

Cobb Douglas:
Capital and Labor Shares
in the United States

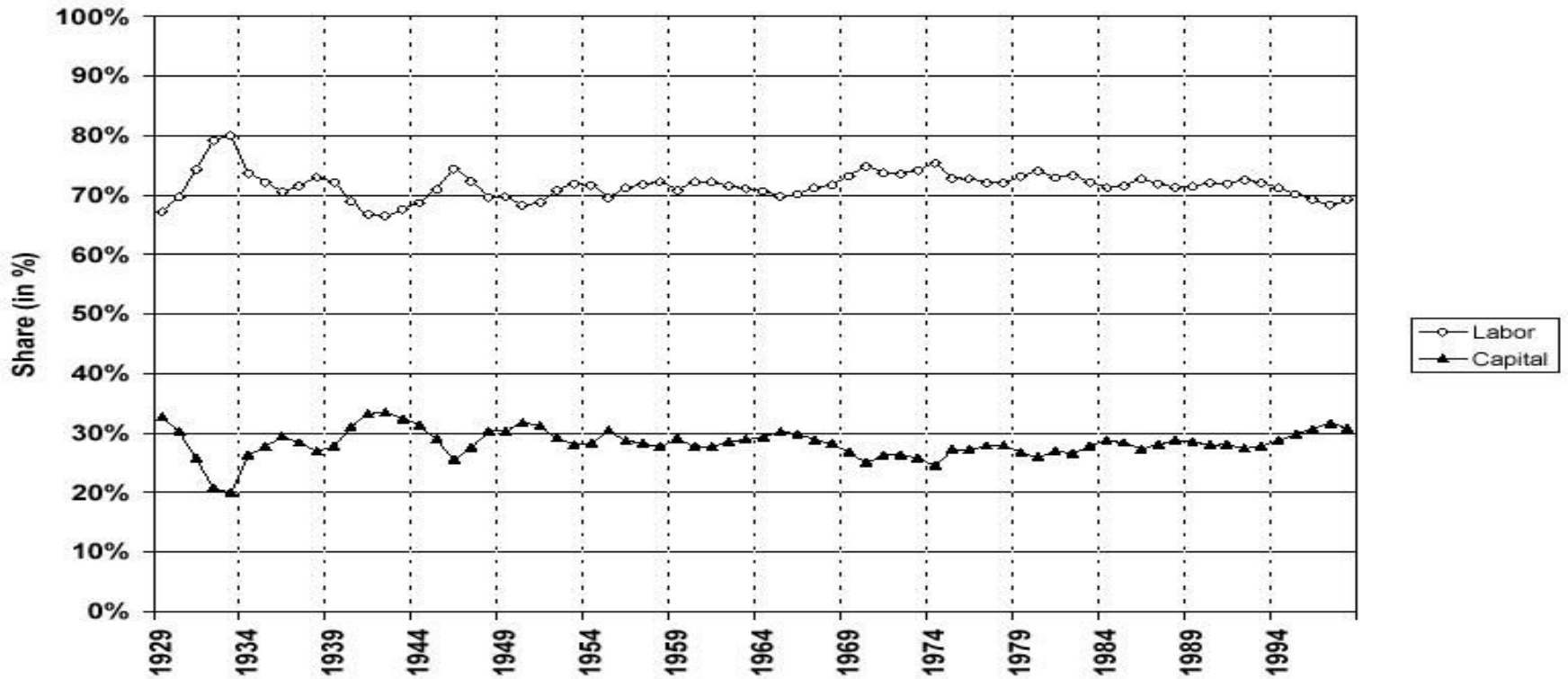
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The COBB-DOUGLAS Production Function

- The Cobb-Douglas production function is a good approximation to the U.S. Economy because the share of GDP that is appropriated by capitalists is **CONSTANT** over the long run. In fact, it is fairly close to 30%.
- The share appropriated by workers is also constant at about 70%.

Figure 9: Factor shares in the U.S. corporate sector, 1929-1999



Source: Authors' computations based on National Accounts
(NIPA Table 1,16; CFC and net interest have been included in the capital share)

Note:

- Notice that, over the short run, the shares move a little -for example, the labor share increased a lot during the great depression, as capitalists lost a lot of income, but over the long run, they remain fairly stable.