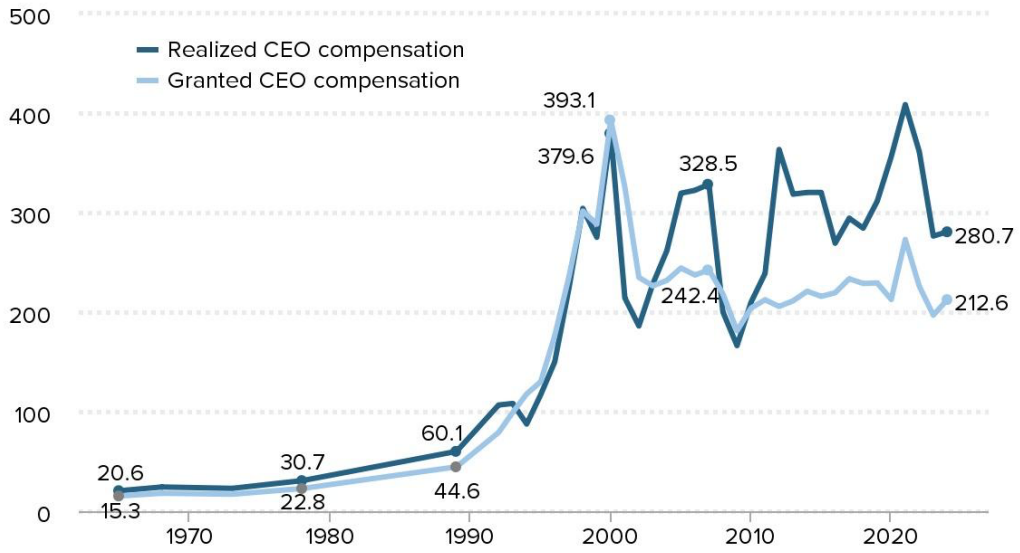
Figure 2: Employee Compensation as Share of Gross Domestic Income, 1947-2025



Source: Commerce Department via Haver, as reported by Greg Ip, "The Record Divide Between Corporate Profits and Worker Pay," Wall Street Journal, May 28, 2026, https://www.wsj.com/finance/stocks/the-record-divide-between-corporate-profits-and-worker-pay-ea4c75bc.

The Economic Policy Institute highlights how for major US companies, executive compensation has risen by over 1000% since 1978, versus worker pay around just 20-30%.[11] This is in part due to the evolution of corporate governance and the structure of pay, where shareholders sought to align the interests of executives with their own return. This resulted in corporate executives receiving various forms of equity-linked compensation, versus workers who only received cash.

Figure 3: CEO-to-Worker Compensation Ratio, 1965–2024



Source: Economic Policy Institute https://www.epi.org/publication/ceo-pay/

The decline in returns to labor reflects the rising share flowing to capital—a relatively narrow set of investors, financial intermediaries, and the executives whose compensation was structured for alignment. This shift in the composition of pay matters enormously, and we will return to it throughout this paper. Whatever the original intent, the resulting structure has produced a de facto prioritization of financial capital over other forms of capital that take risk and create value, including:

- workers or "human capital" (formally employed and informally contracted, part-time and full-time, permanent and temporary);
- communities who might host infrastructure or natural resources projects or "social capital" (e.g., data centers, power plants, transmission and distribution lines, mining and natural resource projects); and,

[11] From 1978–2024, top CEO compensation has grown 1,094%, compared with a 26% increase for a typical worker's compensation. See Economic Policy Institute, "CEO Pay Has Skyrocketed since 1978," accessed May 27, 2026, https://www.epi.org/publication/ceo-pay/

- other stakeholders such as content creators (e.g., writers, artists, musicians) who are training AI, or consumers providing their data to tech companies (also "social capital").

Human and social capital take significant risk and create significant value in the production process, but unlike financial capital, do not get much say in the level of risk that they take, and do not have much negotiating leverage in the level of compensation they earn from this risk and value creation. For the most part, they have been excluded from structures focused on alignment of interests. These critical stakeholders are subject to the whims of large companies and their governance structures which are nominally responsible to investors who are often far removed and highly intermediated from the stakeholders of the actual company.

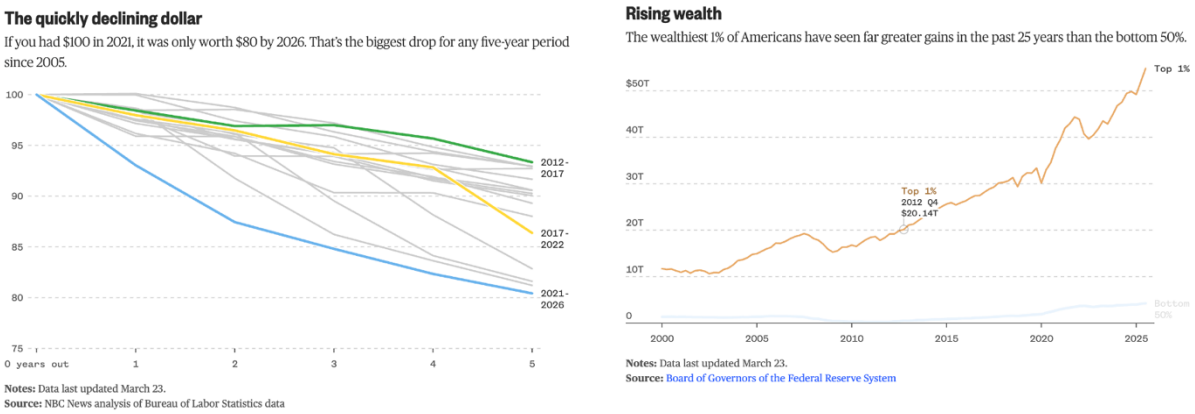
While some might counter that the role of government is to protect such stakeholders and keep companies accountable to widely accepted standards, we have reached such a level of inequality and market imbalance in society where the largest companies and the wealthiest individuals have the most access to political leadership and influence over the majority of political decisions.

Even well-intentioned leadership of large companies and investment institutions is often structurally distant from the day-to-day realities of workers and communities affected by their decisions. This is not a failing of individual character, but rather a feature of how concentrated and intermediated decision-making works at scale. Most of us underestimate how different the lived experience of others is from our own, and that gap influences decisions made on their behalf. Top-down frameworks, methodologies, and policy proposals—however carefully reasoned—can therefore miss practical realities that on-the-ground stakeholders identify immediately. **A key argument in this paper is not that current decision-makers are uncaring; it is that better-designed governance brings more perspectives to the table and produces better decisions for everyone, including incumbent decision-makers and owners themselves.**

The structure of compensation has compounded these inequality dynamics. Equity compensates the holder for participating in the appreciating value of the enterprise. Cash compensates the holder for current labor at a price negotiated in the market for that labor. The two sit in friction, with corporate incentives to keep cash compensation at a minimum so as to maximize equity value. With vast imbalances in size and power in markets, and with corporate governance dominated by financial interests, labor's negotiating power has deteriorated. Over a period in which equity values have appreciated dramatically while cash has lost real purchasing power, this distinction has been one of the most important factors separating those whose wealth has grown rapidly from those whose wealth has stagnated. As noted by the Federal Reserve Bank of Minneapolis, "…wealth—rather than income—increasingly distinguishes the most well-to-do U.S. households."[12]

[12] Jeff Horwich, "Have U.S. Consumers Gone 'K-Shaped'? A Review of the Data," Federal Reserve Bank of Minneapolis, March 20, 2026, https://www.minneapolisfed.org/article/2026/have-us-consumers-gone-k-shaped-a-review-of-the-data

Figure 4: The Macro Backdrop: Declining Real Purchasing Power Meets Rising Wealth Concentration



1.2 Asset Price Inflation, Monetary Policy, and the Devaluation of Cash

To understand the implications of this moment in time, it is critical to consider the relationship between asset prices and the value of cash. Over recent decades, sustained accommodative monetary policy—particularly during and after the dot-com bubble, the 2008 Global Financial Crisis (GFC), and again during the COVID-19 pandemic—has supported rising asset prices through low interest rates, quantitative easing, and direct intervention in markets.

The intent of these policies has been to stabilize the broader economy. Yet, while these policies arguably have stabilized financial markets in the near-term, a consequence has been that those who already held assets at the time of intervention saw the value of those assets supported, while those holding primarily cash or wage-based income saw the real purchasing power of that cash erode against asset prices. Furthermore, wealthier households and larger companies have been better positioned to take on low-cost debt to acquire more assets.[13] With the national debt currently at record highs, insufficient tax revenue to fund planned spending, speculation of financial repression, and the Mar-a-Lago Accord in effect, there are multiple pressures on the US Dollar which are poised to continue its devaluation.

Consider what this has meant for a typical worker over the past 25 years. A worker who in 2000 deposited $50,000 in a bank savings account earning the FDIC national average rate would, by the end of 2025, hold roughly $58,000 nominally—but only about $28,000 in year-2000 purchasing power, after accounting for cumulative CPI-U inflation of approximately 92 percent over the period.[14] The same $50,000 invested in a

[13] Coibion, O., Gorodnichenko, Y., Kueng, L., & Silvia, J. (2017). Innocent bystanders? Monetary policy and inequality in the U.S. *Journal of Monetary Economics, 88*, 70–89. https://doi.org/10.1016/j.jmoneco.2017.05.005; Montecino, J. A., & Epstein, G. (2015). *Did quantitative easing increase income inequality?* (Working Paper No. 28). Institute for New Economic Thinking. https://www.ineteconomics.org/uploads/papers/WP28-Epstein-Montecino.pdf; Lee, D. (2022). *Quantitative easing and inequality* (Staff Report No. 1108). Federal Reserve Bank of New York. https://www.newyorkfed.org/research/staff_reports/sr1108

[14] CPI-U (All Urban Consumers, All Items, seasonally adjusted) rose from 168.8 in January 2000 to 323.0 in December 2025, representing cumulative inflation of 91.6 percent. U.S. Bureau of Labor Statistics, "Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCSL)," retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/CPIAUCSL. The savings account

diversified US equity index fund in 2000—despite the dot-com crash, the 2008 Global Financial Crisis, and the 2020 pandemic drawdown—would be worth approximately $374,000 by the end of 2025, or roughly $195,000 in year-2000 real terms.[15] The cash-holding worker lost nearly 40 percent of their real purchasing power; the equity-holding worker nearly quadrupled it. The compensation structure of working Americans—paid almost entirely in cash wages, with little or no equity component—has placed them on the losing side of this divergence for a generation.[16]

In principle, nothing prevents a cash-wage worker from investing savings in an equity index fund. In practice, most do not—and structurally, cannot at meaningful scale. The Federal Reserve's Survey of Consumer Finances shows that direct equity holdings remain heavily concentrated among upper-income households. For most workers, cash wages are largely consumed by living expenses, with little discretionary surplus available for investment.[17]

We note the importance of living wages (and more importantly, incomes) in our piece, "Larry Fink Is Asking the Right Question—But Investment Requires Income First."[18] In this review, we also highlight the importance of compensation structure. Workers who receive equity-based pay (e.g., stock options, restricted stock units, profit-sharing interests, employee stock ownership plans (ESOPs), amongst other structures) accumulate wealth automatically as a feature of their employment contract and as a direct reflection of the value of their work. Workers paid entirely in cash must first earn, then save from after-tax income, then actively choose to invest, overcoming behavioral and liquidity barriers at each step. The prevailing compensation structure of working Americans has placed the majority on the losing side of this divergence for a generation—not necessarily by individual choice, but by institutional design.

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accumulation of $58,000 uses the FDIC national average savings rate, which ranged from approximately 2.0 percent in 2000 to as low as 0.06 percent during 2013–2016 and stood at 0.39 percent in late 2025. Federal Deposit Insurance Corporation, "National Rates and Rate Caps," https://www.fdic.gov/national-rates-and-rate-caps. Even under more generous assumptions—for example, a retail money market fund tracking the effective federal funds rate—the nominal accumulation would reach only approximately $76,000, or roughly $39,000 in year-2000 purchasing power, still a real loss of over 20 percent. Board of Governors of the Federal Reserve System, "Effective Federal Funds Rate (DFF)," retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/DFF

[15] Based on S&P 500 annual total returns (price appreciation plus reinvested dividends) compounded from January 2000 through December 2025, yielding a cumulative nominal return of approximately 640 percent (annualized ~8.0 percent). Annual total return data for 2000–2024 from Aswath Damodaran, "Annual Returns on Stock, T.Bonds and T.Bills: 1928–Current" (dataset), NYU Stern School of Business, https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html, with underlying stock return data from S&P Dow Jones Indices.

[16] According to the Bureau of Labor Statistics, wages and salaries account for approximately 70 percent of total employee compensation, with the remainder consisting overwhelmingly of employer-provided benefits (health insurance, retirement contributions) rather than equity. U.S. Bureau of Labor Statistics, "Employer Costs for Employee Compensation—December 2025," news release USDL-26-0505, March 20, 2026, https://www.bls.gov/news.release/archives/ecec_03202026.pdf. Equity-based compensation remains largely concentrated among executives and employees at technology and financial firms. The BLS National Compensation Survey found that only about 9 percent of private industry workers had access to stock option plans in 2003, with access heavily skewed toward higher-paid workers (13 percent for those earning $15+/hour vs. 6 percent for those earning less). U.S. Bureau of Labor Statistics, "Stock Options: National Compensation Survey Update," *Compensation and Working Conditions Online*, September 2006, https://www.bls.gov/opub/mlr/cwc/stock-options-national-compensation-survey-update.pdf

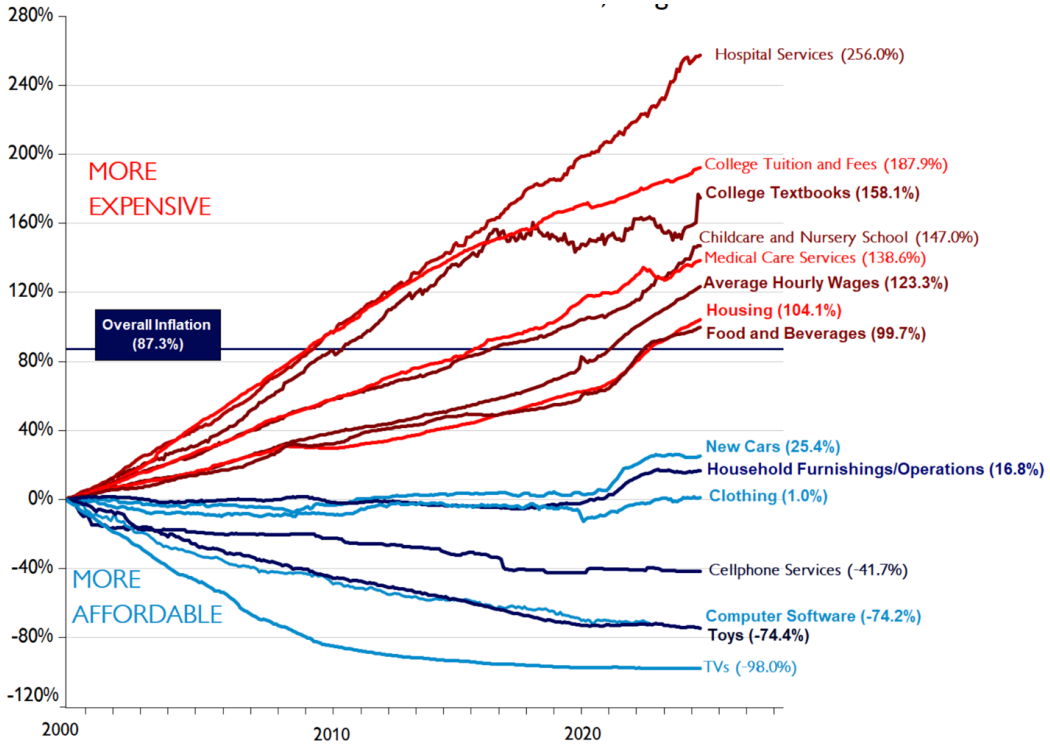
[17] Aditya Aladangady et al., "Changes in U.S. Family Finances from 2019 to 2022: Evidence from the Survey of Consumer Finances" (Washington: Board of Governors of the Federal Reserve System, October 2023), 19, box 2, "Direct and Indirect Holdings of Publicly Traded Stock," https://www.federalreserve.gov/publications/files/scf23.pdf. As of 2022, only 21 percent of US families held stocks directly, and while 58 percent had some stock market exposure (including through retirement accounts and mutual funds), both ownership rates and the value of holdings were heavily concentrated among families in the top decile of the income distribution.

[18] Delilah Rothenberg, "Larry Fink Is Asking the Right Question—But Investment Requires Income First," Predistribution Initiative (Substack), March 26, 2026, https://predistributioninitiative.substack.com/p/larry-fink-is-asking-the-right-question

While many expect efficiencies delivered by AI and automation to result in higher supply of goods and services, and therefore have a deflationary effect of lower prices, thereby boosting real incomes, history demonstrates this is not always the case. The relationship between technology, prices, and standards of living is not one-directional. Some categories of goods—consumer electronics, communications, certain forms of media—have indeed become substantially cheaper as technology has advanced. But other categories essential to American households—housing, healthcare, education, eldercare, childcare—have grown substantially more expensive in real terms.

This is in part because some products and services can be constrained by finite supply such as land or natural resources, and this limited supply can keep a floor on prices. Other contributing factors are market concentration. For instance, when companies or educational institutions have significant market power, they can charge more. As illustrated by what economist Mark J. Perry has termed the 'Chart of the Century,' which tracks BLS Consumer Price Index data across 14 categories of goods and services from 2000 to 2024, the price trajectories of different consumer categories have diverged dramatically.

Figure 5: Cumulative Price Changes for Selected US Consumer Goods and Services, 2000–2024



Source: Mark J. Perry, 'Chart of the Century,' American Enterprise Institute, using Bureau of Labor Statistics CPI data. Latest version: https://x.com/Mark_J_Perry/status/1897051650403225690

These cost pressures are not confined to lower-income households. Essential categories that have seen the steepest real price increases such as housing, healthcare, education, and childcare scale with income and are largely non-discretionary.

We propose that some categories of goods that are unlikely to become cheaper. Goods and services dependent on finite natural resources (housing, certain natural-resource-intensive products) and on land (housing again, agricultural products) are unlikely to follow the trajectory of consumer electronics. If anything, increased demand for AI infrastructure (data center water, electricity) could put upward pressure on resource-intensive prices. In terms of healthcare, education, eldercare, childcare, AI may reduce some component costs, but the overall trajectory of these essential services is uncertain. And even in terms of AI itself, services are currently subsidized by venture capital and are priced below the true cost of compute. If pricing rises to cover potentially higher compute costs, AI services themselves could become more expensive at the consumer level—particularly for SMEs without enterprise contracts.

Apollo's Torsten Slok has noted that some professions—radiologists are his frequent example—have grown both in number and in compensation alongside technology. [19] But radiologists, like most workers, are typically paid in cash. Asset price inflation has meant that even as their nominal incomes have risen, their position relative to asset-holding cohorts has not necessarily kept pace *by default*. Even in the best case (e.g., a radiologist earning $500,000), they are still subject to the full weight of essential cost inflation and must actively invest whatever remains after taxes and living expenses to keep up.[20] Workers who receive equity-based compensation, by contrast, accumulate wealth through a separate channel that is largely insulated from consumer price dynamics. The divergence in asset prices and consumer prices documented above thus compounds the structural disadvantage of cash-based compensation.

Whether a given category of goods or services becomes cheaper or more expensive as technology advances depends on a set of structural conditions: whether the good is tradable or locally produced, whether its supply is constrained by finite resources such as land, whether it is labor-intensive in ways that resist substitution (what William Baumol termed "cost disease"), and the degree of market concentration among producers.[21] Monetary policy adds a further layer: prolonged periods of accommodative policy can simultaneously suppress the cost of manufactured and tradable goods while inflating the prices of assets and asset-intensive services such as housing and education.[22]

AI may prove to be the first technology capable of disrupting Baumol's cost disease in services that have historically resisted productivity gains—healthcare, legal services, education, financial analysis—by substituting for cognitive labor itself rather than merely augmenting it. But the price effects are far from

[19] Slok, T. (2026). *The Radiologist Paradox*. The Daily Spark, Apollo Global Management. https://www.apollo.com/wealth/the-daily-spark/the-radiologist-paradox

[20] We also note that radiologist earning $500,000 in a major metropolitan area, often carrying significant educational debt, a mortgage priced into an inflated housing market, and childcare or tuition costs that have outpaced general inflation for decades, may retain considerably less discretionary surplus than the headline income implies.

[21] The foundational treatment of cost disease is William J. Baumol and William G. Bowen, Performing Arts: The Economic Dilemma (New York: Twentieth Century Fund, 1966). For a contemporary application to healthcare and education costs, see William J. Baumol, The Cost Disease: Why Computers Get Cheaper and Health Care Doesn't (New Haven: Yale University Press, 2012). On market concentration and its effects on consumer prices, see Jan De Loecker, Jan Eeckhout, and Gabriel Unger, "The Rise of Market Power and the Macroeconomic Implications," Quarterly Journal of Economics 135, no. 2 (2020): 561–644, https://doi.org/10.1093/qje/qjz041

[22] On the divergence between consumer goods deflation and asset price inflation under accommodative monetary policy, see Claudio Borio and Philip Lowe, "Asset Prices, Financial and Monetary Stability: Exploring the Nexus," BIS Working Paper no. 114 (Basel: Bank for International Settlements, July 2002), https://www.bis.org/publ/work114.htm

guaranteed to be uniformly deflationary. The Bank for International Settlements has modeled AI as a sector-differentiated productivity shock and finds that while aggregate output rises in both the short and long run, the inflation response is ambiguous: when productivity gains arrive faster than households and firms anticipate, supply outpaces demand and the effect is disinflationary; when gains are anticipated, demand pulls forward and inflation rises.[23]

Early empirical evidence from the European Union suggests that AI adoption is associated with a modest reduction in producer price inflation, but only above a threshold level of adoption. At low rates of diffusion, there is no measurable price effect.[24] The IMF has argued that AI represents the best available mechanism for relaxing the supply-side constraints behind current inflationary pressures, but cautions that without policy adaptation, the resulting productivity gains could widen income disparities even as they restrain prices.[25] In other words, AI could simultaneously make certain goods and services cheaper while concentrating the economic gains—reproducing, in a new form, the same divergence between consumer prices and asset prices documented above and potentially resulting in market concentration that can lead to inflation-causing pricing power in the longer-run (for instance following the example of rideshare companies which initially offered low pricing to drive adoption, but were able to raise prices later on given monopoly-like dynamics).

The divergence between asset prices and cash purchasing power, between equity-compensated and cash-compensated workers, between the cost trajectories of tradable goods and essential services—points to a question that is as much structural as it is distributional: does it matter whether stakeholders receive their share of an enterprise's value through cash (wages, dividends-as-income, revenue sharing) or through equity (ownership stakes that participate in capital appreciation)? We argue that it matters decisively. The question is not just whether workers should be paid fairly in cash—they should, and we note the importance of living wages.[26] It is also whether cash alone is sufficient for building broad-based economic security in an economy where asset prices have outpaced wages for a generation. We believe it is not.

Even so, broadening equity-linked compensation is not a sufficient reform on its own because the quality and governance of equity matters as much as access to it. The same low-interest-rate environment that

[23] Iñaki Aldasoro, Sebastian Doerr, Leonardo Gambacorta, and Daniel Rees, "The Impact of Artificial Intelligence on Output and Inflation," BIS Working Paper no. 1179 (Basel: Bank for International Settlements, April 2024), https://www.bis.org/publ/work1179.pdf

[24] Jakub Borowski, Jarko Fidrmuc, and Krystian Jaworski, "Artificial Intelligence and Inflation in the EU," *Economics Letters* 257 (December 2025): 112638, https://doi.org/10.1016/j.econlet.2025.112638. The authors find that a 10 percentage point increase in the share of firms employing AI corresponds to a 0.3–0.6 percentage point decline in producer price inflation, but that the relationship is nonlinear, with no measurable effect at low adoption rates.

[25] Michael Spence, "AI's Promise for the Global Economy," *Finance & Development* 61, no. 3 (September 2024), https://www.imf.org/en/publications/fandd/issues/2024/09/ais-promise-for-the-global-economy-michael-spence. See also International Monetary Fund, "Global Economic and Financial Implications of Artificial Intelligence," IMF Note 2026/002 (Washington: International Monetary Fund, April 2026), https://www.imf.org/-/media/files/publications/imf-notes/2026/english/insea2026002.pdf, which notes that AI-driven productivity gains generate both upward and downward price pressures and that "large relative price changes complicate inflation diagnostics.

[26] Delilah Rothenberg, "Larry Fink Is Asking the Right Question—But Investment Requires Income First," Predistribution Initiative, March 26, 2026, https://predistributioninitiative.substack.com/p/larry-fink-is-asking-the-right-question

has driven the wedge between asset prices and cash purchasing power has also enabled forms of financial engineering that may not serve long-term value creation. Companies—often in the technology sector—have been able to raise capital on the basis of revenue projections rather than profitability, because share price appreciation matters more to many investors than dividend distributions. Low interest rates have also contributed to forms of "financial engineering" where companies take on significant leverage to magnify their equity returns, leading to debt servicing that may be prioritized over offering quality and affordable goods and services. Low-cost debt might also be used for buybacks in public markets and dividend recapitalizations in private markets, at the expense of other stakeholders.[27] Giving workers and other value-creating / risk-taking stakeholders equity stakes in enterprises managed this way, without accompanying reforms to governance, risks broadening access to a system whose returns are fragile and whose risks are unevenly distributed.

For this and additional reasons explained further, we advocate for broadening equity-linked compensation in the economy alongside corporate governance reforms that more adequately include the participation of human, social, and natural capital, aside from the status quo priority deference to financial capital. Participation of other stakeholders in corporate governance can lead to more balanced and stable long-term returns and help companies stay ahead of the curve on emerging risks and opportunities stemming from impacts on stakeholders and externalities.

A concrete example: In a rapid pursuit toward growth and in competition for capital, AI companies have repeatedly released products with safety, accuracy, or bias failures that were visible to their own contractor workforce (data labelers, red-teamers, content moderators) well before they were visible to senior leadership or to the market. A board and governance structure that included representatives drawn from those workforces or a formal stakeholder advisory body likely would have structured mechanisms to surface those failures earlier, at lower cost to the company and to users. Stakeholder voice is, in this sense, a risk-management mechanism, not a fairness concession.[28]

1.3 The Concentration of Ownership and Decision-Making Power

To a certain extent we have touched on the concentration of economic ownership and the decision-making power that accompanies it. In our forthcoming paper on economic inequality, we explain how market concentration is a manifestation of economic inequality. Further, it is partly a story about households, partly a story about firms, and even about geographic imbalances. At the household level,

[27] Many across the political spectrum will argue that this form of "financialization" guts companies and leads to what is known colloquially as the "enshittification" of the economy, where companies no longer are designed to serve quality and affordable goods and services to customers and offer quality jobs which fuel the economy, but rather are structured for the primary purpose of generating returns to shareholders.

[28] See also Oxfam America, Predistribution Initiative, and Omidyar Network, *Getting Ahead of the Curve on Dynamic Materiality: How U.S. Investors Can Foster More Inclusive Capitalism*, joint agency discussion paper (Boston: Oxfam America, March 2024), https://webassets.oxfamamerica.org/media/documents/Getting_Ahead_of_the_Curve_on_Dynamic_Materiality_v37GwSd.pdf. See also forthcoming detailed case study of how shareholder-primacy governance eroded safety culture, workforce investment, and long-term enterprise value at Boeing.

the share of equity wealth held by the top 10 percent of US households has continued to rise to 80-90 percent, whereas the bottom 50 percent of households hold less than 1 percent.[29]

At the firm level, market concentration has increased in many sectors. Tepper and Hearn's *The Myth of Capitalism* and a growing body of research on market concentration document this dynamic in detail (Tepper & Hearn, 2018).[30] The Brookings Institution has documented that technology market concentration in particular has grown substantially over two decades. The largest US technology firms—Microsoft, Alphabet, Amazon, Meta, NVIDIA, and Apple—held a combined market capitalization exceeding $22 trillion as of end of May 2026.[31] We have previously written about the largest fund managers and companies attracting the bulk of capital in recent years, which is a trend that can be witnessed across asset classes.[32] This shapes capital-raising dynamics for emerging managers and smaller companies, and also results in implications for concentrated influence over corporate governance and stewardship engagement.

In labor markets specifically, monopsony—where employers face limited competition for workers—has been associated with depressed wages and reduced mobility.[33] Geographically, the concentration is also visible: economic activity, capital formation, and AI deployment cluster in a small number of metropolitan areas, while rural communities and many small cities face the costs of infrastructure (data centers, transmission lines) without proportional access to the underlying capital appreciation.

Concentrated wealth and concentrated firm structures translate, with a lag, into concentrated societal decision-making power over which projects receive investment, which technologies are developed, which communities are prioritized for infrastructure, how that infrastructure is designed, which workers are hired and trained, how human and social capital (as well as natural capital) are valued in transactions, what "responsible investment" looks like in practice, what corporate purposes and approaches are "just," and which voices are amplified in policy debates.

Corporate boards are incentivized to protect their companies' dominant positions and strategies, which is good for maintaining pricing power, keeping costs low, and competitors out. Firms may therefore lobby to maintain their positions, and their sheer size results in their lobbying power and political spend having

[29] The top 10% of households holds nearly two-thirds (64%) of all assets but nearly nine-tenths (87.4%) of all equities and mutual funds. The bottom 50% holds just 1.1% of equities and is essentially locked out of the asset class that has driven the bulk of wealth accumulation over the past 25 years. Board of Governors of the Federal Reserve System. (2025). *Distributional Financial Accounts: Distribution of household wealth in the U.S. since 1989* (Q3 2025). Federal Reserve Board. https://www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/chart/

[30] Tepper, J., & Hearn, D. (2018). *The myth of capitalism: Monopolies and the death of competition*. Wiley; Autor, D., Dorn, D., Katz, L. F., Patterson, C., & Van Reenen, J. (2020). The fall of the labor share and the rise of superstar firms. *Quarterly Journal of Economics, 135*(2), 645–709. https://doi.org/10.1093/qje/qjaa004; De Loecker, J., Eeckhout, J., & Unger, G. (2020). The rise of market power and the macroeconomic implications. *Quarterly Journal of Economics, 135*(2), 561–644. https://doi.org/10.1093/qje/qjz041

[31] Finance Charts, "Biggest Companies by Market Cap," accessed May 27, 2026. https://www.financecharts.com/screener/biggest

[32] Delilah Rothenberg, Raphaele Chappe, and Amanda Feldman, "ESG 2.0: Measuring & Managing Investor Risks Beyond the Enterprise-Level" (April 6, 2021), SSRN Working Paper, https://ssrn.com/abstract=3820316; Hao Jiang, Dimitri Vayanos, and Lu Zheng, "Passive Investing and the Rise of Mega-Firms," *Review of Financial Studies* 38, no. 12 (2025): 3461–3085. https://doi.org/10.1093/rfs/hhaf046

[33] Alan Manning, *Monopsony in Motion: Imperfect Competition in Labor Markets* (Princeton: Princeton University Press, 2003); José Azar, Ioana Marinescu, and Marshall Steinbaum, "Labor Market Concentration," *Journal of Human Resources* 57, no. S (2022): S167–S199, https://doi.org/10.3368/jhr.monopsony.1218-9914R1

significant influence across societal decision making. While total federal lobbying spending surpassed $5 billion for the first time in 2025,[34] this figure masks a stark concentration of influence: a handful of organizations and individuals have dominated expenditures for over a decade.[35] **From the standpoint of an ordinary citizen—particularly a working- or middle-class citizen—democratic institutions can appear less as instruments of self-government than as venues in which the resources of the wealthy, the well-organized, and the well-connected determine outcomes. This is the soil in which both right-leaning and left-leaning forms of populism have grown. The underlying feeling—that the system is rigged, that working people are not being heard, that "ordinary Americans" have lost the agency they once had—is shared widely. Any framework for addressing the AI moment that does not take this seriously is unlikely to find political durability, regardless of its analytical merits.**

Whether the industry is food, healthcare, aviation, or tech, American communities, consumers, and workers consistently express that decisions affecting their lives are made by distant institutions and leadership over which they have little influence. Recent Edelman Trust Barometer editions document low and declining trust in business, government, and media across the US and other industrialized democracies, with the steepest declines concentrated among lower-income respondents. Gallup, Pew, and Just Capital surveys consistently show that majorities of Americans across the political spectrum believe the economy is rigged against them and that large corporations have too much influence over policy. The MAHA ("Make America Healthy Again") movement, like other recent populist mobilizations, as well as public sentiment toward Luigi Mangione, illustrate how this trust deficit leads to risks to companies, their leadership, and financial performance. This is not an abstract observation. It is the lived experience of many Americans across the political spectrum: that decisions affecting their lives are made elsewhere, by people they do not know, in rooms they cannot enter.

It is worth being precise about why this matters for the structure of corporate governance. Across global markets, corporate governance frameworks have converged toward models that tend to privilege shareholder interests over those of other corporate stakeholders, including workers, communities, suppliers, and consumers. This prioritization was not originally conceived as an end in itself: it emerged as a solution to the principal-agent problem, intended to discipline corporate managers who might otherwise deploy investors' capital irresponsibly. Embedded in this framework was a particular assumption that financial performance serves as a reliable proxy for broader stakeholder welfare, such that a profitable company is, by definition, adequately serving those who depend on it.[36]

A belief that financial performance is a solid representation of a company's health also underpins the linking of executive compensation to shareholder return, a practice as mentioned previously that is now

[34] OpenSecrets. "Lobbying Firms Took in a Record $5 Billion in 2025." January 29, 2026. https://www.opensecrets.org/news/2026/01/lobbying-firms-took-in-a-record-5-billion-in-2025/

[35] OpenSecrets. "Federal Lobbying Set New Record in 2024." February 2025. https://www.opensecrets.org/news/2025/02/federal-lobbying-set-new-record-in-2024/

[36] Milton Friedman's famous statement that "In [a free economy] there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game." Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962).

deeply embedded in contemporary corporate governance. Other stakeholders—workers, communities, consumers, suppliers, the environment—have been treated as inputs whose interests are managed through contracts and regulation, but whose perspectives are not directly represented in the room where the most consequential decisions are made.

The composition of typical corporate boards reflects this doctrine. Board directors are predominantly drawn from the ranks of current or former senior corporate executives, financiers, and technical experts—people whose professional backgrounds and personal wealth are tied to the dynamics of capital and who are often distant from the lived experiences of workers, communities, and consumers, who are the direct on-the-ground stakeholders of companies. Worker, community, and consumer participation in corporate boards are rare, and there has been no notable investment into talent curation and pipeline development to fill this gap.

The result is a structural information and incentive asymmetry: boards have the perspective of capital and wealthier classes well-represented, and the perspectives of other stakeholders sparsely represented. When a board considers an AI deployment that will reshape thousands of jobs and oversight of AI training that affects the safety and wellbeing of the public, the people whose lives will be reshaped are typically not in the room. This not only produces negative impacts for workers, but results in challenges with encouraging AI adoption amongst workers and buildout with communities, given blind spots and misaligned interests.

PDI's Broadening Corporate Governance Participation (BCGP) program develops this analysis in greater depth and explores what practical reforms could look like.

1.4 The AI Moment as Acceleration, Not Origin

It is in this context that AI and automation arrive. They do not introduce wholly new dynamics. They risk accelerating dynamics already in motion: returns flowing increasingly to capital and to a small set of capital-rich firms; cash compensation losing ground relative to asset appreciation; decision-making power further concentrating; trust further eroding; communities feeling the costs of local investment while watching the bulk of benefits flow elsewhere.

What AI uniquely adds is speed and a level of productivity and decision making that without a break from the status quo will further concentrate to the owners of capital. As Anthropic CEO Dario Amodei has emphasized, AI has progressed in a few years from struggling with elementary arithmetic to writing complex code. Goldman Sachs' research suggests AI could add approximately 1.5 percentage points to global productivity growth over a ten-year adoption period, contingent on widespread adoption.[37] Surveys

[37] Jan Hatzius, Joseph Briggs, Devesh Kodnani, and Giovanni Pierdomenico, "The Potentially Large Effects of Artificial Intelligence on Economic Growth," *Global Economics Analyst* (Goldman Sachs Global Investment Research, March 26, 2023), https://www.goldmansachs.com/insights/articles/generative-ai-could-raise-global-gdp-by-7-percent

of academic economists, AI professionals, and superforecasters report a median expected GDP growth rate of 2.5% per year—above the Congressional Budget Office's baseline of 1.9% for 2030 and 2.2% baseline for 2050. Some respondents in the same surveys forecast labor force participation falling from 62 to 55% by 2050, with roughly half that decline attributable directly to AI, and the share of wealth held by the top 10% rising further.[38] Amodei has himself projected the possibility of GDP growth of 10–20% annually accompanied by 10–20% unemployment—and warned that extreme wealth concentration could threaten democratic governance.[39] We do not assert any specific scenario will play out.[40] We do assert that the range of credible scenarios includes outcomes severe enough that prudence demands action.

Importantly, action is warranted even under the more benign scenarios. Even under the "light" scenario in Part I of the *Predistribution AI Lab* discussion paper series in which headline unemployment does not rise, real incomes continue to erode for many workers, the fissured workplace continues to expand, contingent and gig arrangements continue to displace traditional employment, and the labor share continues its slow decline. Across the four Part I scenarios, value at risk for diversified portfolios (in the pension and retirement and insurance industries) ranges from approximately $6.1 to $30.4 trillion. The risks Part I identifies are continuous with risks the US economy has been carrying for decades. AI raises the stakes.

> **Predistribution and Redistribution: How We Use These Terms**
>
> It is worth being explicit about how we use the terms predistribution and redistribution.
>
> *Redistribution* refers to mechanisms—taxes, transfers, philanthropic giving—that move resources after they have been generated by the economic system. Redistribution is essential. It funds public goods, infrastructure, social insurance, and emergency response. It also helps level the playing field for historical dynamics that led to vast imbalances in wealth across populations. We are not against redistribution. We view it as a necessary component of any functioning society, but it leaves the broken economic system as we have described it intact. It therefore also leaves those left behind dependent on handouts from and policy by those who have benefitted, resulting in imbalanced power dynamics.
>
> *Predistribution* refers to fixing the economic system through which productivity occurs in the first place, so that the resulting distribution of income, wealth, and decision-making power is broadly shared from the outset and depends less on after-the-fact transfers. Predistribution can lead to more efficient outcomes and a balanced economy that can sustain a well-functioning market and society.
>
> Our argument is that the AI moment requires predistribution as the foundation, with redistribution as a complement, for four interconnected reasons:

[38] Karger, E., Kuusela, O., Abaluck, J., Bryan, K. A., Halperin, B., Jones, T. R., Murphy, C., Trammell, P., Reynolds, M., Mayland, D., Viswanathan, R., Mittal, A., Ceppas de Castro, R., Rosenberg, J., & Tetlock, P. (2026). *Forecasting the economic effects of AI* (NBER Working Paper No. 35046). National Bureau of Economic Research. https://doi.org/10.3386/w35046

[39] Dario Amodei, "The Adolescence of Technology," January 2026, https://www.darioamodei.com/essay/the-adolescence-of-technology

[40] Delilah Rothenberg, "What does realistic compute vs. labor cost comparison look like at unsubsidized market rates?," LinkedIn, April 18, 2026, https://www.linkedin.com/posts/delilah-rothenberg_2024-01-18beyondaiexposurepdf-activity-7445239010429566977-YEJJ/?utm_source=share&utm_medium=member_desktop&rcm=ACoAAAFhfWgB1U0tsGQBquMmrnxdqxSx1lxQuVk

Efficiency. A predistributive system reduces the size of the redistributive task. If workers, communities, and creators already hold ownership stakes in the enterprises they enable (in addition to cash living wages for workers - or more importantly incomes since a sufficient number of hours are required for living wages to matter), the gap between system-generated and socially acceptable outcomes is smaller. Redistribution that has to close a yawning gap is fiscally expensive, politically fragile, and structurally inefficient.

Fiscal capacity. As Part I suggests, redistribution-only approaches to AI-driven displacement may face a fiscal squeeze: the tax base contracts at the moment the transfer need expands. Predistributitve mechanisms such as those we propose sustain the tax base, consumption, and asset-holding broadly, rather than relying on transfers from an increasingly narrow set of taxpayers.

Power and durability. Redistribution depends on political processes that are themselves shaped by wealth and power. A population that owns nothing structurally and depends on government transfers for income has limited political leverage to maintain or shape the terms of those transfers. Predistribution gives stakeholders durable structural participation that does not depend on each political cycle.

Dignity and agency. Research consistently finds that working-class Americans prefer ownership, agency, and opportunity over dependency. A European study cited in the policy literature finds that combining predistribution with redistribution outperforms redistribution alone in producing more equal outcomes.[41] Working from a position of structural ownership feels—and functions—differently from working from a position of structural dependence.

The two approaches are complements. Redistribution remains essential for public goods, social insurance, transition support, and fixing the outcomes of what has been broken in capitalism. Predistribution is the structural foundation we believe is missing from capitalism and that the AI moment can catalyze us to co-create.

First coined by Yale professor Jacob Hacker, the concept of predistribution has gained traction among business and economic leaders as a way to address both populist grievances and the inequities created by the AI-driven economic windfall.[42] The Predistribution AI Lab offers a forum for companies, investors, and their stakeholders to move from ideas to practice, working with technical experts and building consensus around solutions which can be piloted, fine-tuned, and adapted for policy and regulation.

[41] Thomas Blanchet, Lucas Chancel, and Amory Gethin, "Why Is Europe More Equal Than the United States?" *American Economic Journal: Applied Economics* 14, no. 4 (October 2022): 480–518. https://amory-gethin.fr/files/pdf/BlanchetChancelGethin2022AEJ.pdf

[42] Collective Intelligence Project. "Predistribution over Redistribution: Beyond the Windfall Clause." *The Collective Intelligence Project*, October 23, 2024. https://www.cip.org/blog/predistribution-over-redistribution-beyond-the-windfall-clause. Huang, Saffron. "Here's How to Share AI's Future Wealth." *Noema*, April 22, 2025. https://www.noemamag.com/heres-how-to-share-ais-future-wealth/. Berggruen, Nicolas. "Universal Basic Capital Would Create a Fair AI Economy." *Financial Times*, accessed May 31, 2026. https://www.ft.com/content/9b93e02a-c693-4070-9094-a2f532dfa929.

Griswold, Chris. "For Whom the Machine Toils." *Commonplace*, September 28, 2025. https://www.commonplace.org/p/chris-griswold-for-whom-the-machine.

Norges Bank Investment Management. "Why Employee Share Ownership Matters for Long-Term Value Creation." *NBIM*, April 16, 2026. https://www.nbim.no/en/news-and-insights/our-views/2026/why-employee-share-ownership-matters-for-long-term-value-creation/.

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1.5 The Inflection Point

We are, in our view, at an inflection point—not because AI will certainly produce mass displacement, but because the longer trajectory has reached a point at which it can no longer be sustained without fundamental reform. AI is poised to either accelerate or relieve the underlying pressure depending on the institutional choices made in the next several years.

AV (autonomous vehicle) deployment is an early signal. Drivers—particularly rideshare and trucking drivers—are already experiencing the leading edge of AI-driven displacement, with operational AV fleets in multiple US cities and highway-grade autonomous trucking pilots in motion. The displacement is partially visible, partially imminent, and unfolding within a regulatory framework (state and city operating permits) that creates a workable point of leverage for predistributive intervention.

But waiting for displacement to reach other sectors before acting is a recipe for being too late. And even workers who remain employed have worked without benefitting from adequate compensation—both in terms of the quantum and structure of pay—for too long. And then there are communities who have borne the brunt of risks from local projects, with meager benefits.

The proposals in this paper are designed to be implemented now, beginning with workers who are still employed, communities that already host infrastructure, and content creators whose content is being used to train AI—both as a fix for the inefficient form of capitalism we have had, and as insurance against more severe AI-driven scenarios should they materialize.

The trajectory of declining returns to labor, the rise of populism on both right and left, the erosion of working-class economic security, and the concentration of decision-making power are observed across the political spectrum. The solutions we propose—broad-based ownership, dignity, agency, voice for those who create value and bear risk, an efficient market that compensates all forms of capital—draw on values shared across worldviews. Importantly, predistribution benefits from support across the political spectrum.[43] It is a structural reform aimed at making capitalism work better.

PDI is launching the *Predistribution AI Lab* to bring together companies, investors, workers, communities, and policymakers to develop and test the kinds of structures described in this paper. The aim is to seize the inflection point—to ensure that the AI transition is the moment at which the underlying trajectory bends rather than accelerates.

[43] Ilyana Kuziemko, Nicolas Longuet-Marx, and Suresh Naidu, "'Compensate the Losers?' Economic Policy and the Origins of U.S. Partisan Realignment," NBER Working Paper No. 31794 (October 2023), https://doi.org/10.3386/w31794 (forthcoming in the *Quarterly Journal of Economics*), documenting that support for predistribution policies—guaranteed jobs, higher minimum wages, union organizing—is robust across party lines and largely unchanged since the 1940s; see also Expanding ESOPs and Bipartisan Policy Center, polling conducted by Public Opinion Strategies and Impact Research (2023), https://expandingesops.com/polling-data/, finding 91% support for broad-based employee ownership once the concept is explained, including 84% of base Republican voters and 96% of base Democratic voters.

2 Incentives for Reform

This section broadly summarizes several AI-related economic, safety, and knowledge risks stemming from the status quo to workers, investors, companies (including AI companies themselves), communities, content creators, and the democratic system—and shows why each has a self-interested reason to support programs that broaden equity-linked compensation and corporate governance participation.

2.1 Risks to Workers

Workers face a layered set of risks that do not depend on a single displacement scenario coming true. Under our light scenario in our macro-financial analysis, headline unemployment does not rise meaningfully, but real incomes continue to erode for many workers in line with historical trends, contingent and gig arrangements continue to expand, and benefits coverage continues to deteriorate. The "fissuring of the workplace," documented by former Department of Labor chief economist David Weil (2014), describes how firms have increasingly outsourced functions, severing the employment relationship while preserving productive activity. The share of workers in alternative work arrangements grew from 10.7% in 2005 to possibly as high as 15.8% by 2015,[44] and a more recent ADP analysis found that individuals receiving short-term W-2 or 1099 income accounted for 24.3% of all jobs held in 2024.[45] Even in technical "full employment" conditions, the quality of "employment" has been deteriorating.[46]

Under Moderate to Aggressive scenarios modeled in Part I of PDI's *Predistribution AI Lab* discussion paper series, displacement accelerates, and unemployment increases. While these figures are only projections, their value lies less in their precision than in the range they suggest. Even the lower bound of the range describes severe disruption for the workers affected. We do not claim certainty about which jobs will be displaced or when. We do claim that the range of plausible outcomes warrants preparation.

Compounding the displacement risk is the reskilling timeline mismatch. Meaningful occupational transitions involve significant retraining periods with certification requirements, skill acquisition, and job search in restructured markets taking months to years (McKinsey Global Institute, 2017; Jacobs, Brookings

[44] Katz, L. F., & Krueger, A. B. (2019). *Understanding trends in alternative work arrangements in the United States* (NBER Working Paper No. 25425). National Bureau of Economic Research. https://www.nber.org/papers/w25425

[45] ADP Research. (2025, November). *The gig economy: A tale of two labor markets*. ADP Research Institute. https://www.adpresearch.com/research/the-gig-economy-a-tale-of-two-labor-markets. The research is based on the anonymous and aggregated ADP payroll data of more than 1.1 million employers.

[46] It is important to look beyond the headline. Within this contingent and short-term workforce, two distinct cohorts emerge. The first is workers who are involuntarily contingent—driving for a rideshare platform, picking warehouse shifts, or stringing together part-time roles because steady full-time work is unavailable. For this cohort, contingent work is generally a downgrade in pay, benefits, and stability relative to the traditional employment it has displaced; many work more hours for less total compensation. The second cohort is workers and small entrepreneurs using AI tools to operate as one-person or small-team businesses—what Torsten Slok and others have observed as AI-supported small-business formation. For this cohort, contingent classification reflects entrepreneurial choice rather than economic compulsion. The two cohorts have very different risk profiles and policy needs. The framework in this paper benefits both.

Institution, 2025; World Economic Forum, 2025)—while the majority of displaced workers lack the savings runway to sustain that transition without defaulting on existing debt obligations.[47]

Only 46% of US adults hold sufficient emergency savings to cover three months of expenses, meaning the majority of displaced households face debt distress almost immediately upon income loss.[48] During the gap between income loss and re-employment, workers carry mortgage obligations, consumer debt, and household expenses on fixed timelines. This timing mismatch is the proximate driver of the consumption contraction modeled in Part I.

Compounding it further is uncertainty about which jobs will prove resilient. Workers who invest in retraining for specific occupations face the risk that those occupations themselves become automated as AI capabilities advance and as AI is combined with robotics and other forms of automation. Centering this uncertainty is important: a confident assertion that "skilled trades will be safe" or "healthcare will be safe" overstates what we know. Some sectors are likely to be more resilient than others over a five- to ten-year horizon, but the longer the horizon, the more uncertain the analysis.

2.2 Risks to Diversified Investors

Diversified investors—pension funds, endowments, sovereign wealth funds, and other long-horizon allocators—face a distinct set of risks that standard portfolio theory fails to capture. The macro-financial risks we quantify—consumption contraction, mortgage and consumer debt defaults, corporate debt defaults and mark-to-market impairments, equity market declines—fall on diversified institutional portfolios such as pension funds, retirement accounts, and insurance general accounts in ways that are practically impossible for any individual diversified investor to hedge against. A pension fund cannot diversify away from the macroeconomic conditions of the economy in which it is invested; the fund *is* the economy, in important respects. This is the systemic portfolio risk argument highlighted in the book, *Moving Beyond Modern Portfolio Theory: Investing that Matters*.[49]

[47] McKinsey Global Institute, *Jobs Lost, Jobs Gained: Workforce Transitions in a Time of Automation* (McKinsey Global Institute, December 2017), https://www.mckinsey.com/featured-insights/future-of-work/jobs-lost-jobs-gained-what-the-future-of-work-will-mean-for-jobs-skills-and-wages. Jerry Jacobs, "AI Labor Displacement and the Limits of Worker Retraining," Brookings Institution, May 16, 2025, https://www.brookings.edu/articles/ai-labor-displacement-and-the-limits-of-worker-retraining/. World Economic Forum, *The Future of Jobs Report 2025* (Geneva: World Economic Forum, January 2025), https://www.weforum.org/publications/the-future-of-jobs-report-2025/

[48] Bankrate, "2026 Annual Emergency Savings Report," February 4, 2026, https://www.bankrate.com/banking/savings/emergency-savings-report/; Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2024—Savings and Investments," May 2025, https://www.federalreserve.gov/publications/2025-economic-well-being-of-us-households-in-2024-savings-and-investments.htm Bankrate, "2026 Annual Emergency Savings Report," February 4, 2026, https://www.bankrate.com/banking/savings/emergency-savings-report/; Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2024—Savings and Investments," May 2025, https://www.federalreserve.gov/publications/2025-economic-well-being-of-us-households-in-2024-savings-and-investments.htm

[49] Jon Lukomnik and James P. Hawley, *Moving Beyond Modern Portfolio Theory: Investing That Matters* (London: Routledge, 2021). Lukomnik and Hawley report that systematic market risk determines 75–94 percent of diversified investor returns. Yet Modern Portfolio Theory (MPT) provides no tools for investors to mitigate it. This is what the authors term "the MPT paradox."

Diversified investors therefore have an incentive to support structural reforms—including broad-based ownership and stakeholder governance—that reduce the macro-financial risks of vast economic inequality. Even where those reforms may modestly dilute the ownership level of any individual company, the alignment of stakeholder incentives within companies has the potential to result in strengthened performance in ways that can offset dilution.[50] Research on employee ownership demonstrates that when coupled with an ownership culture at a firm, the alignment of incentives between workers, management, and investors is associated with improved performance. Further, reforms across firms can lead to a stronger economy overall, and thus more robust financial portfolio performance.

Norges Bank Investment Management (NBIM), the manager of Norway's Government Pension Fund Global, has begun signaling support for employee ownership.[51] The private equity firm, KKR, launched a non-profit, Ownership Works, to advance employee ownership models that has gained traction with other large investors. The Railpen-led Workforce Directors Coalition which advocates for worker voice on corporate boards represents parallel investor-led mobilization on stakeholder governance and includes US investors such as Federated Hermes. PDI co-founded the Taskforce on Inequality and Social-related Financial Disclosures (TISFD) precisely to help institutional investors understand and act on inequality-related macro-financial risks systematically. The organization includes leadership on the Steering Committee and members of its Alliance from a number of diversified institutional investors globally. The rise of investor interest in these initiatives demonstrates that diversified investors increasingly see the incentives and the peer signals to support structural reform.

If enough diversified investors support broad-based ownership, companies can have needed support to consider reform. And if policy makers and regulators see that a material threshold of companies and investors are supportive of these approaches, along with broader worker, community, and consumer constituencies, then they will be well-positioned to advance policy and regulatory reform that levels the playing field, thereby closing the gap on collective action barriers. Their support shifts the political and corporate landscape in which individual companies make decisions.

2.3 Risks to Companies (Including AI Companies)

Companies face several interrelated risks. The first is a consumption paradox at the firm level: if all major employers simultaneously automate without income replacement for displaced workers, the

[50] Companies need not always issue new shares to fund BEC contributions. Treasury shares from existing buyback programs can be reallocated; market repurchases can be redirected from open-market reduction to Trust contribution; existing equity compensation pools can be expanded to broader stakeholder categories. For mature companies with active buyback programs, redirecting even a portion of buybacks toward broad-based ownership is a non-dilutive way to fund the framework while delivering many of the same shareholder benefits buybacks claim. Of course, potential dilution ultimately depends on the percent of equity allocated to stakeholders and how that is structured.

[51] Tangen, N., Smith Ihenacho, C., & Nanda, S. (2026, April 16). *Why employee share ownership matters for long-term value creation*. Norges Bank Investment Management. https://www.nbim.no/en/news-and-insights/our-views/2026/why-employee-share-ownership-matters-for-long-term-value-creation/

consumption collapse modeled in Part I potentially destroys much of the revenue base on which those same employers depend. Yet each individual company that automates gains a cost advantage over competitors that do not. This creates a collective action problem and classic Prisoner's Dilemma.

The second, sharper for AI companies specifically, is the AI revenue reflexivity trap identified in Part I. AI industry revenues come from enterprise software, consumer subscriptions, and advertising—though cloud infrastructure and compute services represent a significant additional channel. Each of these channels is vulnerable to the consumption contraction that displacement produces. Enterprise software demand depends on customer companies' health. Consumer subscriptions depend on household budgets. Advertising depends on consumer spending. After applying scenario-dependent reflexivity haircuts, AI industry revenues could decline materially across the scenarios in Part I.

This means AI companies have a direct financial interest in maintaining the consumer purchasing power of the workers whose labor their products risk displacing. The reflexive implication is the strongest argument for cooperation: the case that AI companies should support broad-based equity sharing is not a moral case but an economic one rooted in the companies' own revenue prospects.

There is also a near-term pricing question worth noting. AI companies are currently offering services at low prices that, given their capex spending, are unlikely to persist. If prices rise to cover the true current cost of compute (and if advances in AI capex do not result in lower costs in the near or long-term), access to AI may become problematic for small-and-medium-sized-enterprises (SMEs) without VC backing. SMEs unable to access AI but competing with larger, AI-enabled firms will face additional pressure to keep human labor costs low—reinforcing the fissured workplace and market concentration dynamics. Reformed corporate governance with consumer and SME representation could shape pricing decisions in ways that mitigate this dynamic.

For companies adopting AI—whether or not it eliminates jobs, AI adoption only delivers durable productivity gains when workers actually use the tools well, identify failure modes, and integrate AI into their workflows. Companies that share upside with the workers doing this integration get better adoption, less internal resistance, and more honest reporting of where AI is and isn't working. Such sandbagging, as well as "tokenmaxxing," or AI adoption driven by procurement metrics rather than productivity—wastes capex and produces brittle workflows. Equity alignment converts AI deployment from a top-down mandate into a shared project.

For companies in industries with displacement exposure, proactive predistributive arrangements reduce three categories of risk simultaneously: (i) reputational and regulatory risk as displacement becomes visible; (ii) social license risk amongst workers and communities (e.g., communities hosting facilities or content creators); and (iii) the consumption-side revenue risk identified in Part I's reflexivity analysis. Acting pre-crisis costs materially less than reacting post-crisis, when the bargaining position of workers, communities, and regulators is far stronger.

2.4 Economic and Safety Risks to Society

A distinct category of risk concerns AI safety. The risk here is not simply about technical alignment, but also the institutional structures through which safety priorities are set, trade-offs evaluated, and deployment decisions made.

A growing body of research has examined the risk of cognitive homogeneity in AI development: AI models trained on similar data, by similar teams, for similar enterprise customers, with similar safety frameworks, may converge on similar blind spots and similar failure modes.[52] But this technical homogeneity reflects a deeper governance homogeneity. AI development priorities are set by corporate strategy, which is overseen by executives and the board of directors that are often distant from the workers, users, and communities their products affect.

As previously noted, this distance has resulted in products, services, working conditions, and project sitings and design that often conflict with what stakeholders actually seek and need. And because of imbalanced power dynamics and size, those stakeholders often lack effective channels to surface concerns, whether through freedom of association and collective bargaining, effective corporate grievance mechanisms, or even regulatory processes. The result is that the blind spots embedded in AI systems are not merely technical; they are governance failures. This could lead to AI systems working less well for societal systems, which are complex in nature. Risks that would otherwise be identified by stakeholders which remain overlooked go unidentified until they manifest at scale.

In this paper, we review how AI companies have sought to address this, where these solutions have fallen short, and how more representative corporate governance could avoid safety and cognitive risks from manifesting, not by replacing technical safety research but by complementing it.

2.4.1 Risks to Communities Hosting Infrastructure

Communities hosting data centers, computing facilities, power generation, mining operations, water sources and utilities, factories, and other capital-intensive AI infrastructure bear real costs—environmental impact, water and energy consumption, noise, traffic, land use, and strain on public services, and physical safety risks—while economic returns flow primarily to distant shareholders. There has been rising community pushback in places like Northern Virginia's Loudoun County and parts of Georgia, with some localities tightening permitting requirements and a wave of proposed moratoria spreading across state legislatures in 2026.[53]

[52] Bommasani, R., Creel, K., Kumar, A., Jurafsky, D., & Liang, P. (2022). *Picking on the same person: Does algorithmic monoculture lead to outcome homogenization?* arXiv:2211.13972. https://arxiv.org/abs/2211.13972

[53] Data Center Watch. (2025). *$64 billion of data center projects have been blocked or delayed amid local opposition*. https://www.datacenterwatch.org/report. Loudoun County, Virginia. (2025). *Data center standards & locations*. https://www.loudoun.gov/5990/Data-Center-Standards-Locations. Good Jobs First. (2026). *Data center moratorium bills are spreading in 2026*. https://goodjobsfirst.org/data-center-moratorium-bills-are-spreading-in-2026/

Communities provide physical space, natural resources, public infrastructure, and social license for AI deployment. They are, in a meaningful sense, providers of capital—natural, social, and infrastructure capital—without which the projects cannot proceed. They take on real risk and create real value. But existing institutional structures—community benefit agreements (CBAs), local hiring requirements, environmental mitigation commitments—capture only a fraction of the value they enable and rarely include any form of equity participation or governance voice.

2.4.2 Risks to Content Creators

Artists, musicians, writers, journalists, photographers, and other content creators face a distinctive and compounding risk. Their existing work has been used—in most cases without consent or compensation—to train generative AI systems that now produce outputs in direct competition with them. The economic value of this contribution is reflected in the market capitalizations of AI companies—measured in the hundreds of billions—while creators have received little to no direct compensation. Copyright lawsuits are proliferating, but litigation is slow, uncertain, and benefits primarily those with resources to pursue it, leaving most individual creators without effective recourse.

The competitive threat compounds the compensation problem: the same systems trained on creators' work are now used by platforms, publishers, and consumers as substitutes for commissioning original work, directly eroding the market for human-generated content. Creators are thus doubly exposed: as involuntary contributors to AI training pipelines, and as workers whose output markets are being displaced by the systems built on their contributions.

Structurally, creators are providers of intellectual and creative capital without which the most consequential AI products would not function as well. The structural question is the same as for workers and communities: does compensation flow to those who create value and bear risk, or only to those who hold financial capital?

2.4.3 Risks to Government

Research consistently demonstrates that economic inequality translates into political inequality: those with greater wealth participate more in politics, donate more to campaigns, lobby more effectively, and shape policy more directly.[54] This is not a hypothetical concern but a documented dynamic.

The concern is reflexive: as economic concentration increases, political influence concentrates correspondingly, which in turn shapes the rules of the economy in ways that reinforce concentration. AI's potential to dramatically amplify the productivity of capital relative to labor risks accelerating this dynamic

[54] Page, B. I., Bartels, L. M., & Seawright, J. (2013). Democracy and the policy preferences of wealthy Americans. *Perspectives on Politics, 11*(1), 51–73. https://faculty.wcas.northwestern.edu/jnd260/cab/CAB2012%20-%20Page1.pdf; Gilens, M. (2012). *Affluence and influence: Economic inequality and political power in America*. Princeton University Press; Hacker, J. S., & Pierson, P. (2010). *Winner-take-all politics: How Washington made the rich richer—and turned its back on the middle class*. Simon & Schuster.

past a tipping point—at which democratic institutions lose the capacity to check concentrated economic power.

Distributing ownership and governance voice broadly creates a counterweight. Millions of citizens with ownership stakes, governance experience, and financial independence are a more robust foundation for democratic governance than millions of citizens dependent on transfers from an increasingly powerful elite. This argument transcends political partisanship. It is a rising structural concern held across the political spectrum. Democracies are healthier when economic power is more broadly distributed, and the mechanisms for distributing it must work with the grain of how value is currently being created in the economy. Showing the American public that the economy works for them can help restore trust in both the private and public sectors.

3 Existing Proposals: Merits and Shortcomings

A range of policy proposals and institutional models address aspects of the AI displacement and governance challenge. This section reviews the major concepts, including:

- governance models piloted and proposed by AI companies and impact investors; and,
- proposals to narrow the consumption gap including Universal Basic Income (UBI), Sovereign Wealth Funds, AI revenue taxes, employee ownership models (ESOPs, cooperatives, Employee Ownership Trusts), and community benefit agreements.

Each has genuine merits, and several may form complementary parts of a broader system. For each proposal, we discuss both economic and governance considerations. We then discuss the potential for broadened equity-linked compensation and corporate governance programs to fill gaps where identified.

3.1 Governance Models Piloted by AI Companies

OpenAI. OpenAI's original nonprofit / capped-profit structure was designed to constrain shareholder capture by placing the for-profit subsidiary under a nonprofit board with explicit mission obligations. The subsequent reversal and restructuring debates illustrate how a small board can be vulnerable when capital, talent, and product roadmap pressures align against it. The episode suggests that mission-anchored governance structured by a limited set of corporate stakeholders and their immediate networks is structurally fragile.

Anthropic. Anthropic's Long-Term Benefit Trust holds a class of shares enabling it to elect a majority of board seats over time, with trustees selected to represent the long-term interests of humanity rather than shareholders or employees. The structure goes further than OpenAI's in placing decision rights with a body insulated from shareholder selection—but the trustees themselves are a small group drawn from a narrow professional pool. Even when corporate leadership identifies potential board members who they believe are well suited to care for public interests, the very identification of those directors is informed by worldviews, theories of change, incentives, and perspectives that are not grounded in the realities of workers', communities', and consumers' lives.

A more representative board composition—including workers who interact with the products, consumer safety specialists, and representatives of communities affected by AI deployment—would strengthen the approach. Notably, recent friction between the US Department of War and Anthropic over deployment terms is the kind of dispute that a more representative board might have been in a better position to de-risk, because the resulting position would have been grounded in the support of the American people, which would be more difficult for the American government to legitimately oppose.

Other models. xAI, DeepMind (within Alphabet), Meta's open-source release approach, and Mistral represent different points on the spectrum from market-driven to mission-anchored governance. The diversity itself suggests the field is still learning. The pattern we draw out is that governance structures built around a narrow class of principals—even principals with the best of intentions—are structurally vulnerable to the same blind spots, capture risks, and homogeneity problems of traditional boards and governance models.

3.2 Universal Basic Income[55]

UBI proposals share a core idea: every citizen, or every adult, receives a regular cash payment unconditionally. Variants range from modest supplements ($500–1,000/month) to full income replacement for displaced workers. Funding mechanisms vary accordingly. Andrew Yang's "Freedom Dividend" proposed giving every American adult $1,000 per month, funded primarily through a 10% value-added tax on goods and services.[56] A more recent and targeted variant is New York Assemblymember Alex Bores' "AI Dividend," announced in April 2026, which would deliver direct payments to Americans specifically when preset labor market indicators—sustained declines in labor force participation, wage compression in affected sectors, or sharp AI-driven productivity gains without corresponding employment growth—signal large-scale displacement. Rather than a universal payment, the Bores proposal would activate only when preset labor market indicators signal large-scale displacement; funding would come from a combination of a modest tax on AI consumption, equity stakes in frontier AI firms, and tax code reforms designed to reduce incentives to invest in AI when it displaces workers.[57] Anthropic CEO Dario Amodei has separately called for progressive taxation on AI gains as a displacement relief mechanism, including taxation targeted specifically at AI companies, and has floated a "token tax" of 3% on revenues generated each time an AI model is used, to be redistributed by government.[58]

[55] A variant worth distinguishing is targeted UBI—guaranteed income directed specifically at AI-displaced workers rather than delivered universally. Targeted UBI concentrates fiscal resources where displacement loss is most acute and avoids distorting work incentives for workers not yet affected. Its weaknesses are also real: it requires defining and verifying "AI-displacement," a contested designation since most displacement is multifactorial; it creates eligibility cliffs; and it risks stigmatizing recipients in ways that universal UBI does not.

Targeted UBI should also be distinguished from a reformed unemployment insurance (UI) program funded through AI revenues—a structurally different instrument in two important respects. First, UI is conditional on prior work history and active job search; targeted UBI generally is not. Second, UI is time-limited and oriented toward bridging a transition, while targeted UBI is typically framed as an ongoing income floor for structurally displaced workers. Both are legitimate policy tools, and the choice between them depends on the policy goal: if AI displacement is cyclical or transitional, an extended and AI-revenue-funded UI system is the appropriate instrument; if displacement is structural and permanent, something closer to targeted UBI becomes necessary. Neither replaces the predistributive ownership reforms we propose—UI extended through AI revenues is a near-term transition mechanism; broad-based ownership is the durable structural answer.

[56] Andrew Yang, "The Freedom Dividend, Defined," Yang2020 Campaign, https://2020.yang2020.com/what-is-freedom-dividend-faq/.
[57] Erin Doherty, "Exclusive: Alex Bores Rolls Out 'AI Dividend' Plan to Share AI Wealth," Axios, April 20, 2026, https://www.axios.com/2026/04/20/alex-bores-ai-dividend-plan-wealth.
[58] Jim VandeHei and Mike Allen, "Behind the Curtain: A White-Collar Bloodbath," Axios, May 28, 2025, https://www.axios.com/2025/05/28/ai-jobs-white-collar-unemployment-anthropic. Amodei described the 3% token tax as an illustrative idea rather than a fully developed policy proposal. For his broader argument on progressive taxation of AI gains, see also Dario Amodei, "The Adolescence of Technology," January 2026, https://www.darioamodei.com/essay/the-adolescence-of-technology.

Merits. UBI has real strengths. It is universal, does not require a means test, does not stigmatize recipients, and it is administratively simple compared to the patchwork of targeted programs it could partially replace. Pilot studies in Stockton, California, Finland, and elsewhere have shown that recipients use the funds responsibly and report improvements in mental health, financial security, and ability to pursue education or entrepreneurship.[59] Under the displacement scenarios modeled in Part I, UBI also functions as an automatic stabilizer: by sustaining household income and consumption, it partially offsets the demand contraction that drives the macro-financial risks we quantify. As a component of a broader social safety net, UBI is a serious idea that deserves consideration.

Fiscal scale*.* In our Part I tax revenue modeling, pure income replacement for incrementally displaced workers (beyond a benchmark 4.4% unemployment rate) at the BLS mean annual wage of $67,920 costs $0 in the Light scenario (which produces no net job losses), $602.5 billion in the Moderate scenario, $1.1 trillion in the High scenario, and $1.7 trillion in the Aggressive scenario annually. If replacement is extended to cover the income loss of gig-transitioned workers as well, the annual cost rises to $161 billion (Light), $745 billion (Moderate), $1.3 trillion (High), and $1.8 trillion (Aggressive) in lost income. This comes precisely as federal revenue is at risk of declining by $137 billion to $903 billion annually under the same scenarios. Layering a program of this scale onto a fiscal base that is itself under pressure from displacement-driven consumption contraction raises serious questions about net fiscal sustainability—though the direction and magnitude of the net effect depends on the level of displacement, the multiplier on UBI-supported consumption, and the structure of the funding mechanism. These interactions require careful modeling before strong conclusions can be drawn.

Funding mechanism design. The Bores proposal—funding UBI through a consumption tax on AI services—has additional complications. Consumption taxes can be regressive in their incidence, and taxing AI services risks reducing access for SMEs and lower-income individuals at the margin of affordability, potentially deepening rather than relieving the SME competitiveness concern noted previously. We do not dismiss the proposal; we note that the design of the funding mechanism is consequential and that consumption-based AI taxes face nontrivial design challenges.

Expert assessment. A recent NBER survey of academic economists, AI industry professionals, and superforecasters found that UBI drew the second-highest opposition rate of any policy tested. Economists projected zero impact on GDP growth under both baseline and rapid-AI scenarios, and forecast a net reduction in labor force participation—the only policy in the survey with a negative employment effect—consistent with longstanding concerns about labor supply disincentives. Support among economists was

[59] Castro, A., & West, S. (2023). Impact of guaranteed income on health, finances, and agency: Findings from the Stockton randomized controlled trial. *Journal of Urban Health, 100*(3), 480–492. https://pmc.ncbi.nlm.nih.gov/articles/PMC10160253/; Kangas, O., Jauhiainen, S., Simanainen, M., & Ylikännö, M. (2020). *Results of Finland's basic income experiment: Small employment effects, better perceived economic security and mental wellbeing*. Ministry of Social Affairs and Health of Finland. https://stm.fi/en/-/perustulokokeilun-tulokset-tyollisyysvaikutukset-vahaisia-toimeentulo-ja-psyykkinen-terveys-koettiin-paremmaksi

37.4%, compared to 47.9% among the general public, reflecting a persistent gap between expert and popular assessments of the policy.[60]

Power, dignity, and structural adequacy. This is the deeper structural concern. A UBI in which everyone receives the same flat payment, while AI capital owners capture exponentially growing returns, leaves the underlying wealth and decision-making asymmetry unaddressed. The amount of the payment is set by political processes that—under status quo structures—themselves are influenced by wealth and power. A population that owns nothing structurally and depends on government transfers for income has limited political leverage to maintain those transfers particularly when those with concentrated wealth shape the platforms, media, and policy environment in which the transfers are debated.

Research from NBER and others has documented that excessive focus on redistributive rather than predistributive approaches has contributed to political realignment, particularly the loss of working-class support for redistributive parties.[61] A *Nation* article and adjacent analyses suggest that working-class Americans themselves often prefer "a hand up" to "a handout"—preferring ownership, agency, and opportunity to dependency.[62] A European study cited in policy literature finds that combining predistribution with redistribution outperforms redistribution alone.[63] The point is not that UBI is wrong; it is that UBI alone, without structural ownership reform, leaves the underlying trajectory essentially intact while adding a transfer payment layered on a weakening fiscal base.

Independently, decades of social science suggests that meaningful work and economic agency contribute to wellbeing in ways that consumption alone does not.[64] A society in which most people have no productive role they value risks erosions in social fabric beyond the strictly economic.

Effects on capitalism and meaning. If UBI becomes the primary income for a large share of the population while a small share captures the returns from capital, an additional concern arises: if a majority of people receive a similar baseline income with limited ownership stake in the economy's productive assets, the dynamic incentives that drive market capitalism—to create, build, take risks, accumulate—are altered in ways that are difficult to predict. If most of the population receives a similar payout, then markets may lose diversity and dynamism that cause them to function in the first place.

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[60] Ezra Karger et al., "Forecasting the Economic Effects of AI," NBER Working Paper No. 35046, April 2026, https://www.nber.org/papers/w35046.

[61] Abramson, S., Cohen, I., & Weaver, V. (2023). *Compensate the losers? Economic policy and the origins of U.S. partisan realignment* (NBER Working Paper No. 31794). National Bureau of Economic Research. https://www.nber.org/papers/w31794

[62] Meyerson, H., & Chávez, M. (2024, July 23). Working-class Americans prefer a "hand up" to a "handout." *The Nation*. https://www.thenation.com/article/politics/working-class-democrats-predistribution-welfare/

[63] Blanchet, T., Chancel, L., & Gethin, A. (2022). Why is Europe more equal than the United States? *American Economic Journal: Applied Economics, 14*(4), 480–518. https://wid.world/www-site/uploads/2020/10/WorldInequalityLab_WP2020_19_Europe-1.pdf

[64] Jahoda, M. (1982). *Employment and unemployment: A social-psychological analysis*. Cambridge University Press; Paul, K. I., & Batinic, B. (2010). The need for work: Jahoda's latent functions of employment in a representative sample of the German population. *Journal of Organizational Behavior, 31*(1), 45–64. https://onlinelibrary.wiley.com/doi/10.1002/job.622; Ryan, R. M., & Deci, E. L. (2017). *Self-determination theory: Basic psychological needs in motivation, development, and wellness*. Guilford Press. https://www.guilford.com/books/Self-Determination-Theory/Ryan-Deci/9781462528769

3.3 Sovereign Wealth Funds

SWFs invest pooled public capital in equities, bonds, real estate, and other assets, distributing returns to citizens or to specific public purposes. Alaska's Permanent Fund distributes state oil revenue to all Alaska residents. Norway is similarly reputable for its SWF. Proposals for US SWFs investing in AI companies on behalf of the public have appeared from a range of policy thinkers.[65]

Merits. SWFs are a serious institutional form with real precedent. Alaska and Norway demonstrate that resource-derived wealth can be invested broadly, professionally managed, and distributed to citizens in ways that command durable political support. A national US SWF investing in AI companies could capture returns that would otherwise flow narrowly. PDI is not opposed to SWFs and sees a legitimate role for well-governed SWFs as part of a broader system.

Shortcomings. The concerns with a centralized SWF as the *primary* mechanism for sharing AI's returns are mostly structural. A trillion-dollar centralized fund creates a single point of capture, failure, and political vulnerability. Its design and management would inevitably be shaped by those with the resources to influence the design—Wall Street firms managing the assets, corporate lobbyists shaping the investment mandate, political dynamics shaping distribution. A fund of that scale trading in public equities could distort price discovery and concentrate voting power in a single institutional actor.

Furthermore, relying on a SWF alone would result in the same distributional shortcomings of UBI, since distributions from the SWF would essentially be a form of UBI. Households would not hold assets directly and have agency in determining how to invest and allocate those assets.

None of this is an argument against SWFs; it is an argument for combining them with more distributed forms of ownership, so that the system is not dependent on the centralized fund and uniform payouts alone.

3.4 AI Revenue Tax

As mentioned, Anthropic CEO Dario Amodei has proposed a 3% tax on AI company revenues. The proposal is constructive in acknowledging that the AI industry bears responsibility for the displacement effects to which it contributes.

Merits. The proposal is straightforward, modest in scale relative to AI company revenues, and politically more digestible than larger taxes. It signals that the industry is willing to share in the cost of transition.

[65] Bruenig, M. (2018). *Social wealth fund for America*. People's Policy Project. https://www.peoplespolicyproject.org/projects/social-wealth-fund/; Convergence Analysis. (2025). *Lead, own, share: Sovereign wealth funds for transformative AI*. https://www.convergenceanalysis.org/fellowships/economics/lead-own-share-sovereign-wealth-funds-for-transformative-ai; OpenAI. (2026, April). *Built to benefit everyone: Industrial policy for the intelligence age*. https://openai.com/index/industrial-policy-for-the-intellence-age

Shortcomings. The yield is small relative to need. AI industry revenue projections for 2025 range from $255 billion to $758 billion depending on definitional scope, with most major research firms clustering around $300-400 billion;[66] Anthropic CEO Dario Amodei has projected the broader industry could reach $3 trillion in annual revenue in coming years.[67] A 3% tax on these revenues would generate between $15–90 billion per year. Against the consumption gap modeled in Part I of these series— ranging from $256 billion to $2.8 trillion—this covers at most 35% of the gap in the most favorable case and as little as 0.53% in the most severe.

The proposal is also subject to the AI revenue reflexivity trap described in Part I. If displacement suppresses consumer spending, enterprise and advertising revenues contract, shrinking the AI tax base at the moment revenue is most needed. This reflexive logic is, however, the strongest argument for cooperation between AI companies and the rest of the economy: AI companies have a direct financial interest in maintaining consumer purchasing power, and a 3% tax is one of several mechanisms—alongside broad-based ownership, which we argue is the more durable mechanism—through which they can act on that interest.

3.5 Employee Ownership Models: ESOPs, Cooperatives, and Employee Ownership Trusts

The US has several mature institutional forms for employee ownership.

Employee Stock Ownership Plans (ESOPs). Approximately 6,600 ESOPs hold over $2.1 trillion in assets, covering roughly 15 million participants.[68] Research consistently demonstrates that ESOP companies with strong ownership cultures have higher productivity, lower turnover, greater resilience during downturns, and better retirement outcomes.[69] ESOP participants have approximately 2.5 times the retirement assets of comparable non-ESOP workers.[70] Well-known examples include Publix Super Markets (over 260,000 employees and $62 billion in revenue), [71] W. L. Gore & Associates (approximately 13,000 employees and

[66] Statista, "Artificial Intelligence—Worldwide Market Forecast," https://www.statista.com/topics/3104/artificial-intelligence-ai-worldwide/; Precedence Research, "Artificial Intelligence Market Size, 2025–2035," https://www.precedenceresearch.com/artificial-intelligence-market; Grand View Research, "Artificial Intelligence Market Size & Trends Report, 2033," https://www.grandviewresearch.com/industry-analysis/artificial-intelligence-ai-market; MarketsandMarkets, "Artificial Intelligence Market Report, 2025–2032," https://www.marketsandmarkets.com/Market-Reports/artificial-intelligence-market-74851580.html; Fortune Business Insights, "Artificial Intelligence Market Size & Growth, 2034," https://www.fortunebusinessinsights.com/industry-reports/artificial-intelligence-market-100114

[67] Fortune, "Anthropic CEO Dario Amodei Explains His Spending Caution," February 14, 2026, https://fortune.com/2026/02/14/anthropic-ceo-dario-amodei-spending-capex-risk-ai-revenue-forecasts-bankruptcy/

[68] National Center for Employee Ownership (NCEO), "Employee Ownership by the Numbers," accessed May 2026, https://www.nceo.org/research/employee-ownership-by-the-numbers

[69] National Center for Employee Ownership (NCEO), *S Corporation ESOPs: Advantages in an Uncertain Economy* (Oakland, CA: NCEO, 2023), https://www.nceo.org/hubfs/NCEO%20Research%20Report%20-%20S%20Corporation%20ESOPs%20Advantages%20in%20an%20Uncertain%20Economy.pdf

[70] Kruse, D., & Blasi, J. (2024). *Federal data/datasets on employee share ownership*. Rutgers University Institute for the Study of Employee Ownership and Profit Sharing. https://smlr.rutgers.edu/sites/default/files/Documents/Centers/Institute_Employee_Ownership/ResearchBriefs/7-25-24_FederalDatasets_EmployeeShareOwnership.pdf

[71] Publix Super Markets, "Facts & Figures," corporate.publix.com, accessed May 2026, https://corporate.publix.com/about-publix/company-overview/facts-figures

$5 billion in revenue),[72] and Procter & Gamble, which has had evolving forms of employee ownership and profit sharing since 1887, illustrating that broad-based ownership in major US employers is not a recent experiment.[73]

Cooperatives. Worker, consumer, and producer cooperatives are owned and generally governed democratically by their members. The US cooperative sector includes organizations like Mondragon-style worker cooperatives, agricultural cooperatives, and retail cooperatives, with a long history of stakeholder ownership and governance.[74] Well-known examples include REI (consumer cooperative), Ace Hardware (retailer-owned cooperative), Dairy Farmers of America (producer cooperative), and Land O'Lakes (producer cooperative), spanning consumer, retailer, and agricultural producer cooperative models.

Employee Ownership Trusts (EOTs). Unlike ESOPs, EOTs do not distribute shares or their cash value to individual employees; instead, a trust acquires and holds a controlling stake in the company on a permanent or long-term basis for the benefit of the entire workforce, with employees benefiting primarily through profit-sharing distributions rather than individual share accounts.[75] The model is more developed in the UK than in the US—where it was formally codified in legislation in 2014 and is now the country's dominant form of employee ownership— but is gaining attention in the US as a vehicle for succession planning that maintains employee ownership in perpetuity.[76] The most prominent example is the John Lewis Partnership (UK), employee trust-owned since 1950, whose employees share in annual profits and hold certain voting rights.[77] In the US, the model remains nascent but is gaining traction; Mētis Construction (Seattle) became one of the first US companies to formally transition to an EOT structure in 2015.[78]

Merits. All three models have substantial merit. Each demonstrates that broad-based ownership is compatible with operational success. Each has decades of empirical evidence and operational experience to draw on. PDI's framework builds on these models rather than replacing them.

All three share related limitations:

[72] National Center for Employee Ownership (NCEO), "What Is an ESOP?," esop.org, accessed May 2026, https://www.esop.org/

[73] The Procter & Gamble Company, *Amended Articles of Incorporation*, Article Fourth, §1(f)–(g) and Appendices A–B (Series A and Series B ESOP Convertible Class A Preferred Stock), Cincinnati: The Procter & Gamble Company, accessed May 31, 2026, https://us.pg.com/structure-and-governance/articles-of-incorporation/

[74] Deller, S., Hoyt, A., Hueth, B., & Sundaram-Stukel, R. (2009). *Research on the economic impact of cooperatives*. University of Wisconsin Center for Cooperatives. https://reic.uwcc.wisc.edu/issues/; Democracy at Work Institute & U.S. Federation of Worker Cooperatives. (2025). *2025 Worker cooperative state of the sector*. https://www.usworker.coop/census/

[75] National Center for Employee Ownership (NCEO), "Employee Ownership Trusts vs. ESOPs for Business Transition," esop.org, accessed May 2026, https://www.esop.org/articles/esops-vs-employee-ownership-trusts-business-transition.php

[76] Nuttall, G. (2012). *Sharing success: The Nuttall Review of employee ownership*. Department for Business, Innovation and Skills, UK Government. https://assets.publishing.service.gov.uk/media/5a79ab1b40f0b63d72fc7918/12-933-sharing-success-nuttall-review-employee-ownership.pdf; Pendleton, A., & Robinson, A. (2025). Employee ownership trusts: An employee ownership success story. *Economic and Industrial Democracy*. https://www.tandfonline.com/doi/full/10.1080/02692171.2025.2475136

[77] John Lewis Partnership, "The History of the Partnership," jlpjobs.com, accessed May 2026, https://www.jlpjobs.com/blog/the-history-of-the-partnership/

[78] North Central Employee Ownership Center, "Employee Ownership through Perpetual Trusts: Case Study," August 2020, accessed May 31, 2026, https://nceoc.org/wp-content/uploads/2020/08/Perpetual-Trust-Case-Study.pdf and https://www.metisconstructioninc.com/about/

Company-specific risk. Participants typically hold equity in a single employer. If the employer fails—as many companies may during a period of rapid disruption—the participant loses both their job and their savings. The Global Financial Crisis (GFC) experience of employees holding employer stock through retirement plans is a reminder of how concentrated this risk can be.

Narrow stakeholder scope. ESOP and EOT models cover formal employees, not contractors, gig workers, communities, or content creators. The fissured workplace has put a growing share of the workforce outside the boundary of formal employment, and these models do not reach them, although there is potential for cooperative and perhaps EOT models to fill this gap. Often, cooperative structures are also designed to center the interests of a particular stakeholder group, which might be consumers if the co-op is a member-based versus worker-based structure. Centering only one kind of stakeholder in corporate governance can result in negative externalities being pushed onto other stakeholders.

Governance limitations. Most ESOPs do not by default provide meaningful governance participation; participants are often passive beneficiaries rather than active governors. Cooperatives are—on paper—stronger on this dimension, but have not scaled at the rate needed. When they do, some US models have demonstrated a deterioration in member engagement and mission-aligned corporate culture. EOTs sometimes structure in stakeholder governance mechanisms and have stronger protections to avoid a sale of the company to an acquirer. However, purpose trust aspects of the model may in some cases be too rigid or be shaped by a narrow set of perspectives of those structuring the trust that do not align with other stakeholders in the near or longer-term (particularly as context evolves).

Limitations relating to narrowing economic inequality. ESOPs are technically retirement plans. With economic inequality as high as it is, and with potential to grow, asking employees to wait for returns until retirement limits their ability to thrive and prosper in their younger years. While EOTs may offer profits, they do not currently include internal capital accounts for each employee to benefit from potential capital appreciation. Cooperatives are an attractive model, but may require cash outlays to pay for shares, and few have scaled.

These limitations do not invalidate existing models. They suggest that scaling broad-based ownership for the AI moment requires extending and complementing them—covering more stakeholders, providing diversification (including across income and capital appreciation), and embedding governance voice that considers various stakeholder groups.

3.6 Community Benefit Agreements and Resource Royalty Models

Existing approaches to community sharing of value from infrastructure projects include CBAs, permit conditions requiring local hiring or environmental mitigation, host community fees, and royalty arrangements on natural resource extraction.

Merits. CBAs have a track record in the US of capturing some share of value for host communities. The following examples demonstrate existing approaches to sharing value from infrastructure projects with local communities.

- The 2001 L.A. Live and Staples Center CBAs in Los Angeles secured a combined $2 million for community programs, parks, and recreation—along with local hiring and job training programs ensuring that the community received benefits from the construction of these major sports and entertainment complexes.[79]
- The 2008 Hunters Point Shipyard/Candlestick Point CBA in San Francisco secured $27 million for a community housing fund, designating at least 25% of units as affordable, $8.5 million for workforce development and job training programs, all tied to a large-scale redevelopment project.[80]
- The 2015 Milwaukee Bucks Arena CBA with Alliance for Good Jobs commits to a living wage floor, targeted local hiring, and labor & union protections and touted as "first-of-its-kind" for the city. [81]

These examples illustrate how CBAs have been used as a tool to share value generated by infrastructure projects with local communities. The PDI framework draws on these existing models to empower households via direct equity participation and governance voice.

Shortcomings. Existing CBAs typically deliver payments and operational commitments—local hiring targets, affordable housing set-asides, environmental mitigation, community facility commitments—rather than ongoing equity participation. They typically capture value at the time of negotiation but do not participate in appreciation as the underlying enterprise grows. The commitments are sometimes upfront, but like tax incentives, may not always be fulfilled.

The revenue royalty variant is more nuanced. A percentage of revenue does provide upside participation: the royalty stream grows as revenue expands. However, royalties do not capture the full spectrum of value creation that equity provides. A significant portion of wealth creation occurs not through revenue growth alone but through margin expansion, balance sheet appreciation, and multiple expansion. These gains flow to equity holders. Conversely, equity is also subject to potential multiple compression and operating margin deterioration in ways that a revenue royalty is not, meaning the relative value of each

[79] "CBAs in Action." Healthy Communities by Design Network. Accessed April 13, 2023. https://hcbn.ca/cbas-in-action; Gross, J., LeRoy, G., & Janis-Aparicio, M. (2005). Community benefits agreements: Making development projects accountable. Good Jobs First. https://www.goodjobsfirst.org/sites/default/files/docs/pdf/cba2005final.pdf

[80] Baxamusa, Murtaza. "Raising the Bar: The Hunters Point Shipyard and Candlestick Point Development Community Benefits Agreement." UC Berkeley Center for Labor Research and Education. Last modified June 1, 2008. https://laborcenter.berkeley.edu/raising-the-bar-the-hunters-point-shipyard-and-candlestick-point-development-community-benefits-agreement/

[81] "Agreement Between Milwaukee Bucks LLC and Alliance for Good Jobs." Columbia Law School Sabin Center for Climate Change Law. Accessed April 13, 2023. https://climate.law.columbia.edu/sites/climate.law.columbia.edu/files/content/CBAs/Agreement-Between-Milwaukee-Bucks-LLC-and-Alliance-for-Good-Jobs-1.pdf; Hess, Corrinne. "Leaders Applaud 'First-of-Its-Kind' Community Benefits Agreement with Milwaukee Bucks." Shepherd Express, May 18, 2016. https://shepherdexpress.com/news/leaders-applaud-first-of-its-kind-community-benefits-agreement-milwaukee-bucks/

instrument is scenario-dependent. The case for equity participation rests on their contribution of human, social, and natural capital alongside the financial capital of investors.

Beyond the financial instrument considerations, CBAs can also suffer from structural enforcement failures that are well documented in practice. The Atlantic Yards development in Brooklyn—one of the most scrutinized CBAs in US history—illustrates the core problems. The 2005 agreement between developer Forest City Ratner and a coalition of community groups promised 2,250 affordable housing units, union construction jobs, and a range of community facilities including dedicated arena use and a public urban room. Two decades later, only 1,374 of the promised affordable units have been built. Further, the independent compliance monitor called for in the agreement was never appointed, workers who completed a pre-apprenticeship training program filed suit alleging they were denied the promised union jobs, and the state ultimately waived over $5 million in penalties owed under a 2014 settlement after the new developer threatened litigation.[82] The pattern—commitments made, enforcement mechanisms absent or unenforced, state authorities deferring to developer threats—is not unique to Atlantic Yards. Similar dynamics have been documented at Yankee Stadium, Columbia University's Manhattanville expansion, and the Bronx Terminal Market.

Furthermore, CBA payments typically flow through intermediary bodies to fund shared projects rather than compensating hosting households directly, meaning the connection between the value created and the residents who bear the costs of hosting is often attenuated. And governance participation—a seat at the table where decisions about the project's future are made—is almost entirely absent from existing CBA structures.

[82] Norman Oder, "Atlantic Yards Now a Prime Example of a Failed Community Benefits Agreement," Atlantic Yards Report, June 2022; Matt Donaghue, "New Development Team Agrees to Pay for Some of Long-Delayed Atlantic Yards Housing Deal," Gothamist, October 10, 2025, https://gothamist.com/news/new-development-team-agrees-to-pay-for-long-delayed-atlantic-yards-housing-deal; "$5.25M in Atlantic Yards Fines Waived After Developer Threatened to Sue," Gothamist, August 2025, https://gothamist.com/news/why-did-ny-waive-525m-in-atlantic-yards-fines-the-developer-threatened-to-sue

4 The Framework: Predistribution and Broadened Corporate Governance Participation

4.1 Why Predistribution? Why Now?

As noted, predistribution refers to fixing the economic system to prevent vast economic inequality in the first place, so that redistribution does not become a widespread societal crutch after the fact. Predistribution helps avoid leaving workers, small business owners, communities, and consumers dependent on handouts and debt. In the predistributive frame, workers participate in capital appreciation through equity stakes in the enterprises that depend on their labor. Communities participate in the value created by infrastructure on their land. Content creators participate in the AI companies built on their work. The mechanisms are structural rather than contingent on the political process for their durability.

We do not present predistribution as a substitute for redistribution in this context or in general. Redistribution—such as taxes and philanthropy—are important to fund government, social infrastructure, physical infrastructure, and emergency situations. In the context of AI, a combination—predistribution as the structural foundation, complemented by targeted redistributive transition support and a well-governed SWF as supplementary mechanisms—is likely the most robust system. The argument for predistribution is that it should be the foundation, not that it should be the only mechanism.

4.2 The Three-Pillar Ownership Structure

We propose three pillars of equity-linked compensation as a starting framework that can be adapted to different stakeholder categories and company contexts. The three-pillar framework is principles-based, not template-based. Different companies and stakeholder groups require different operational expressions of the three pillars.

For workers who remain employed, ensuring living wages (incomes) wherever feasible, freedom of association and collective bargaining, and grievance mechanisms is essential in addition to equity and governance participation. In these cases, Pillar 1 as described below may not be as critical as Pillars 2 and 3. Furthermore, we propose that workers or other stakeholders do not have to pay for their equity. It is compensation for their human, social, and natural capital contributions to value creation.

As context, we originally developed the below model for a proposal to support displaced rideshare drivers of companies rolling out AVs. The concept proposes that for each AV permitted by a city, some percentage of revenue is required to populate a trust, governed in part by drivers and/or displaced drivers. Part III of the *Predistribution AI Lab* discussion paper series outlines the proposal in detail. However, we also summarize key elements here. Revenue contributed to the trust is allocated as per the below.

Pillar 1: Current Income (50% of revenue contribution): Direct cash distributions providing immediate income or supplementation. The form of Pillar 1 varies by company stage:

- For *mature, dividend-paying companies*, Pillar 1 may simply be the dividends from the equity held under Pillar 2.
- For *fast-growing and/or capex-heavy companies* like AV platforms and AI companies that are not yet paying meaningful dividends, Pillar 1 may take the form of revenue-sharing distributions, providing current income before the underlying equity matures into a dividend-paying asset.
- For *very early-stage start-ups* with limited revenue, Pillar 1 may be minimal, with weighting toward Pillars 2 and 3 until profitability is achieved.

Pillar 2: Platform Equity Participation (25% of revenue contribution): Actual equity, phantom equity, or equity-linked instruments giving stakeholders exposure to capital appreciation to narrow the wealth gap. A worker holding even a modest equity stake in an enterprise growing in value participates in that growth in ways that no revenue-sharing or dividend-only arrangement can match. Several pathways to equity participation exist (revenue used to purchase shares up to a cap, direct issuance, convertible instruments, regulatory equity conditions, phantom equity). Any existing employee ownership structure such as an ESOP (with early withdrawal provisions) or EOT should also be considered in customizing plans for companies. We do not advocate for any single pathway as universally correct; the right pathway depends on company stage, ownership structure, stakeholders, and regulatory context.

Pillar 3: Diversified Wealth Accounts (25% of revenue contribution): Individually owned, portable investment accounts modeled on the Thrift Savings Plan (TSP), Australia's superannuation system, or 401(k)/IRA structures in the US. These accounts are owned by the individual, not by a trust or company, and can be rolled into self-directed investment vehicles after an initial holding period. They function as a kind of retirement account, but are designed with the flexibility for hardship-based earlier access without penalty during the AI transition. Their portability is critical: it prevents the trust structure from becoming a vehicle that concentrates financial power over captive capital, preserves individual autonomy, and enables diversified investment that contributes to healthier portfolios and market structure overall. Efforts to advance such accounts are already underway in the US.

Allocation across the three pillars. The allocation of total contributions across the three pillars is itself a design parameter which we originally modeled as a proposal to support displaced rideshare drivers of AV platforms. Other allocations may be more appropriate depending on stakeholder needs and company stage—for example, weighting toward Pillar 1 in early years of displacement when income replacement is most urgent, then shifting toward Pillars 2 and 3 as displacement stabilizes. Specifying the optimal allocation is a question for stakeholder engagement and pilot testing rather than for assertion in this paper.

4.3 Why Equity Specifically—and Why More Than Just Cash

We previously reviewed the macro case for why equity ownership matters versus just cash compensation. Below we recap and provide further rationale.

Valuation multiples. When a profitable company is valued by the market, it is valued not only at the level of its current earnings but at a multiple of those earnings. A company earning $100 million may be valued at $1.5 billion (a 15x multiple) or $3 billion (a 30x multiple) depending on growth expectations and risk perceptions. A worker who shares in current cash earnings receives a portion of the $100 million stream. A worker who holds equity receives the multiple-amplified value. For high-growth companies, the multiple effect is large.

Asset price appreciation versus cash devaluation. As discussed, monetary policy has supported asset prices over recent decades. Cash holdings have lost real purchasing power against asset prices. Holding equity means holding an instrument whose value is supported by these dynamics; holding cash means holding an instrument whose value erodes against them.

Governance rights. In some structures, equity confers governance rights—the ability to vote, to participate in the direction of the enterprise, to be heard. These rights are themselves valuable, both intrinsically and as protection against the dilution of one's economic interest.

Inheritability. Equity is an inheritable asset in ways that revenue-sharing or wage income are not. A predistributive system that builds equity holdings transfers wealth across generations.

Alignment of incentives. Equity aligns the holder's interests with the long-term success of the enterprise. A worker who holds equity in their employer or contractor—and who knows that the employer/contractor's AI deployment decisions affect the value of that equity—has a direct stake in the long-term success of those decisions. This is part of why equity ownership has been associated with higher productivity, lower turnover, and greater resilience in ESOP and cooperative research.[83]

[83] See Joseph R. Blasi, Richard B. Freeman, and Douglas L. Kruse (eds.), *Shared Capitalism at Work* (University of Chicago Press, 2010), https://press.uchicago.edu/ucp/books/book/chicago/S/bo8056093.html; Joseph Blasi, Richard Freeman, and Douglas Kruse, "Do Broad-based Employee Ownership, Profit Sharing and Stock Options Help the Best Firms Do Even Better?," *British Journal of Industrial Relations*, 54(1) (2016), pp. 55–82, https://doi.org/10.1111/bjir.12135; Douglas L. Kruse and Joseph R. Blasi, "Employee Ownership, Employee Attitudes, and Firm Performance," SSRN, 1997, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=225341; National Center for Employee Ownership, *Research Findings on Employee Ownership*, https://www.nceo.org/research/research-findings-on-employee-ownership

4.4 The Role of Diversified Investors and the Path Through the Prisoner's Dilemma

It has been suggested that an individual company that shares equity with workers and other stakeholders may face higher costs than a competitor that does not, putting it at competitive disadvantage. Without coordination, some may argue that the path of least resistance for many companies may be to defect and retain concentrated ownership.[84] This analysis includes a number of assumptions which we challenge:

First, extensive research demonstrates that companies with broad-based ownership across employees and strong ownership cultures are stronger performers.[85] While further research could substantiate including other stakeholder groups in equity-linked compensation models, the sharing of equity has clear implications for alignment of interests across stakeholder groups to achieve strong financial performance. The same logic applies to communities, content creators, and other stakeholder categories. Companies that share equity with the communities hosting their infrastructure benefit from stronger social license, lower permitting friction, and reduced litigation risk. The absence of structural community participation increases project costs.[86] Companies that share equity with content creators whose work trains their AI models reduce copyright litigation risk, build social license for ongoing data access, and improve the quality of voluntary data sharing. The competitive-disadvantage objection assumes that broad-based ownership is purely a cost; in each of these stakeholder dimensions, it is also a risk-reduction and value-creation mechanism.

There are also tax incentives for a number of structures specific to employee ownership which can offset costs and be expanded to other models (with appropriate analysis on tax revenue impacts). Thus, from an idiosyncratic perspective, corporate financial performance may actually improve (depending on the level of dilution and anticipated growth), expanding the proverbial economic pie, even as each share is diluted to a smaller percentage of the pie. PDI and several of our partners continue to pursue research on this topic and additional incentives for companies to reform. It is a topic well suited for further exploration in the Predistribution AI Lab.

Second, many companies may assume that their investors will resist sharing equity ownership with their employees or other stakeholders. However, investors are beginning to understand the idiosyncratic opportunity, mentioned above, and many institutional diversified investors are beginning to consider economic inequality as a material macro-financial risk to their diversified portfolios.

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[84] Brett Hemenway Falk and Gerry Tsoukalas, "The AI Layoff Trap," arXiv:2603.20617, March 2, 2026. Available at: https://arxiv.org/pdf/2603.20617

[85] Ernest H. O'Boyle Jr., Pankaj C. Patel, and Ernest Gonzalez-Mulé, "Employee Ownership and Firm Performance: A Meta-Analysis," *Human Resource Management Journal*, 26(4) (2016), pp. 425–448, https://doi.org/10.1111/1748-8583.12115; Joseph R. Blasi, Richard B. Freeman, Christopher Mackin, and Douglas L. Kruse, "Creating a Bigger Pie? The Effects of Employee Ownership, Profit Sharing, and Stock Options on Workplace Performance," in Douglas L. Kruse, Richard B. Freeman, and Joseph R. Blasi (eds.), *Shared Capitalism at Work* (University of Chicago Press / NBER, 2010), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1231685; National Center for Employee Ownership, *What the Research Says: The Impact of Employee Ownership*, https://www.nceo.org/research/research-findings-on-employee-ownership

[86] Peck, Emily. "How the AI Backlash Could Cost Investors." *Axios*, May 22, 2026. https://www.axios.com/2026/05/22/ai-data-centers-stocks-jobs

A pension fund, endowment, or sovereign wealth fund holding a broadly diversified portfolio cannot diversify away from systemic macro-financial risk. Such an investor benefits when the economy as a whole stabilizes or grows, even if any individual portfolio company sees modest dilution. The CEO of NBIM has signaled support for broad-based ownership and stakeholder governance in recent commentary,[87] particularly in the context of rising inequality. As more diversified investors signal similar support, the calculation for individual companies shifts: the investor base itself supports the structural reform.

A sufficient threshold of diversified institutional investor support is one way to break the Prisoner's Dilemma, ensuring companies who adopt reforms are not penalized in capital markets. Should there be broad support for these reforms across stakeholder groups including investors, companies, workers, communities, and consumers, then policy and regulatory hooks at points of natural leverage (operating permits, deployment licenses) can help level the playing field leading to the third point below.

Third, regulatory hooks at natural points of leverage—operating permits, deployment licenses, infrastructure approvals—provide a complementary mechanism. Where a regulatory chokepoint exists (AV permits, data center construction permits, AI deployment impact assessments), equity contribution requirements can be attached as conditions, creating a level playing field across companies in that space.

4.5 Broadened Corporate Governance Participation (BCGP)

BCGP addresses the structural challenges of status quo corporate governance discussed earlier. Boards are predominantly composed of current or former senior corporate executives, financiers, technical specialists, and academic economists. The perspectives of workers, communities hosting infrastructure, consumers, and other stakeholders are sparsely represented. The result is a structural information asymmetry that widens mistrust between these stakeholder groups and results in blind spots when it comes to emerging material risks and opportunities.

The case for broader participation is not that capital interests should be excluded, but that they should be balanced with other stakeholders who bring valuable perspectives and judgment that improves decision-making. PDI's paper with Oxfam, *Getting Ahead of the Curve on Dynamic Materiality*, develops this argument further.[88] Stakeholders "on-the-ground" who operate the company, host the company's infrastructure, and whom the company serves have unique insights, and incorporating those insights leads to better long-term outcomes for all stakeholders, including investors.

There are several common objections and challenges—many with merit—each worth addressing directly:

[87] Tangen, N., Smith Ihenacho, C., & Nanda, S. (2026, April 16). *Why employee share ownership matters for long-term value creation*. Norges Bank Investment Management. https://www.nbim.no/en/news-and-insights/our-views/2026/why-employee-share-ownership-matters-for-long-term-value-creation/

[88] Sharmeen Contractor and Irit Tamir, *Getting Ahead of the Curve on Dynamic Materiality: How U.S. Investors Can Foster More Inclusive Capitalism* (Oxfam America, March 11, 2024), https://www.oxfamamerica.org/explore/research-publications/getting-ahead-of-the-curve-on-dynamic-materiality/

- *Workers, communities, and consumers don't understand business and finance.* This is a common legitimate and genuine concern amongst investors, board directors, and corporate executives. However, many board directors join a board bringing a unique specialization that does not encompass all of corporate governance. Training programs currently exist for aspiring directors, and pipeline development programs can support the identification of promising candidates for companies to support through this process. Topics such as fiduciary duties, financial statement literacy, investment policy, conflict-of-interest rules, and parliamentary procedure can all be learned by interested and dedicated candidates. Training can be funded, and the cost is modest compared to the benefit of improved governance and trust in institutions as class barriers are softened. There are existing international models that can provide workable examples.

- *A board can never be exactly representative of all stakeholders.* The point is not exact representation but improved participation relative to the homogeneity of current perspectives across a narrow set of professionals. Rotation, term limits, and complementary structures (advisory boards, works councils) help broaden representation over time without requiring any single board to be perfectly representative.

- *Stakeholder representatives will pursue their constituency's narrow interest at the expense of the enterprise.* Stakeholder representatives, like all directors, have fiduciary duties to the company and its long-term interests—including the interests of all stakeholders. They are not negotiators on behalf of their constituency; they are directors who happen to bring stakeholder perspective into the room.

  Based on the current state of fiduciary duties in US corporate law, directors owe duties of care (informed decision-making) and loyalty (acting in the company's interest, not self-interest) to the corporation.[89] Most US states have constituency or stakeholder statutes that allow directors to consider non-shareholder interests in their decision-making, particularly in change-of-control contexts.[90] The doctrine of shareholder primacy is more cultural and judicial than strictly statutory; the legal scope for considering broader stakeholder interests is wider than commonly assumed.

- *This dilutes the influence of capital providers, who take risk.* Other stakeholders also take risk and create value. Workers take career risk, health and safety risk, develop firm-specific human capital,

[89] State of Delaware. (2017). *The Delaware way: Deference to the business judgment of directors who act loyally and carefully*. Delaware Corporate Law. https://corplaw.delaware.gov/delaware-way-business-judgment/; Hamermesh, L. A. (2009). Delaware directors' fiduciary duties: The focus on loyalty. *University of Pennsylvania Journal of Business Law, 11*(3), 675–730. https://scholarship.law.upenn.edu/jbl/vol11/iss3/3/

[90] Lockner, A. M. (n.d.). Constituency statutes: The overlooked predecessor to the ESG movement. *The Robins Kaplan Spotlight*, 7(3). https://www.robinskaplan.com/newsroom/insights/constituency-statutes; Flammer, C., & Kacperczyk, A. (2016). The impact of stakeholder orientation on innovation: Evidence from a natural experiment. *Management Science*, 62(7), 1982–2001, https://doi.org/10.1287/mnsc.2015.2229; Harvard Law School Forum on Corporate Governance. (2025, April 17). Stakeholder orientation and accounting conservatism: Evidence from state-level constituency statutes. https://corpgov.law.harvard.edu/2025/04/17/stakeholder-orientation-and-accounting-conservatism-evidence-from-state-level-constituency-statutes/

and have the daily knowledge of operations. Communities provide land, resources, public infrastructure, and social license and bear risks relating to health and safety. Consumers provide demand and bear risks related to product and service quality, safety, and affordability. Content creators provide intellectual capital. Each of these forms of capital takes risk and creates value; financial capital is not the only kind. Reformed governance recognizes this without disenfranchising financial capital and values the perspectives of these important inputs in decision making alongside financial capital.

- *It isn't clear who will select the directors from each constituency.* There are numerous models in places in other jurisdictions that have addressed this issue with regard to board members drawn from the workforce that can be considered. Most important is that the selection process has legitimacy and that infrastructure is developed such as training and pipeline development programs that stakeholders can pursue when joining corporate boards.

- *Having just one or two workers on the board will not be effective, as they will have little influence amongst other more traditional board directors serving alongside them.* The point is not to just have one or two stakeholder representatives from a particular stakeholder group on a status quo corporate board, but rather to evolve the composition of corporate boards over time so that they are more balanced across stakeholder groups.

- *Unions serve the role of representing stakeholder voice:* As previously noted, workers who participate in corporate boards have the same fiduciary duties to the company as other directors. They are not there to represent, advocate for, or negotiate on behalf of the workforce, but rather to bring valuable perspectives. One can also imagine that a corporate board comprised of a balanced representation of corporate stakeholders might be less resistant to unions. In this sense, both unions and board participation play important and distinct roles when it comes to the workforce. It is worth highlighting that other stakeholder groups such as communities and consumers do not have the benefit of unions.

The forms BCGP can take vary. They include direct board representation; advisory boards or stakeholder councils that advise the main board; works councils; consumer advisory committees; and combinations of these. PDI does not advocate one form over another as universally correct. We advocate for the principle that other stakeholders should have voice (in addition to freedom of association and collective bargaining, which serves a different role) and that the specific institutional form should be designed to fit the company and context.

> **International models for worker representation on corporate boards**
>
> Direct worker representation on corporate boards is uncommon in the US but well-established elsewhere as an institutionally stable model.

> **Germany.** Since 1976, companies with more than 2,000 employees must allocate half of supervisory board seats to worker representatives. Companies with between 500 and 2,000 employees allocate one-third. Research finds codetermination is associated with higher capital intensity and greater stability during restructuring without consistent evidence of negative effects on profitability or firm performance.[91] SAP, Siemens, Deutsche Telekom, Allianz, BMW, and Volkswagen all operate under this system.
>
> **Nordic countries.** Norway mandates substantial employee representation on company boards, including one-third representation in larger firms, within a unitary board structure directly comparable to US and UK companies. Sweden and Denmark operate exercisable-rights models: in Sweden the right is held by local trade unions and cannot be blocked by the company once activated. In Denmark it requires an all-employee majority ballot. Finland operates a flexible model in which the form of representation—on the board, supervisory board, or in the management group—is subject to negotiation by the workforce through their elected representative structures.
>
> **France.** Since 2015, large companies must have one or two worker-elected directors with full voting rights, fiduciary duties, board responsibilities, and information rights. The obligation applies regardless of board structure, making it directly relevant to jurisdictions with unitary boards. LVMH, TotalEnergies, L'Oréal, BNP Paribas, and AXA all have statutory employee directors.
>
> **United Kingdom.** The UK Corporate Governance Code encourages but does not require workforce representation, offering boards a choice between three models, including a workforce director. Experience since the introduction of these provisions is that the voluntary employer-discretion model has generated very limited direct workforce participation in board decision-making, with most companies selecting alternatives that do not involve worker representation on the board itself.
>
> Worker representation also exists in a number of other jurisdictions, including Austria, the Netherlands and China, demonstrating that such arrangements are not confined to a single legal, institutional, or economic tradition. Among major advanced economies, the US is unusual in lacking a general framework for worker representation on corporate boards.

Corporate governance is a critical factor in how decisions are made and in whose interests. PDI's wider work on BCGP has positioned governance reform as a necessary component of developing predistribution.

Corporate governance is therefore likely to play an important role in shaping how AI impacts the economy and society more generally. This is true whether considering the firms developing AI, or those that are deploying within their organization. The question of who gets to contribute to decisions made about the

[91] Jäger, S., Noy, S. and Schoefer, B. (2021) "What Does Codetermination Do?". NBER Working Paper 28921, June 2021. https://www.nber.org/papers/w28921

development and deployment of AI has already had a major influence on the path it has taken. This question becomes even more important now that we are at a juncture where mass rollout across industries is likely. The notion that the corporate governance status quo is 'neutral' in shaping outcomes has to be challenged urgently.

4.6 The Governance Challenge: Models of AI Organizations and Companies Deploying AI

If we consider the governance of AI organizations and companies deploying AI in turn, we can see that they both face governance challenges, albeit different in important ways.

4.6.1 The Governance of AI Developers

The major organizations involved in AI development vary in their corporate structures and in their accountability to investors, or other stakeholders. But they also share some features. The table below compares formal and effective governance structures across major frontier AI organizations, considering both formal versus de facto control and stakeholder representation.

Table 1: Formal vs. Effective Principals in Leading AI Companies: Governance Representation Across Stakeholder Groups

Organization / Model	Formal principal	Effective principal	Workers represented in governance?	Users / citizens / affected public represented?	Minority investor influence?
OpenAI	Humanity / public benefit via nonprofit mission	Executive leadership, key technical employees, Microsoft	No direct representation	Formal mission orientation only; no direct representation	Weak
Anthropic	Public benefit plus investor interests	Leadership plus investors / infrastructure providers	No direct representation	Indirect only via trust / public-benefit structures	Weak
Google DeepMind	Investors	Founders, senior executives, corporate management	No direct representation	No direct representation	Designed to be weak due to dual class share structure
Meta	Investors	Mark Zuckerberg	No direct representation	No direct representation	Designed to be weak due to dual class share structure
xAI	Founder	Elon Musk	No direct representation	No direct representation	Very weak
Mistral AI	Investors and founders	Founders, investors, infrastructure dependencies	No direct representation	No direct representation	Limited

Whilst the precise structures vary between organizations there are two related themes that are common across them: founder control and no tradition of stakeholder representation. In most cases de facto control resides with senior leadership with limited external accountability.

The reality is that the governance model of some of the world's most economically and politically significant companies is also one in which both stakeholder and investor influence are weak. Such models rely on the heroic assumption that the founders and/or leadership can act in a disinterested way that effectively balances all interests in the development of AI. It should not be surprising if narrower interests win out. This will inevitably affect the way that the technology is developed.

4.6.2 The Governance of Companies Deploying AI

Corporate governance must also be considered in relation to firms that are, or are seeking to, deploy AI. Importantly few companies have established proper oversight of AI even within existing board structures that lack stakeholder representation.

Recent research by ISS-STOXX found that out of 3,048 US companies across the Russell 3000 and S&P 500, only 245 (8%) disclosed board-level oversight of AI.[92] This was higher amongst technology companies, but still fewer than one in five (19%) had board-level oversight. Nor was this addressed at the policy level. Only 275 companies (9%) acknowledged having established policies on AI. Board-level AI expertise is also limited. Only 481 companies (16%) disclosed at least one director with specialized AI skills. The report characterizes current practice as "formative", marked by low transparency, weak institutionalization, and leadership concentrated among a relatively small group of firms.

If boards are weak on oversight of AI they are weaker still in participation of stakeholders who are affected by AI. There is a tradition of worker representation in corporate governance, most developed in Europe, about which PDI will be producing a briefing later in 2026. While perhaps not obvious to many in the US, there is also a history of this practice in Asian countries, including China (as well as employee ownership, which can mitigate concerns about these interventions inhibiting the pace of AI rollout in the US versus China). However, this is almost entirely absent in the US and other similar economies such as the UK. Representation for other stakeholders, be it affected communities or consumers is extremely rare and where it has existed has usually involved advisory groups rather than board seats.

Board composition is not the only challenge. While fiduciary duty is to the company, board trainings, culture, and incentives often direct the board's primary attention to shareholder value as a measure of success. The metrics for determining whether a firm is delivering for investors are widely understood, have achieved consensus, are publicly and constantly updated and are embedded into incentive schemes.

[92] ISS STOXX, "Mind the Governance Gap: The State of Board Oversight and AI Policy in U.S. Companies," ISS STOXX, March 5, 2026, https://www.iss-stoxx.com/insights/articles/mind-the-governance-gap-the-state-of-board-oversight-and-ai-policy-in-us-companies

In contrast, measurements of stakeholder interest are contested, both in form and in principle, are generally 'lumpy' and feature far more rarely in executive incentive plans.

The result is a board that is well-informed about and incentivized to focus on capital's perspective. It will be far less familiar with the perspectives of workers, communities, consumers, and other stakeholders whose interests are affected by board decisions. This is despite the reality that these groups can bring valuable insights when it comes to practicalities regarding corporate strategy and implementation. This imbalance may be damaging for the firm as well as for affected stakeholders.

Already a lack of alignment with the workforce in frontier AI organizations is apparent. Many tech workers are opposed to the use of their work to support military objectives, for example. This is one factor behind a recently announced drive to unionize workers in Google DeepMind.[93] Meanwhile on the deployment side, a striking recent example was provided by Bill Winters, the CEO of UK-listed Standard Chartered, who spoke of the bank's AI-driven changes as "replacing in some cases lower-value human capital with the financial capital and the investment we're putting in."[94] He has subsequently apologized but his comments no doubt reflect the views of many boardrooms where stakeholder representation is absent. Decisions in such boards are likely to greatly underweight the interests of workers, for example, shaping the way the technology is deployed and in turn affects the economy.

The importance, and difficulty, in balancing stakeholder interests lies behind the 'just transition' concept developed in relation to decarbonization. There is a clear read across to the development and deployment of AI. What matters is who is represented when decisions are made in this case in the boardroom. This is why reform of corporate governance is critical to a predistributive approach to AI.

Overall, the governance both of companies that are developing AI and of many of those that are deploying it does not allow for stakeholder voice. Despite concerns raised by workers (either those developing AI or those affected by it), content creators, users and the wider public none have a voice in existing structures. Overall, lack of broad-based voice and ownership leads to a misalignment of incentives in the rollout of AI which can undermine its success and that of the companies deploying it.

4.7 The Rationale for Broadened Participation

There are two distinct rationales for BCGP, which are arguably interlinked. The first is democratic and distributive: those materially affected by decisions should have some voice in them. Closing this gap can help resolve growing mistrust in institutions, much of which has given rise to polarization. Conspiracy theories are more likely to proliferate when there is an "us versus them" mentality and institutionalized

[93] United Tech and Allied Workers (UTAW), "Google DeepMind Workers in Union Recognition Bid," UTAW, May 5, 2026, https://utaw.tech/news/google-deepmind-recognition

[94] Burleigh, Emma. "After Receiving Backlash, the CEO of Standard Chartered Apologizes for Hurt over Saying 'Lower Value Human Capital' Will Be Automated by AI." *Fortune*, May 26, 2026. https://fortune.com/2026/05/26/standard-chartered-ceo-bill-winters-apologizes-calling-some-workers-lower-value-human-capital-ai-push/

structures that largely separate members of society along class lines when it comes to decision making power across both the private and public sectors. As noted, the public and private sectors have become increasingly intertwined and heavily influenced by imbalanced wealth and power dynamics.

Failure to include workers and communities in decision-making during deindustrialization has left deep social and economic scars. Given the potential of the economic impact of AI, it is particularly important to learn from previous mistakes when anticipating how society can adapt to this latest technological change.

The latter rationale for BCGP is instrumental: broader participation can improve decision-making by bringing additional information and perspectives into governance. It should not be surprising that directors drawn from similar economic and cultural backgrounds share similar views and thus fail to identify issues that others can. Workers who interact with AI daily observe failure modes that executives may not see. Community members bring experiential knowledge of how infrastructure decisions ripple through local economies. Consumer advocates identify harms that insiders may rationalize.

Drawing on cybernetics, we have argued that current board structures may exhibit insufficient variety in order to receive, interpret and respond to stakeholder issues. The environment in which businesses now operate is often very complex. Technological transitions, particularly around automation and AI, are reshaping labor and skills requirements. Boards that are by nature of their composition overly attuned to capital markets may fail to engage fully with the complexity that they face and make significant mis-steps.[95] PDI's paper with Oxfam, *Getting Ahead of the Curve on Dynamic Materiality*, develops this argument: stakeholder perspectives surface emerging risks and opportunities that are otherwise missed.[96]

In its analysis of the composition of compensation committees in the UK, the High Pay Centre commented: "[W]hen the majority of individuals on remuneration committees come from similar backgrounds it is not surprising that critics of remuneration committees have suggested that they fall victim to "groupthink" where individuals are reluctant to challenge the consensus view. It has been demonstrated by Cass Sunstein that group polarization can occur, and more extreme decisions are reached, when groups are made up of like-minded individuals. This may in part explain why we have seen such a gap between public perception of what is an acceptable level of pay and the current norm in executive pay awards."[97]

When it comes to AI safety and cognitive bias issues, multi-stakeholder governance can thus help address these emerging risks. AI safety is partly a technical question and partly a governance question. Boards often face structural pressure to prioritize speed and growth. Boards including workers who interact with

[95] Tom Powdrill, "Boards of Requisite Variety: The Cybernetic Case for Broadening Governance Participation." *Predistribution Initiative* (Substack), March 6, 2026. https://predistributioninitiative.substack.com/p/boards-of-requisite-variety-the-cybernetic

[96] Sharmeen Contractor and Irit Tamir, *Getting Ahead of the Curve on Dynamic Materiality: How U.S. Investors Can Foster More Inclusive Capitalism*, Oxfam America, March 11, 2024. https://www.oxfamamerica.org/explore/research-publications/getting-ahead-of-the-curve-on-dynamic-materiality/

[97] High Pay Centre. *The New Closed Shop: Who's Deciding on Pay? The Make Up of Remuneration Committees*. London: High Pay Centre, September 2020. https://highpaycentre.org/wp-content/uploads/2020/09/hpc_dp_remco.pdf
Sunstein, Cass R. *Going to Extremes: How Like Minds Unite and Divide*. Oxford: Oxford University Press, 2009. https://hls.harvard.edu/bibliography/going-to-extremes-how-like-minds-unite-and-divide/

AI, communities affected by AI deployment, and consumer advocates have a different incentive structure. The risk of cognitive homogeneity in AI development is real, and is partly an artifact of who is in the rooms where development decisions are made.

Some might argue that the answer to concerns about AI development and deployment is simply to regulate companies more effectively. However, such an approach is likely to struggle given both the influence of monied interests in politics and the complexity of the challenge and the pace at which change is taking place. Technocratic policy and regulation often materially lag risks as they manifest on the ground. Policy and regulation take time to develop, approve, implement and enforce, leaving this approach at a disadvantage when facing organizations that have been guided by values such as "move fast and break things." Policymakers and regulators cannot anticipate every context-specific nuance.

Even nonprofits and civil society organizations who focus on steering policy and regulation, however well-intentioned, are often backed by private monied interests and not always well-positioned to speak to the localized and nuanced needs of their intended stakeholder constituencies. This is why PDI, despite being a nonprofit, is primarily focused on more broadly distributed wealth and influence in society, so that stakeholders can more directly influence the decisions and outcomes that are closest to their own lives.

We argue that the most effective policy and regulation emerge from co-creation of solutions across stakeholder groups who are closest to the issues. Stakeholders on the ground are better positioned to develop and apply frameworks appropriate to local conditions and to identify when frameworks are failing. In the case of the workforce, they have a huge informational advantage over regulators in that they are inside the organization seeing and experiencing its activity rather than trying to assess it from outside. Being inside the organization means they have the ability to raise concerns and suggest solutions immediately. Most importantly, they are a group that is critical to actually making change happen within the organization, since they are responsible for operationalizing its agreed strategy. A board including stakeholders has the potential to bridge the top-down/bottom-up divide, to act quickly when needed, to put agreed changes into practice, and to provide oversight and accountability—benefits that are typically beyond the capacity of regulatory bodies, but from which policy makers and regulators can learn as they institutionalize reforms.

Seen in total, BCGP can increase the board's capacity to deal with the complexity it faces and break up any tendency to reinforce shared opinions and harden them further. It may also generate solutions that are far more suitable to individual organizations than a generic approach determined by regulators.

The argument is not that the perspectives of capital should be excluded, and indeed, that is one common shortcoming of existing AI governance models. Providers of capital are critical stakeholders who take risk and create value alongside workers, communities, and beyond. They should have a seat at the table. The argument is that other perspectives should also be included, that the resulting board is structurally better-informed, and that better-informed governance produces better outcomes for all stakeholders, including investors.

5 The Driver Equity Transition Stakes (DETS) Model: A Proof of Concept

PDI's DETS policy proposal for the AV sector is the most developed prototype of the framework described in this paper. It is important to note that it is a draft design for a very specific context—to be negotiated amongst all stakeholders involved including the companies, and variations will need to be developed for other kinds of companies and stakeholders. We summarize its key elements and then discuss at a high level how the model can adapt to other industries (workers more broadly, communities, content creators). The Predistribution AI Lab is positioned to further facilitate the co-creation of these solutions across contexts.

AV deployment is unfolding in US cities under regulatory frameworks that require state and city operating permits. Driving for a living remains one of the most significant occupational categories in the US, encompassing several distinct labor pools that together constitute a substantial share of the workforce. The trucking industry alone employed approximately 3.6 million professional drivers in 2024, according to the American Trucking Associations, out of 8.4 million total industry-related jobs—a figure that includes heavy and semi-truck drivers as well as light truck and delivery drivers.[98] The Bureau of Labor Statistics separately counts around 1.5 million delivery truck drivers and driver/sales workers as of 2024.[99] Beyond traditional trucking, app-based rideshare and delivery platforms have added a significant and harder-to-measure layer: a 2022 industry study estimated approximately 7.3 million app-based workers nationwide, representing roughly 4.3% of the overall US workforce, though this figure includes part-time and supplementary workers and is not directly comparable to full-time employment counts.[100] Taxi drivers, rideshare drivers, and chauffeurs add another 447,900 workers, though this category likely overlaps partially with app-based platform counts.[101] Bus drivers—combining school bus and transit and intercity operators—contribute an additional roughly 500,000 workers with no meaningful overlap with other categories.[102] Across these categories, approximately 11–12 million workers hold driving as a primary or significant job function—a figure that, while subject to overlap and measurement limitations across sources, underscores the scale of potential exposure.[103] Rideshare, trucking, taxi, and delivery

[98] American Trucking Associations, *American Trucking Trends 2025* (Arlington, VA: ATA, 2025), https://www.trucking.org/news-insights/ata-american-trucking-trends-2025

[99] U.S. Bureau of Labor Statistics, "Delivery Truck Drivers and Driver/Sales Workers," Occupational Outlook Handbook, last modified 2024, https://www.bls.gov/ooh/transportation-and-material-moving/delivery-truck-drivers-and-driver-sales-workers.htm

[100] Flex/Public First, cited in Nora Matchett, "Nearly 5% of Mass. Workforce Is Doing App-Based Work, Study Finds," *Axios*, April 3, 2024, https://www.axios.com/local/boston/2024/04/03/gig-economys-massachusetts-lyft-uber-doordash. The study drew on aggregated 2022 platform data from Uber, Lyft, DoorDash, and affiliated services.

[101] U.S. Bureau of Labor Statistics, "Taxi Drivers and Chauffeurs," *Occupational Outlook Handbook*, last modified 2024, https://www.bls.gov/ooh/transportation-and-material-moving/taxi-drivers-and-chauffeurs.htm. The BLS taxi and chauffeur category includes some platform-based rideshare drivers and may partially overlap with app-based worker estimates reported separately

[102] U.S. Bureau of Labor Statistics, "Bus Drivers," *Occupational Outlook Handbook*, last modified 2024, https://www.bls.gov/ooh/transportation-and-material-moving/. Combined figure reflects school bus drivers and transit and intercity bus drivers as reported separately by BLS.

[103] Derived by the authors from ATA (2025), BLS Occupational Outlook Handbook (2024), and Flex/Public First (2022). The 1.5 million BLS delivery truck driver and driver/sales worker figure is excluded to avoid double-counting with the ATA professional driver count. The taxi,

drivers face displacement as AV fleets scale. The displacement is partial but expanding. AV companies are capex-intensive, generating substantial revenue but limited near-term profitability and dividends.

5.1 The DETS Trust Structure

The DETS proposal establishes Driver Equity Transition Stakes Trusts at the city or state level. Each Trust receives contributions from AV operators within its jurisdiction, with contributions attached to operating permits (the regulatory hook). Contributions take the form of some percentage of AV revenue or, alternatively, a defined equity contribution, up to a cap of total AV platform equity.

The Trust holds these contributions and distributes them to driver-beneficiaries through the three-pillar architecture: current income (Pillar 1), equity participation in AV companies (Pillar 2), and individually owned diversified accounts (Pillar 3).

Eligibility is defined by *work activity thresholds* (e.g., minimum driving hours over a defined period) rather than employment classification (W-2 vs. 1099), which in addition to fairness considerations, sidesteps the long-running classification debate that has plagued gig worker policy. A driver who meets the activity threshold qualifies, regardless of how the platform classifies them. Tiered thresholds help inform how drivers with more and/or longer time with a rideshare company would receive larger contributions, whereas drivers with less time and/or history with a company would receive less.

5.2 Trust Governance

Each Trust could be governed by, for instance, a seven-member Board of Trustees: four driver (or displaced driver)-elected representatives (a majority), one independent financial fiduciary, one government-appointed observer (voice but no vote), and one driver-advocacy or labor organization representative. Two-year terms with a maximum of three consecutive terms could be staggered for continuity. Recall provisions, conflict-of-interest restrictions, and transparency requirements ensure accountability.

Driver representatives complete a structured governance training program covering fiduciary duties, financial statement literacy, investment policy, conflict-of-interest rules, and parliamentary procedure—a minimum of 12 hours of continuing education annually, funded as a Trust operating expense. A talent pipeline development program can help identify qualified candidates. Compensation for service ensures that Trustee positions are accessible to drivers across income levels.

rideshare, and chauffeur category (447,900) may partially overlap with the app-based gig worker estimate; the aggregate should be interpreted as an order-of-magnitude estimate rather than a precise headcount.

The proposal also contemplates Trust-nominated representation on AV company corporate boards (for instance where the Trust holds significant equity stakes in AV operators), with a minimum of two non-traditional board seats to avoid the structural isolation that a single dissenting voice would face. Ideally the corporate board would also adopt the reforms we propose throughout this paper in terms of diversifying representation to include other stakeholders, such as consumer safety advocates and community representatives who may be affected by AV presence in their locales.

5.3 The Revenue-Purchase Mechanism and Its Limitations

For Pillar 2, the DETS proposal contemplates using revenue contributions to purchase equity in AV companies at market prices. Strengths of this mechanism include that it is non-dilutive to existing shareholders, uses market-based pricing, and operates through familiar financial mechanisms. It is well-suited to the AV context where the underlying companies are private, fast-growing, and capex-intensive.

However, the mechanism does carry an "escalating cost problem." As a company's market capitalization grows, the same revenue stream purchases progressively less equity. If a Trust receives $100 million annually in revenue contributions and the company is valued at $10 billion, the contribution buys 1% of equity. If the company grows to $100 billion, the same contribution buys 0.1%.

The counterargument is that even if the percentage acquired declines, the *value* of each percentage acquired has grown. So in absolute dollar terms, the Trust's holdings continue to appreciate. While true, concerns are: (a) the Trust's *governance* leverage, which may scale with percentage ownership, declines over time even as dollar value grows; (b) the dollar value of the appreciating equity is itself measured in cash, whose purchasing power against asset prices erodes; and (c) for distributing meaningful ownership across many beneficiaries, percentage matters because per-beneficiary stakes need to remain visible. Whether the absolute-dollar argument or the percentage argument is more relevant depends on the specific use case.

For DETS specifically the revenue-purchase mechanism may be appropriate. For other contexts, alternative mechanisms may be more suitable.

5.4 Lessons for Other Industries

The DETS model is one prototype, not a template to be applied verbatim to other industries. It was calibrated for a single industry with a single primary stakeholder category—rideshare and gig drivers facing AV-driven displacement—and several of its features are specific to that context. What generalizes, and what requires rethinking, is worth spelling out.

The three-pillar architecture travels well. Current income support (Pillar 1), equity participation in the value workers create (Pillar 2), and a diversified portable investment account (Pillar 3) are applicable across industries and stakeholder types. So is the trust governance structure—cooperative governance with stakeholder-elected representation, an independent fiduciary, and labor or advocacy organization involvement—which supports workers having genuine voice over the structures that affect them. The work-activity-threshold approach to eligibility, designed to be inclusive of informal and gig workers, can be adapted for other contexts where workforce boundaries are porous. Where regulatory hooks exist—AV permits, data center siting approvals, content licensing frameworks—the logic of attaching predistributive conditions to those hooks is transferable, even if the specific mechanism differs. The corporate governance considerations developed for AV companies apply equally to AI-deploying companies in other sectors.

The revenue-purchase mechanism, by contrast, is specifically suited to fast-growing, capex-heavy companies with large and growing revenue bases. For mature, dividend-paying companies, the mechanism is less appropriate: dividends from underlying equity can serve the Pillar 1 function more directly, and contribution structures should be designed accordingly. The size of contributions and eligibility scope also vary substantially by industry. The DETS modeling suggests that a 15% revenue contribution from rideshare companies still leaves investors with approximately half of the upside from AV profitability—but that calibration is specific to rideshare economics and would need to be rebuilt for other sectors.

The regulatory hook similarly differs by context: AV permits for autonomous vehicles, data center permits for hosting communities, content licensing for AI training data. Each requires its own design work rather than a direct translation of the DETS structure.

Two additional complexities arise when generalizing the framework. First, not all companies will displace workers—some will retain or even expand their workforce. For these companies, the framework should support workers who remain employed, not only those who are displaced, to avoid the continued erosion of returns to labor and the real value of cash wages.

Second, most companies have multiple stakeholder groups—workers, communities, content creators, consumers—who may each have legitimate claims to participation. One of the most complex design exercises will be mapping those groups, determining eligibility and proportionality, and structuring delivery mechanisms and governance onboarding accordingly. For companies that already have employee ownership programs, the framework should be tailored to consider and potentially integrate those existing structures rather than layering on top of them.

A practical concern with stakeholder mapping is that it is not a one-time event. Workers change roles, companies change strategies, business models shift, families move households, contractors come and go. A stakeholder mapping conducted in 2026 will not be fully accurate by 2028. The framework therefore contemplates ongoing—typically annual—mapping exercises rather than a single snapshot. Trust

governance can be designed to anticipate this dynamism. Vesting and contribution schedules should reward longer participation while still recognizing newer participants. Eligibility rules can be made "sticky" so that workers do not lose participation when they change roles or are temporarily displaced, and Pillar 3 accounts are portable across employment changes by construction. The practical principle is to build the framework so that stakeholder dynamism—workers moving in and out of roles, companies absorbing and shedding business lines—is anticipated rather than treated as a rationale for delay.

Additionally, the types of key stakeholders inform structural design. In most cases, for instance, workers, communities, and content creators may be most appropriate for equity-linked compensation versus consumers. However, for technology companies which build value from users providing their data, sharing financial upside with consumers may be more appropriate.

In the following sections, we take these lessons and develop tailored variations for workers across the economy, communities hosting infrastructure, and content creators. A key goal of the Predistribution AI Lab going forward is to support companies, investors, and their stakeholders in designing arrangements that fit their specific contexts. The DETS template is provided as an illustrative prototype and detailed further in Part III of this discussion paper series.

6 Applications: Extending the Framework

6.1 Application 1: Workers Across the Economy

6.1.1 Scope

The framework applies to workers across the economy—not only at AI companies but at every enterprise adopting AI in ways that affect workers' livelihoods. Customer service workers at insurance companies, administrative staff at law firms, retail workers, software developers at financial institutions, paralegals—all face AI-driven displacement or income erosion regardless of whether their employer is a recognized "AI company." Following the DETS precedent, eligibility could be defined by *work activity thresholds* rather than employment classification. This covers formal employees, contractors, gig workers, and other value creators on equivalent terms.

6.1.2 Mature vs. Fast-Growing Companies

A central design question is how the three-pillar architecture adapts to companies at different stages.

Mature, dividend-paying companies. For mature companies that pay regular dividends, the structure is simplest. The Trust holds equity in the company (Pillar 2). Dividends from that equity are distributed to beneficiaries as Pillar 1 current income. There is no need for a separate revenue-sharing arrangement; the equity itself generates the cash flow. Pillar 3 is funded by separate contributions to individually owned diversified accounts. Where workers have existing 401(k) accounts, alternative structures to Pillar 3 can be considered.

For these companies, the central design question is the source and pace of equity acquisition: direct issuance at modest dilution rates (say, 1–3% per year, potentially partially through buybacks), with an aggregate cap (a 15% cap is one option discussed below) so that shareholders do not face indefinite dilution. This model can be pursued through existing employee stock-based compensation programs, extended to a broader stakeholder base where models permit, and adapted to other stakeholders where needed.

Fast-growing, capex-intensive companies. For companies that are not yet in a position to pay meaningful dividends, the DETS-style revenue-sharing mechanism for Pillar 1—combined with phantom equity or convertible instruments for Pillar 2—provides an interim structure. As the company matures and begins paying dividends, the revenue-sharing arrangement can sunset and dividends from Pillar 2 can take over the Pillar 1 function.

Early-stage start-ups. For very early-stage start-ups with limited revenue and uncertain prospects, the structure weights heavily toward Pillar 2 (phantom equity with conversion triggers) and Pillar 3. Pillar 1 is minimal until the start-up reaches a level of revenue or profitability that supports current distributions.

This mirrors the way founders and early employees today accept below-market salaries in exchange for equity upside but extends it to a broader stakeholder base.

Displaced workers. For workers and employees who are not displaced, it may be practical to only focus on Pillars 2 (including any dividends) and 3, and consider Pillar 1 only if displacement occurs (see below). In addition, we encourage the models proposed in this paper to be complemented with reskilling programs which can be funded through government investment and redistributive transfers.

6.1.3 Pathways to Equity

Several mechanisms can be used to build the equity (Pillar 2) component, each with distinct trade-offs. We do not advocate for one pathway as universally correct; the right pathway depends on company stage, ownership structure, regulatory context, and stakeholder preferences.

Option A: Direct equity issuance (newly issued shares). The company issues new shares directly to a Trust at a defined annual rate (e.g., 1–3% of outstanding shares per year), typically with an aggregate cap, such as 15% of total equity. *Pros:* simplest mechanism, proportional participation in growth, predictable dilution rate, familiar parallel to existing stock-based compensation. *Cons:* dilutive to existing shareholders (modest at low rates), requires board or shareholder approval, may face investor resistance.

Option B: Equity grants as regulatory conditions. Equity contributions are attached to regulatory permits or deployment decisions—analogous to environmental mitigation requirements or community benefit agreements. *Pros:* regulatory hook provides predictability, precedent exists. *Cons:* requires regulatory framework, jurisdiction-dependent.

Option C: Convertible instruments. Stakeholders initially receive revenue-sharing distributions, with a conversion feature converting accumulated distributions into equity at a price set at instrument creation. *Pros:* familiar financial structure, addresses the escalating cost problem if conversion price is locked early. *Cons:* complexity, conversion terms must be negotiated, and the practical concern that if conversion is structured as a single large event, it could distort the stock price and unsettle investors leading up to the conversion date. The latter concern argues for graduated or rolling conversion mechanics rather than a single large conversion event.

Option D: Phantom equity with equity-conversion triggers. The company issues phantom equity units that track share value and settle in cash, with conversion to actual equity at a defined threshold. *Pros:* non-dilutive below the threshold, provides economic exposure. *Cons:* phantom equity does not confer governance rights pre-conversion, cash settlement obligations can stress balance sheets.

In practice, combinations of these mechanisms and others are likely. PDI's recommendation is to deploy the right mix for the company and context—not to insist on any single pathway.

6.1.4 Severance Allocation for Displaced Workers

The trust serves two distinct worker populations simultaneously, and their claims on Pillar 1 income work differently.

For workers who remain employed—including those reclassified into gig or contract arrangements—the trust can accrue a base beneficial allocation over time, proportional to work activity. Pillar 1 cash distributions for this group are supplemental: they build wealth and cushion income volatility, but are not needed to replace a primary income source (assuming the workers earn a living wage / income). The employed worker's relationship to the trust is primarily one of ongoing accumulation, with Pillars 2 and 3 doing the most important long-term work.

For workers who are actively displaced—whose roles are eliminated or whose hours and income are substantially reduced—Pillar 1 distributions become the primary income bridge, reflecting both the urgency of that need and the value created and risk taken by the worker prior to displacement. Beyond their ongoing Pillar 1 claim, displaced workers may also be eligible for a one-time severance equity allocation—an accelerated grant of beneficial ownership in the trust at the moment of displacement, reflecting the value they contributed prior to displacement and the disproportionate risk they now bear. This one-time allocation would permanently enlarge the displaced worker's beneficial ownership stake, increasing their long-term exposure to Pillar 2 appreciation and Pillar 3 accumulation, as well as their proportional share of ongoing Pillar 1 distributions going forward.

The precise design of this mechanism remains an open question. Key issues include how to balance income adequacy for displaced workers against trust solvency, whether distributions should differentiate between employed and displaced beneficiaries, how any severance equity allocation should be calibrated, and how the overall structure can preserve strong incentives for continued labor-force participation. These questions are explored in greater detail in the modeling and implementation considerations that follow.

6.1.5 Unintended Consequences

At the heart of PDI's work is being proactive about identifying unintended negative consequences. Any large-scale program risks such consequences. We flag several below, some of which are detailed further in Part III and others flagged—to be further developed and addressed through the work of the Predistribution AI Lab.

Distortion of work decisions. If benefit calibrations create perverse incentives between work and non-work, work participation may decline. Calibration should preserve unambiguous work incentives.

Regulatory arbitrage. If equity contributions are tied to particular permits, companies may shift activity to jurisdictions without such requirements. Multi-jurisdiction coordination can help manage this risk.

Balancing liquidity needs with the risk of concentrated ownership through secondary markets. As identified in our *Investor Playbook on Employee Ownership in Sub-Saharan Africa*,[104] this has been a risk in markets like South Africa. The DETS proposal anticipates this risk, proposing that ownership stakes can only be transferred through inheritance or bought back by the Trust. Further workshopping will be required to structure mechanisms that prevent such risks.

Equity values of companies can decline, and some companies can go under. Aside from the diversification concerns that have informed the design of the three pillar trust structure, it will be important for companies to pay living wages (incomes) wherever feasible (recognizing some companies such as start-ups may be more challenged to do so) and ensure no concessions are required of workers or other stakeholders to obtain this form of equity-linked compensation. Freedom of association, collective bargaining, and BCGP structures can all help avoid gaming and ensure accountability.

These are not arguments against the framework, but rather arguments for careful design. Additionally, a practical benefit of broad-based equity ownership, worth noting briefly, is that stakeholders with equity assets have more flexibility to take on roles that pay less than market wages—including public service. Senate candidate Dan Osborn's commentary on the financial barriers facing working-class candidates for public office is one example of the broader phenomenon: working- and middle-class Americans cannot afford to enter public service because doing so requires giving up income they cannot replace.[105] A predistributive framework that builds equity for working- and middle-class Americans gives them more ability to participate in public life, including in elected office. This is a modest but real benefit for democratic vitality.

6.2 Application 2: Communities Hosting Infrastructure and Natural Resource Projects

6.2.1 Communities as Risk-Bearing Stakeholders

Communities hosting data centers, computing facilities, power generation infrastructure, mining operations, water-intensive industrial activities, factories, and other capital-intensive projects bear real costs—environmental impact, safety impacts, water and energy consumption, noise, traffic, land use, and strain on public services. They also provide the physical space, natural resources, public infrastructure, and social license without which the projects cannot proceed.

This makes communities risk-bearing and value-creating stakeholders in the same fundamental sense as workers and capital providers. However, like human capital, social capital's stake has not historically been

[104] Taylor Sekhon, Delilah Rothenberg, and Juan Jardon, *A Playbook for Employee Ownership in Sub-Saharan Africa* (Predistribution Initiative, February 2025), https://cdn.prod.website-files.com/6967b0f8bbeff50e0cec8f91/69b2ee1e031269191044f820_PDI_SSA-EO-Playbook.pdf
[105] Przybyla, H. (2024, November 19). Nebraska Senate candidate Dan Osborn launches PAC and weighs future run. *NBC News*. https://www.nbcnews.com/politics/2024-election/nebraska-senate-candidate-dan-osborn-launches-pac-weighs-future-run-rcna180684

recognized in the form of equity or governance voice. Existing arrangements (tax revenue, host community fees, occasional CBAs) capture some share of value—typically through a local government authority that funds social and physical infrastructure shared by the community—but typically not in a form that enables households to directly participate in the equity appreciation of the underlying enterprise or that grants meaningful voice in its governance. This is not an argument against local tax revenue, but rather an acknowledgement that in these situations, specific households take risk and create value and should be compensated accordingly for it.

Broad contributions to the community can be balanced with direct household participation in ways that strengthen civic participation and government together. More distributed ownership can help avoid risks of bureaucracy and capture that sometimes occur when centralized agencies oversee all of the benefit arrangements— an insight Mill developed in his analysis of worker co-operatives, arguing that distributed ownership cultivates civic capacity and self-governance, while dependence on centralized institutions tends to erode both.[106]

We previously noted that Indigenous-led arrangements with First Nations communities in Canada—particularly for energy and mining projects—have included equity ownership and meaningful governance roles, with the project's success structurally tied to the community's success.[107] These arrangements provide useful precedent for what an equity-based model can look like.

> **Box: Indigenous equity ownership in Canadian energy and resource infrastructure**
>
> Over the past two decades, Indigenous communities in Canada—particularly First Nations whose traditional territories host major energy, mining, and infrastructure projects—have moved beyond royalty-and-mitigation models toward direct equity ownership. Notable transactions include First Nations equity stakes in major pipelines, transmission lines, hydropower, and emerging critical-minerals projects. Capital has been provided through a combination of federal and provincial loan guarantees, partnerships with institutional investors such as OPTrust, Fortis, and Cascade Investment, and Indigenous-led financial vehicles.[108]

[106] John Stuart Mill, *Principles of Political Economy*, Book IV, chap. 7, "On the Probable Futurity of the Labouring Classes" (London: John W. Parker, 1848). See also Mill, *Chapters on Socialism*, ed. William D. P. Bliss (New York: Humboldt, 1891). On the limitations of community benefit agreements in practice, see Section 6.2.

[107] First Nations Major Projects Coalition. (2023). *FNMPC annual conference: Substantive Indigenous involvement in projects*. https://fnmpc.ca/; Fasken Martineau DuMoulin. (2025, April). *2025 update on trends in Indigenous equity investments in Canada*. https://www.fasken.com/en/knowledge/2025/04/update-on-trends-in-indigenous-equity-investments-in-canada; BOE Report. (2026, March 3). From ice rinks to education: How Indigenous energy ownership is building lasting prosperity. https://boereport.com/2026/03/03/from-ice-rinks-to-education-how-indigenous-energy-ownership-is-building-lasting-prosperity/; Lander, A., & Metcalfe, A. S. (2022). Indigenous co-ownership of mining projects: A preliminary framework for the critical examination of equity participation. *Resources Policy*. https://www.tandfonline.com/doi/full/10.1080/02646811.2022.2029184

[108] OPTrust. "Cascade Power Project Wins Canadian Power Deal of the Year Award." January 6, 2021. https://www.optrust.com/news/cascade-power-project-wins-canadian-power-deal-of-the-year-award

> In these projects, equity participation is structurally tied to project success: the community's interests and the operator's interests are aligned through cap structure rather than through promises. Additionally, governance voice accompanies equity: First Nations partners hold board seats or comparable decision rights. [109]
>
> Canadian law firm Fasken's annual "Trends in Indigenous Equity Investments" reports and the oil & gas industry's BOE Report coverage "From Ice Rinks to Education" document how these arrangements have begun to fund long-term community priorities at meaningful scale. As one notable example, "Enbridge's Project Rocket, a landmark partnership that saw 23 First Nations and Métis communities acquire an ownership stake in seven major pipeline assets in northern Alberta in 2022. One of the largest Indigenous equity transactions in North America, the deal has provided about $25 million over the last three years..."[110]
>
> The US context differs in important ways—federal indigenous laws, the specifics of treaty rights, the role of state and First Nations governments—but the structural innovation is portable: when a community provides land, social license, and natural resources to a major capital project, equity participation and governance voice are more durable than upfront concessions alone.

6.2.2 Community Equity Structures

Households would receive contributions from companies operating major infrastructure or natural resource projects materially impacting the community, with contributions attached to construction or operating permits as the regulatory hook. Contributions take the form of equity issuance or equity-linked instruments rather than purely revenue-based mechanisms, ensuring households' stakes appreciate with the project. However, revenue sharing could also be considered for some level of support for shared community infrastructure and social infrastructure, modeled as a typical CBA, but with the quantum of the contribution also allowing for direct equity ownership by appropriately mapped households.

As opposed to the more holistic three-pillar model, this arrangement might focus more specifically on Pillar 2 given the fundamental differences in the relationship between a company and communities versus a company and labor. Equity compensation could be direct to households or through a trust model with a similar governance structure as the DETS model. It may be most appropriate for the local government authorities to act as an administrator of any such trust, but with households having direct beneficiary status.

[109] Afzal, Adeel, and Jeanie Chin. "Power Shift: Indigenous Ownership and the Future of Clean Energy." Hatch, November 21, 2025. https://www.hatch.com/About-Us/Publications/Blogs/2025/11/Power-shift---Indigenous-ownership-and-the-future-of-clean-energy

[110] Grady Semmens, "From Ice Rinks to Education: How Indigenous Energy Ownership Is Building Lasting Prosperity," Canadian Energy Centre, February 26, 2026, https://www.canadianenergycentre.ca/from-ice-rinks-to-education-how-indigenous-energy-ownership-is-building-lasting-prosperity/

Importantly, the proposed ownership and governance models help address longstanding adversarial relationships between communities and companies that often plague projects. Moratoria, lawsuits, and regulatory battles lead to delays, increased costs, and ultimately worse outcomes for everyone, sometimes including the community. Approaching projects as partnerships with structured equity participation and governance voice tends to produce better outcomes for the project, companies and investors developing and managing it, and the community. This framing speaks across political dispositions: it supports infrastructure development (a generally pro-growth value), it strengthens local communities (a generally pro-community value), and it shares value with those who bear costs (a generally fairness-aligned value). It is not a "progressive" or "conservative" position; it is a structural reform aimed at making infrastructure deployment work better.

> **Micron's $100B Syracuse megafab—community pushback in practice**
>
> Micron's planned semiconductor fabrication facility outside Syracuse, New York, illustrates the structural problem when communities bear costs without corresponding ownership or governance voice. The project will consume vast amounts of water and energy, produce hazardous waste, and create both environmental and health risks for surrounding areas—risks the semiconductor industry has well-documented experience with. Micron has pledged 9,000 jobs and environmental safeguards, but local residents have organized as "Neighbors for a Better Micron" and, with Jobs to Move America, filed suit hours before groundbreaking, arguing the permitting process was rushed and inadequately considered public input.
>
> The dispute is not, fundamentally, about whether the facility should be built. It is about whether the community hosting the costs has a structurally guaranteed share in the value created and say in project design to mitigate and prevent health, safety, and environmental risks. Existing tools—permit conditions, CBAs, host-community fees— have often fallen short in past projects. A predistributive framework includes more broadly distributed ownership and governance transforms the adversarial fight into a structural long-term partnership.

Designing to avoid unintended negative consequences are critical. For instance, if benefits are tied to community membership, residence, or work activity in particular jurisdictions, individuals may relocate to qualify. This can lead to overcrowding of high-benefit areas and depopulation of others, with cascading effects on housing, schools, and services. Eligibility design should consider this risk—for example, requiring tenure in a community, defining eligibility based on prior contribution, or other migration design features. These considerations are common when structuring CBAs and Resettlement Action Plans (RAPs) in development finance infrastructure projects, and lessons learned can be adapted for this context.

Further, if a company allocates 15% of a value stream (revenue, profits, equity) to stakeholders, it will need to consider how that is balanced across stakeholder groups, such as workers relative to host communities and households.

6.3 Application 3: Content Creators Whose Work Trains AI

Artists, musicians, writers, journalists, photographers, and other content creators—including traditionally highly compensated freelancers and professionals such as coders who have been formally employed—have generated substantial portions of the training data on which generative AI systems depend. The economic value of this contribution is reflected in AI companies' market capitalizations—measured in the hundreds of billions—while creators have received little to no direct compensation. Copyright lawsuits are proliferating, yet are slow, uncertain, and benefit primarily those with resources to pursue them.

6.3.1 The Legal Landscape: Contested Ground

The legal status of AI training on copyrighted material remains genuinely unresolved. Several major lawsuits are working through US federal courts, involving visual artists, authors, journalists, and music labels suing AI developers including Stability AI, OpenAI, Microsoft, and Meta for using their work without permission or compensation. The central question—whether training on copyrighted material qualifies as fair use—has now been addressed in three rulings, producing an inconclusive picture.

Two judges in the Northern District of California found AI training to be fair use in June 2025 (*Bartz v. Anthropic* and *Kadrey v. Meta*), but both were explicit that their rulings were narrow, fact-specific, and not general endorsements of AI industry practice.[111] A third judge ruled against an AI developer in *Thomson Reuters v. ROSS Intelligence*, though that case involved a search tool rather than generative AI.[112] Meanwhile, many of the highest-profile cases have resolved through negotiated licensing settlements rather than judicial decisions on the merits—most notably Anthropic's $1.5 billion settlement with authors and the major labels' deals with Suno and Udio—meaning the core legal question has repeatedly been sidestepped rather than answered.[113]

No appellate ruling exists, and no definitive fair use decision on generative AI training data is expected before summer 2026 at the earliest. Like workers and communities, content creators (and more broadly even consumers who have provided their data to technology companies) provide forms of capital—

[111] Pramode Chiruvolu, Stuart D. Levi, Mana Ghaemmaghami, and Shannon N. Morgan, "Fair Use and AI Training: Two Recent Decisions Highlight the Complexity of This Issue," Skadden, Arps, Slate, Meagher & Flom LLP, July 8, 2025, https://www.skadden.com/insights/publications/2025/07/fair-use-and-ai-training

[112] Thomson Reuters Enterprise Centre GmbH v. Ross Intelligence, Inc., No. 1:20-cv-613-SB (D. Del. Feb. 11, 2025). For commentary, see Goodwin Procter LLP, "Court Rejects Fair Use Defense in AI Copyright Case," February 21, 2025, https://www.goodwinlaw.com/en/insights/publications/2025/02/alerts-practices-ip-lit-court-rejects-fair-use-defense-in-ai-copyright-case

[113] Music Ally, "UMG Settles Udio Lawsuit; Companies Plan New AI-Music Service Together," October 30, 2025, https://musically.com/2025/10/30/umg-settles-udio-lawsuit-companies-plan-new-ai-music-service-together/. Music Business Worldwide, "Suno Fights to Keep Warner Music Settlement Terms Away from UMG and Sony," May 2026, https://www.musicbusinessworldwide.com/suno-fights-to-keep-warner-music-settlement-terms-away-from-umg-and-sony/

personal, intellectual, and creative capital—without which the products would not work as well. They take real risk (loss of livelihood as AI substitutes for their work, loss of privacy for those who provide data) and create real value (the training data that makes the products work). The structural question is the same: does compensation flow to those who create value and bear risk, or only to those who hold financial capital?

Crucially, the emerging pattern of the legal resolutions to date is itself illustrative of the structural problem the predistributive framework is designed to address: major rights holders with resources to litigate or negotiate are cutting bilateral licensing deals, while independent creators—individual authors, visual artists, journalists, and musicians without institutional backing—are left to pursue class actions as their only path to compensation. Litigation and bilateral licensing are not solutions accessible to the vast majority of creators whose work trained these systems. A trust-based predistributive mechanism, precisely because it operates at the structural level rather than the individual claim level, offers a more equitable and scalable path to compensation that does not depend on a creator's ability to prove individual harm or negotiate from a position of bargaining power.

6.3.2 Compensation Mechanisms

The broadened equity-linked compensation models for such circumstances are complex, but not insurmountable. Equity ownership and beneficial trust interests could be structured through several mechanisms: licensing agreements negotiated collectively through creator guilds and unions; regulatory requirements attached to AI model deployment permits; voluntary adoption incentivized by social license benefits and legal risk reduction; or industry-wide standards negotiated between AI developers and representative creator organizations. Each pathway has different implications for coverage, enforceability, and accessibility to smaller creators, and the appropriate mechanism will vary by sector and content category.

A particular design challenge arises in the software industry context that illuminates a broader problem. If a company employing coders fails due to competition from AI agents, rendering that company's equity worthless, while the work those coders produced was used by an AI platform that contributed to its dominance over the software industry—should the displaced coders be eligible for compensation from the platform that benefited from their work? This scenario, which will become increasingly common, cannot be resolved through bilateral licensing or individual litigation, because there is no surviving employer relationship through which to route the claim. It points directly to the need for a sector-level mechanism.

One workable approach for cases of this kind—and more broadly for content creators who lack the institutional backing to negotiate bilateral deals—is to require AI companies to contribute to a sector-level pool that funds reskilling, transition support, and equity participation for displaced contributors, even when their original employer cannot itself negotiate compensation. This is the same three-pillar trust architecture developed elsewhere in this paper, applied at the sector level rather than the firm level: Pillar

1 cash distributions provide an income bridge for displaced creators; Pillar 2 equity participation provides exposure to the capital appreciation generated by AI systems built on their work; and Pillar 3 diversified accounts build long-term wealth. This is conceptually similar to industry-funded unemployment and benefit pools in other sectors and would require either federal regulation or sectoral collective bargaining to establish. Critically, this does not require individual attribution of specific creative works to specific model outputs. Instead, it socializes the compensation obligation across the AI sector, which is appropriate given that the productivity gains from AI training data are diffuse and systemic rather than traceable to individual contributions.

For Pillar 2 specifically, equity participation matters more for content creators than for nearly any other stakeholder group. Creators' work is a foundational input to models whose valuations are growing rapidly. Revenue sharing compensates for current use; equity participation through a beneficial interest in a trust holding AI company equity compensates for the compounding value that work generates as models improve, scale, and become more valuable over time. Without capital appreciation exposure, creators receive an income stream while the enterprises built on their work capture the appreciation. This is precisely the dynamic that has characterized the platform economy more broadly—content creators on YouTube, social media, and other platforms generate the engagement and data that drives platform valuations, while the financial gains accrue almost entirely to platform shareholders. The trust model addresses this structurally rather than through periodic renegotiation.

In cases where an individual qualifies for more than one mechanism simultaneously—as a worker at an AI-adopting company, a creator whose original works were ingested into training datasets, and a community member hosting AI infrastructure—the cumulative effect of multiple trust participations is substantial. While this confluence is an upper-bound scenario rather than a typical outcome, it illustrates the framework's systemic logic: the three mechanisms are designed to be complementary and mutually reinforcing, not siloed interventions.

6.3.3 The Attribution Challenge

Direct compensation at the scale of millions of contributors has historically been administratively prohibitive. Yet modern AI and data tooling may materially change this. Verifiable usage data—which datasets, which contributors, which weighting—can be tracked at training time and used to administer compensation streams. AI-supported plan design and administration can handle the distribution. Blockchain technology can add value in terms of traceability, accountability, and transparency.

A functioning content creator compensation system requires several regulatory foundations. Training-data transparency—mandatory disclosure of datasets used, in a form accessible to rights holders and verifiable by independent auditors—is the prerequisite for any attribution-based compensation. Anti-gaming rules are needed to prevent the deliberate production of low-quality content for compensation purposes. Dispute mechanisms accessible to small contributors, not just well-resourced institutional rights

holders, are essential to ensure the system serves independent creators rather than replicating the two-tier dynamic already emerging from litigation and bilateral licensing.

Existing performance-rights organizations (PROs) —such as the American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music, Inc. (BMI), and SESAC (formerly Society of European Stage Authors and Composers), collective rights organizations in publishing—offer partial models, though the AI training context has features none of them addresses directly.[114] Some content categories may also benefit from collective licensing through creator guilds and unions, where the population is well-organized.

6.3.4 Governance

Even with a sector-level trust as the primary structure, governance bodies are needed to set rules for usage tracking, allocation methodology, dispute resolution, and program evolution. These bodies should include creator representatives, AI company representatives, and independent fiduciaries—similar to the governance structure developed for the DETS trust. The same principle applies here: creators who hold beneficial interests in the trust have both the right and the practical knowledge to participate in governance decisions about how the trust operates and how compensation is calculated.

Mechanisms for integrating creator representatives into the broader corporate governance structures of AI companies—as board observers, advisory council members, or formal stakeholder representatives—can reinforce the trust governance structure and ensure that creator perspectives inform strategic decisions about model development, data sourcing, deployment, and transparency and accountability before decisions are made rather than after.

6.4 Account Portability

A distinctive feature of the framework is that individuals may participate in multiple trust structures simultaneously, building diversified income and wealth-building exposure. A worker employed at an AI-adopting firm in Virginia might simultaneously hold positions in their employer's BEC trust; a Community Equity Trust (because their community hosts data centers); and a Content Creator Equity Trust (if they do creative or knowledge work that contributes to AI training).

Multi-trust exposure addresses the company-specific risk concern that has limited existing employee ownership models. A worker is not dependent on a single employer's equity. They have diversified

[114] PROs collectively license musical works on behalf of their members, track usage across broadcasters and streaming platforms, and distribute royalties to large numbers of individual rights-holders. They are relevant as proof of concept that collective licensing and usage-based compensation can be administered at scale for dispersed creative contributors—a key administrative challenge for any AI training compensation regime. Their limitation as models is that they operate on the basis of publicly performed or broadcast works under established copyright frameworks, whereas AI training use occurs outside those existing licensing triggers and involves data ingestion rather than public performance or reproduction, meaning new regulatory mandates would be required to establish equivalent obligations for AI developers.

exposure to their employer's trust, their community's infrastructure trust, and the content creator trust—each backed by different underlying assets and revenue streams. If one company fails, the others continue to generate income and appreciation. The Pillar 3 diversified investment account provides further protection.

Long term, multi-trust structures also reflect a real feature of how value is created in an AI-enabled economy: a single individual can be a worker, a community member, and a content creator simultaneously, with each role contributing real value to AI's success. A framework that channels value through only one of these channels misses the others.

A practical concern is the proliferation of separate accounts. An individual with three trust positions may have three separate Pillar 3 diversified accounts, three separate Pillar 1 income streams, and three separate Pillar 2 equity stakes. Operationally, this can become unwieldy.

An *account portability and rollup* feature can be implemented to address this challenge. The Pillar 3 diversified accounts, in particular, are conceived to be individually owned and portable; they can be rolled into a single self-directed account at the holder's election after an initial holding period. This is the same mechanism that allows 401(k) and IRA accounts to be consolidated. The rollup preserves the protective and diversification features of the underlying accounts while reducing administrative friction for the individual.

7 Implementing Broadened Corporate Governance Participation

7.1 Forms of Participation

The reform of governance models does not need to follow one path, nor should it. Rather this endeavor should be taken forward in a way that recognizes the particular challenges and requirements relating to specific industries, companies, stakeholder groups, and historical moments. This need to adapt governance reform to specific conditions encompasses the participants it involves, the mechanisms of participation, and what might be required in terms of supportive infrastructure to make the model function effectively.

Given the importance of the workforce to practically all organizations, and the direct impact that organizations have on those they employ, it follows that worker representation is fundamental to governance reform. That this is understood by workers, employers and governments explains why worker participation is already established in some markets and is a recurring question in governance debates.

Going beyond the workforce, companies can undertake the aforementioned stakeholder mapping exercises, identifying human and social capital stakeholders who are taking material risk and creating material value to justify enhanced participation rights.[115] While the broader reporting requirements are highly debated, best practices for mapping such interested stakeholders have already been maturing under the concept of "double materiality" and associated policy and regulation in Europe. Double materiality assessments should not determine governance rights automatically. However, they may provide a practical and procedurally legitimate mechanism for identifying stakeholder groups whose interests warrant consideration in broader governance structures.

At the same time, materiality assessments as practiced in Europe and elsewhere are typically controlled by management. Any governance framework built on them would therefore require mechanisms through which affected stakeholders could challenge omissions or materiality determinations. This might include rights for trade unions, civil society organizations or other recognized stakeholder groups to seek review where significant affected interests appear to have been excluded.

[115] The stakeholders identified through a double materiality assessment are likely to differ significantly between frontier AI developers and organizations deploying AI. For frontier AI developers, material impacts may extend beyond the firm to users, creators, workers in affected sectors and wider society. For AI deployers, impacts are often concentrated among employees, customers and service users. Double materiality assessments may therefore provide a structured basis for identifying stakeholder groups whose interests are sufficiently affected to justify consideration of enhanced participation rights.

Based on mapping and depending on the circumstances, corporate governance participation might be structured to include board representation, stakeholder advisory councils, consultation rights, or participation in board committees.

Participation models. PDI is developing detailed guidance on the trade-offs and combinations among various forms of BCGP, including direct board representation, advisory bodies and constituency-specific committees. The most appropriate models will depend on the context and should be tailored to those needs.

Direct board representation. Worker, community, or consumer representatives elected by their constituencies, serving alongside other directors, with full board responsibilities and full information access are the strongest and most direct form of voice in governance. Uncommon, although not altogether absent, in the US, stakeholder representation on boards has a long history elsewhere with regards to the workforce, as previously noted. Codetermination in Germany is a long-established example, requiring large companies to allocate at least one-third to one-half of supervisory board seats to worker representatives. Research finds codetermination improves long-term performance, reduces inequality, and enhances stability during restructuring.[116] Other jurisdictions provide exercisable rights for board representation for workers. In some cases, workforce directors might not be elected by their stakeholder group, but rather appointed through traditional corporate governance procedures, such as a nominations and governance committee and investor voting. PDI will be publishing further insights into different options later in 2026.

Advisory boards or stakeholder councils. These are bodies advising the main board with substantive engagement but without voting authority. They can be useful as a transitional structure or where direct board representation is not yet feasible. Models exist in particular industries, such as pharmaceutical companies that have formed advisory groups that address ethics and/or patient interests.

In the context of AI these models may be particularly useful for hosting difficult discussions of issues that are material to stakeholders but may not yet take a form that is suitable for discussion within the board. For example, discussions involving creators and rights holders might need to involve detailed negotiation over licensing.

Consumer or community advisory committees. These are envisaged as specialized bodies focused on particular stakeholder groups. While such bodies are more arms-length than direct board participation, they may involve board members and be invaluable as a site for companies and communities to discuss, as equals, expected standards of safeguarding.

[116] Jäger, S., Schoefer, B., & Heining, J. (2021). Labor in the boardroom. *The Quarterly Journal of Economics, 136*(2), 669–725. https://doi.org/10.1093/qje/qjaa038; Jäger, S., Noy, S., & Schoefer, B. (2022). What does codetermination do? *ILR Review, 75*(4), 857–890. https://journals.sagepub.com/doi/abs/10.1177/00197939211065727; Fulton, L. (2020). *Codetermination in Germany: A beginner's guide* (Mitbestimmungspraxis No. 32). Hans-Böckler-Stiftung. https://www.boeckler.de/en/faust-detail.htm?sync_id=8976

In sum, the right form depends on the company, the context, and the readiness of stakeholder groups to participate effectively. The table below is an illustration of how an assessment of stakeholder interest and governance model could be approached. Some models could benefit from being populated via sortition, with a citizens assembly model.

7.2 Incentives for Stakeholder Representatives

It is unlikely that the mere presence of stakeholder representatives in a boardroom makes a difference or that, once there, they will not fall under the same pressures affecting existing directors. Multi-stakeholder governance might address some of the risks arising from the development and deployment of AI but only if the training and incentive structures for stakeholder directors is intentionally designed. A common failure mode is that any director, regardless of background, faces structural pressure toward speed, growth, and consensus. To avoid co-opting stakeholder directors into the same incentive structure as traditional directors, design choices matter. This suggests a number of core features:

- Compensation that is bounded and does not scale with share price, so stakeholder directors are not subject to the same dynamics that pressure other directors toward growth-at-all-costs.
- Information rights that guarantee access to operational, workforce, and deployment data that do not depend on management discretion.
- Independent staff or advisory support, so stakeholder directors are not solely dependent on management-prepared materials.
- Term limits and rotation that prevent the long-tenure entrenchment that can erode independent perspective.
- Removal and recall mechanisms accountable to the constituency that selected the director, not solely to the rest of the board.
- Constituency check-in obligations—formal touch-points with the stakeholder community that keep the director connected to the perspective they bring.

Without these features, putting a stakeholder representative in a traditionally-incentivized board seat risks capture rather than independent voice. The design of the seat matters as well as the identity of the occupant.

7.3 Governance Training and Pipeline Development

For broadened governance participation to work, stakeholder representatives need training tailored to the specific role. Two distinct training pathways are needed: training for Trustees of the Trust structures and additional training for stakeholder directors serving on corporate boards. Trustee training focuses on trust administration, fiduciary duties to beneficiaries, investment policy, distribution rules, and beneficiary communication.

Corporate director training adds corporate fiduciary duties, financial statement literacy at the company level, governance procedure, conflict-of-interest navigation, and the specific dynamics of board-level decision-making. The DETS proposal specifies a 12-hour annual continuing education minimum for Trustees, funded as a Trust operating expense; corporate directors typically require more substantial initial training (40+ hours is common in existing director-pipeline programs) plus ongoing education.

Beyond training, pipeline development is essential. Identifying, preparing, and supporting candidates from underrepresented stakeholder groups is a multi-year process. Partnerships between labor organizations, community-based organizations, and educational institutions can support building this pipeline. Widely accessible corporate governance training programs can be made available for stakeholders who are interested in the topic, thereby enabling them to pursue a path to be considered as a director. Training can be adapted as needed.

The cost of training and pipeline development could be funded by the contributing entity. Where compensation flows through a Trust, the Trust can fund training as an operating expense. Where compensation flows directly to individuals, the contributing AI company can fund parallel training infrastructure—either directly or through industry-level pools—for individuals selected as governance representatives.

Another example to draw upon is the practice of worker directors on supervisory boards in Germany donating a proportion of their board fees to an institution (the Hans Böckler Foundation) which funds research, training, education and support relating to codetermination and worker representation. This reflects the principle that board representation is exercised on behalf of workers collectively rather than as a source of personal income.

7.4 The Role of Unions

In practice, unions can play an active role in implementing the framework. Unions can manage Trusts; can administer reskilling programs funded by Trust contributions; can serve as the labor-organization representative on Trust boards; can negotiate equity-sharing arrangements alongside traditional terms in collective bargaining. Many of the most successful examples of broad-based ownership in US history have been union-led. The framework is designed to complement organized labor, not to compete with it.

8 Financial and Economic Analysis

8.1 Filling the Macro-Financial Gaps

Part I of this discussion paper series identifies systemic risks that total approximately $15–18 trillion in value at risk in the Light scenario, rising to $62–72 trillion in the Aggressive scenario, across US mortgage and consumer credit markets, corporate debt markets, equity markets, pension and retirement assets, insurance balance sheets, and federal tax revenue. The framework developed in this paper is designed to materially reduce this value at risk by addressing the root cause of the cascade: the collapse in consumer purchasing power that occurs when workers lose income at scale. The quantitative magnitude of the risk reduction depends critically on how successfully distributions close the consumption gap for displaced workers—and this depends in turn on the design parameters developed in the preceding section. This modeling has not yet been completed. The central questions are: across the four Part I scenarios, what share of the consumption gap can the framework close under realistic contribution rate assumptions? What contribution rate is required to close a meaningful share of the gap—say, 50%, 70%, or full coverage—in each scenario? And what is the macro-financial risk reduction that corresponds to each coverage level, expressed in terms of reduction in value at risk across the channels modeled in Part I?

These are the questions the Predistribution AI Lab will address in the accompanying model. The directional finding is robust: maintaining consumer purchasing power through broad-based ownership materially reduces macro-financial risk across all channels. But the specific numbers and the design parameters required to achieve them require dedicated modeling that this paper does not yet attempt. PDI intends to publish accompanying models to these papers as outputs of the Predistribution AI Lab, stress-testing coverage rates across all four Part I scenarios and presenting results in the Excel companion where assumptions can be adjusted and interrogated by stakeholders.

One design constraint worth flagging in advance: closing the consumption gap sufficiently to avoid GDP contraction—rather than merely slowing it—likely requires coverage well above 50–60% of lost wages for displaced workers. A framework that closes only 60% of the consumption gap may still result in flat or contracting GDP in the Moderate and High scenarios, which is not a good macroeconomic outcome and does not resolve the financial stability risk. Achieving higher coverage rates may require combinations of higher BEC contribution rates, more aggressive government transition support, faster reskilling and re-employment, and AI-driven cost deflation that partially offsets lost purchasing power. The trade-offs among these—and the fiscal feasibility of government transition support given the tax revenue erosion modeled in Part I—will be examined explicitly in the modeling.

8.2 Shareholder Value Analysis

The shareholder value case for BEC is one of the most important arguments this paper can make, because it establishes that BEC is in shareholders' own long-term interest and not merely a concession to workers or a regulatory imposition. PDI flags the core logic here; a full quantitative treatment—with firm-level data, scenario-linked revenue modeling, and supporting citations—is a priority for the Predistribution AI Lab and will be developed in the accompanying model.

The core argument is that broad-based purchasing power and robust capital returns are complements, not substitutes. The AI sector cannot sustain the valuations investors are currently pricing in if the consumer economy that funds its customers collapses. Broad-based ownership is therefore not just sound social policy but a structural precondition for AI companies achieving the revenue trajectories their investors are pricing in.

Stated simply: the alternative to BEC is not shareholder value preservation—it is a $15–72 trillion value-at-risk event that would impair the equity holdings, bond portfolios, and real asset positions of the very institutional investors who own AI company shares. Quantifying the shareholder value benefit of avoiding that outcome—and translating it into expected return terms that institutional investors can incorporate into portfolio analysis—requires data and modeling that go beyond what this discussion paper can establish. We flag this as a gap to be filled, not a weakness in the underlying logic.

8.3 Federal Tax Revenue and Government Transition Support

Part I models tax revenue erosion across scenarios as a contextual indicator rather than a component of the core value-at-risk estimate. The erosion is material: as displaced workers lose income, payroll tax receipts decline, income tax revenues fall, and transfer payment obligations rise simultaneously. This creates a fiscal squeeze precisely when government transition support is most needed.

The framework interacts with federal tax revenue in several ways that the accompanying model will need to integrate. Pillar 1 distributions, if structured as ordinary income, generate taxable income for recipients—partially offsetting the payroll and income tax erosion from displacement. To the extent that Pillar 1 distributions sustain consumption, the consumption-supported tax base is partly self-funding: VAT-equivalent, sales tax, and corporate revenue tax bases are preserved alongside the income tax base. Pillar 2 capital gains are taxable on realization. Pillar 3 contributions can be structured with tax-advantaged status analogous to retirement accounts, creating a tax deferral rather than a tax loss.

The net fiscal effect of the framework—the combination of tax revenue generated by BEC distributions, consumption preserved, and government transition support offset—is a modeling question that requires integrating these interactions explicitly. Further government transition support could be funded through several mechanisms: an AI productivity tax on AI company revenues above a threshold, a financial

transactions tax, a wealth tax, or some combination. The choice of funding mechanism has distributional implications that should be examined alongside the coverage rate analysis.

One specific issue worth flagging: Pillar 1 distributions, structured as ordinary income rather than wages, are not subject to FICA payroll taxes under current law. This means the Social Security and Medicare stabilization effect of the framework—while real—is more modest than it would be if payroll-like contributions were extended to equity-linked income distributions. There is precedent in policy discussions for such an extension; if pursued, it would substantially strengthen the Social Security and Medicare stabilization effect modeled in Part I. Without such a reform, the stabilization effect depends primarily on the preservation of payroll-tax-paying employment among retained workers. This policy design question is flagged for the accompanying model and for engagement with tax and benefits counsel as the framework moves toward pilot implementation.

8.4 Limitations and Areas for Further Analysis

The modeling in this report is illustrative by design. The specific parameters and recommendations are starting points, calibrated to available data and intended to demonstrate direction and approximate scale rather than to generate precise point estimates. Several areas warrant more rigorous treatment as the framework moves toward implementation.

Firm-level and industry-specific modeling. The BEC analysis aggregates across sectors and firm types. A more granular treatment would model compensation structures, equity dilution dynamics, and shareholder return effects at the industry and firm level, drawing on proprietary financial data and engagement with companies considering pilot implementation.

Dynamic macroeconomic simulation. The framework's transmission channels—consumption, debt service, tax revenue, Social Security—are modeled sequentially rather than simultaneously. A full dynamic simulation would incorporate behavioral responses (how workers and households adjust savings, consumption, and labor supply in response to equity distributions), international trade effects, and monetary policy interactions. HANK-style heterogeneous agent models offer one methodological pathway for this extension.

Legal and regulatory analysis. Implementation pathways vary significantly across jurisdictions, corporate structures, and asset classes. Detailed legal analysis—covering securities law, tax treatment, fiduciary duty, and labor law—is required before any specific design can move to pilot stage. PDI is engaging tax and benefits counsel on these questions in parallel with the modeling work.

Governance design and stakeholder engagement. Ownership thresholds, allocation mechanisms, and governance structures are design parameters that should be co-developed with the stakeholders they

affect. The Predistribution AI Lab's engagement program is intended to generate this input iteratively, with pilot experience informing successive refinements.

Sensitivity analysis across Part I scenarios. The framework's benefits scale with the severity of displacement. A full sensitivity analysis—showing how coverage rates, fiscal offsets, and shareholder returns vary across the Light, Moderate, High, and Aggressive scenarios modeled in Part I—is a priority for the accompanying model.

Pilot data. DETS and other early implementations could generate the real-world parameter estimates—take-up rates, administrative costs, behavioral responses, governance dynamics—that illustrative modeling cannot supply. The framework should be understood as a hypothesis to be tested, and pilot design should be structured to generate the data needed to refine it in an iterative manner over time.

9 Implementation Roadmap

The framework described in this paper is designed to be built incrementally—beginning with pilots in sectors where regulatory leverage already exists, expanding through voluntary adoption, and ultimately embedded in sector-specific regulatory frameworks and, over a longer horizon, federal legislation.

It is worth noting that the concepts in this paper are already practiced to some degree in China, giving reason to believe that any international negotiations on AI development could include agreements on integrating elements of BEC and BCGP. This can help ensure that AI development proceeds across countries on a level playing field, without cause for concern about one country falling behind others. Unlike many other forms of regulation focused on slowing down the development of AI, BEC and BCGP are poised to strengthen alignment across stakeholders involved and avoid blind spots and unintended negative consequences. Ultimately the proposed reforms can actually strengthen rather than hinder the rollout of AI.

The DETS proposal could be a natural starting point. Autonomous vehicle deployment is happening now, in real cities, under active regulatory frameworks that already condition operating permits on safety and community commitments. Attaching predistributive conditions—BEC trust contributions, community equity participation, governance representation—to AV deployment permits in several major cities would generate operational and governance evidence that informs broader application across sectors. The regulatory hook exists; it is a question of political will and design capacity to use it.

Voluntary adoption by forward-looking companies in other sectors can proceed in parallel, without waiting for regulatory mandates. Early adopters gain first-mover advantages in governance credibility, talent retention, and investor relations—and generate the operational data that makes the case for broader adoption. The shareholder value analysis developed in the accompanying model is designed to support exactly this conversation.

Sector-specific frameworks can develop progressively from these pilots. The appropriate regulatory hooks, trust structures, and governance mechanisms vary by sector—what works for AV platforms differs from what works for financial services or healthcare AI deployment—and building out sector-specific frameworks is a multi-year effort requiring engagement with regulators, worker organizations, and companies in each sector. PDI intends to develop sector-specific design guides as the pilot evidence base matures.

Federal legislation or regulatory guidance—requires legislative and regulatory work that will take years and depends on building a coalition of investors, companies, worker organizations, and communities who have experience with the framework and can speak to its value. The pilots and voluntary adoptions described above are the foundation for that coalition.

PDI's role across all of this is to support: to provide research and design assistance, to convene stakeholders, to develop and evaluate pilots, to generate the data that makes the case for broader adoption, and to advocate for the policy and regulatory changes the framework requires. PDI is not in the position of dictating timelines or imposing models; we are in the position of supporting companies, investors, communities, and policymakers in finding what works for them—and in making the evidence base strong enough that the case for acting is hard to ignore.

9.1 Education, Reskilling, and the Next Generation

The framework above primarily addresses people within the workforce. It does not fully address young people who have not yet entered the workforce or those who need significant reskilling. For these populations, equity-linked compensation alone is insufficient—reskilling and education are critical complements.

It is worth acknowledging that there is significant uncertainty around which skills and trades will prove resilient in an AI-and-automation economy. Some suggest that skilled trades and personal services are lower-risk than knowledge work. Yet as robotics advances and combines with AI, even skilled trades may face automation in shorter timeframes than previously expected. The implication is humility about specific predictions. We can identify directions that are likely to remain valuable across many scenarios (AI-augmented work, governance and stewardship roles, interpersonal services, creative and judgment-intensive roles) but specific occupational forecasts deserve to be presented as tentative. With that said, we believe there are certain areas where educational programming should expand:

AI literacy across all disciplines. Workers who understand AI tools and can work effectively alongside them are more valuable than those who either resist or are simply replaced. This applies across healthcare, law, education, public administration, the creative arts, and beyond. Research consistently shows that AI augments human productivity in knowledge-intensive work.[117] Educational programming should treat AI literacy as a foundational skill alongside reading and arithmetic.

Cooperative governance, Corporate governance, financial literacy, stakeholder management. If predistribution becomes a meaningful organizing principle, millions of people will need skills to participate in trust governance, corporate boards, investment oversight, and stakeholder management. This is a new professional domain. The Predistribution AI Lab, in partnership with educational institutions, is developing curricula in this area.

[117] Noy, S., & Zhang, W. (2023). Experimental evidence on the productivity effects of generative artificial intelligence. *Science, 381*(6654), 187–192. https://doi.org/10.1126/science.adh2586; Brynjolfsson, E., Li, D., & Raymond, L. (2025). Generative AI at work. *Quarterly Journal of Economics*. https://doi.org/10.1093/qje/qjae044; Peng, S., Kalliamvakou, E., Canny, P., & Canziani, M. (2023). The International Center for Law & Economics. (2026, February). *AI, productivity, and labor markets: A review of the empirical evidence*. https://laweconcenter.org/resources/ai-productivity-and-labor-markets-a-review-of-the-empirical-evidence/

Skilled trades, healthcare, personal services—with the caveat above about specific predictions. These areas currently face talent shortages even as other areas face displacement, suggesting near-term value in expanded training programs. The long-term picture is more uncertain.

Entrepreneurship leveraging AI tools. Technology has historically advanced entrepreneurship; AI is amplifying this further.[118] AI tools enable smaller teams to launch and operate businesses that previously required larger teams and capital. Educational programs in entrepreneurship, paired with AI tooling literacy, expand the path to ownership for displaced workers.

Funding and Governance of Education. Educational programming aligned with predistributive structures is a direct business interest, not philanthropy. Companies sharing equity with stakeholders have an interest in those stakeholders developing the skills to participate effectively. In addition to companies, trusts can fund educational programming as part of their operations. Partnerships between educational institutions, industry, unions, Trusts, and cooperative development organizations can build pathways from education to equity-linked employment. The same multi-stakeholder governance principles apply to educational governance: boards including employers, labor organizations, community representatives, and economic analysts produce better outcomes than any single constituency would alone.

9.2 The Cost of Delay

The case for acting now, despite uncertainty about scenarios, rests on several observations:

Equity issued earlier captures more upside. The earlier a worker or community trust is established, the more of the AI sector's capital appreciation it participates in. A trust established before the bulk of value creation occurs captures fundamentally different wealth-building potential than one established after—even under identical structural terms. The predistributive logic depends on participation beginning before the appreciation accrues, not after.

The corporate profit base is largest pre-displacement. A BEC arrangement applied to a robust, growing profit base channels significantly more value to workers and communities than the same arrangement applied to a contracting one. If displacement suppresses consumer spending and corporate revenues follow—the AI revenue reflexivity channel modeled in Part I—the resource base from which BEC draws is itself at risk. Acting before consumption stress materializes preserves the resource base.

The displacement reserve requires pre-funding. As developed in the trust architecture section, the preferential distribution mechanism for displaced workers depends on a reserve built from contributions

[118] Schumpeter, J. A. (1942). *Capitalism, socialism and democracy*. Harper & Row; Baumol, W. J. (1990). Entrepreneurship: Productive, unproductive, and destructive. *Journal of Political Economy, 98*(5), 893–921; Audretsch, D. B., & Wyrwich, M. (2023). *Artificial intelligence and entrepreneurship* (IZA Discussion Paper No. 17055). Institute of Labor Economics. https://docs.iza.org/dp17055.pdf; World Economic Forum. (2025, April). *How AI is fundamentally changing the operational needs of startups*. https://www.weforum.org/stories/2025/04/how-founders-are-shaping-the-future-of-entrepreneurship-with-ai/

made while workers are still employed. A trust established after displacement is already underway cannot build that reserve retroactively. The predistributive timing logic is not merely strategic—it is structural.

Stakeholder bargaining position is strongest before crisis*.* Companies are more receptive to proactive risk management conversations than to reactive concessions during a period of economic stress. Investors have more leverage before a systemic event than after. Establishing the framework during a period of relative stability—when the case can be made on long-term value grounds rather than emergency terms—produces better-designed, more durable structures than crisis-driven improvisation.

Building governance and trust takes time. Stakeholder governance, trustee training, pipeline development, trust administration, and regulatory design are impossible to be established overnight. The governance structures need to be in place, tested, and functioning before they are called upon to manage large-scale displacement events. Starting now means the infrastructure exists when it is most needed.

The window for action is not extremely narrow—but it is bounded, and it is closing. Acting in 2026–2028 is meaningfully different from acting in 2030–2032, both in terms of the equity value captured and in terms of the institutional readiness to manage what the scenarios in Part I describe.

10 The Path Forward: An Invitation to Co-Create

The US economy has been on a long trajectory: declining returns to human and social capital relative to financial capital; rising concentration of ownership and decision-making power; stagnating wages alongside appreciating asset values; eroding trust in institutions. AI and automation are poised to either accelerate this trajectory or relieve it, depending on the institutional choices made in the next several years.

A common counterargument is that technology has, on balance, made life better—cheaper goods, better medicine, more communication, more opportunity. There is real truth in this. We are not anti-technology; we are pro-technology with broadly shared benefits. Our claim is more specific: alongside the genuine gains, technology has slowly eroded the relative position of labor, supported asset price appreciation that has benefited holders disproportionately, enabled the concentration of ownership and decision-making power, and eroded trust required for capitalism to operate effectively and efficiently. AI and automation, given current institutional structures, risk accelerating this erosion. The window for institutional reform—before the acceleration becomes unmanageable—is the inflection point this paper has tried to describe.

This report offers a structured analytical foundation and a workable framework. It is not a manifesto. The figures are illustrative; the design parameters are starting points; the implementation pathways are sketches. We are publishing it to start a conversation, not to end one.

Existing redistributive proposals are insufficient on their own. UBI alone leaves the underlying structure intact. Centralized sovereign wealth funds alone create their own centralization vulnerabilities in both markets and society. A tax on AI revenues alone covers a small fraction of the need, and is itself at risk under the reflexivity dynamics modeled in Part I.

Predistribution is the structural answer that fits the form of the value being created. Broad-based ownership extended to workers, communities, and content creators—combined with broadened corporate governance participation—addresses both the income and wealth gap and the voice and governance gap simultaneously.

The interests are more aligned than they appear. Shareholders modestly diluted in a sustained economy hold more absolute value than concentrated holders of a contracting one. Diversified institutional investors have a portfolio-level self-interest in supporting the framework. AI companies subject to the revenue reflexivity trap have a direct interest in maintaining the consumer purchasing power their enterprise customers depend on.

PDI's role going forward is to support—to provide research and design assistance to companies, investors, and stakeholders; to convene multi-stakeholder dialogues; to develop pilots and generate evidence; to advocate for the framework where appropriate.

The *Predistribution AI Lab* is PDI's vehicle for this work. It is a multi-stakeholder convening—companies, investors, workers, communities, content creators, academics, and policymakers—focused on developing, testing, and scaling predistributive arrangements for the AI moment. We are launching it now, in coordination with this paper, because the moment requires action and the work is best done collaboratively.

We close with an invitation. The framework presented here is genuinely a starting point. The right ownership thresholds, contribution rates, governance structures, eligibility rules, and tax treatments will emerge from work we do together—companies and stakeholders, investors and workers, communities and policymakers, scholars and practitioners. We welcome partnerships, suggestions, criticism, and feedback. Most importantly, we welcome co-creation.

The mathematics favor cooperation. The clock favors urgency. The values—agency, dignity, fair compensation for value created—favor ownership.

Attribution

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Attribution: Please attribute any public references to this work to the Predistribution Initiative (PDI). The PDI team welcomes the opportunity to engage in discussions related to the fine-tuning and implementation of this analysis and proposal further. The concepts in this paper are not intended to be definitive or prescriptive, and PDI recognizes that further co-creation will likely result in improvements.

Accompanying Materials:

Please see www.predistributioninitiative.org for additional papers from the Predistribution AI Lab.

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