Discussion of "Declining Labor Shares and the Global Rise of Corporate Savings" by Loukas Karabarbounis and Brent Neiman

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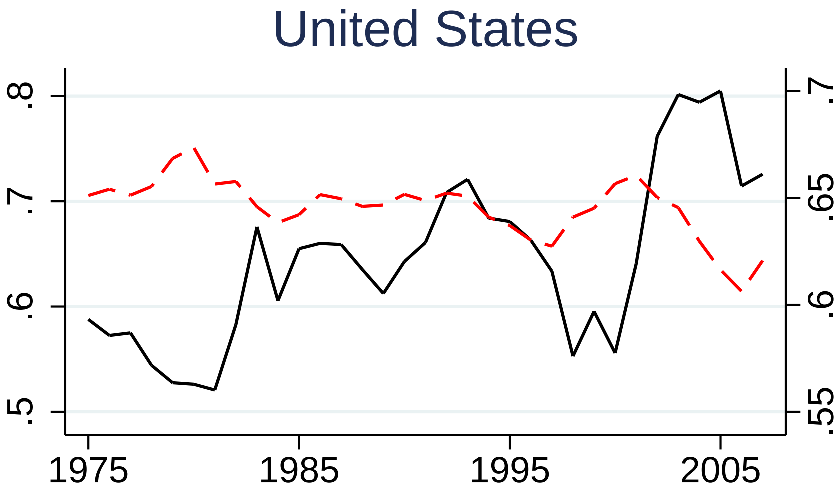
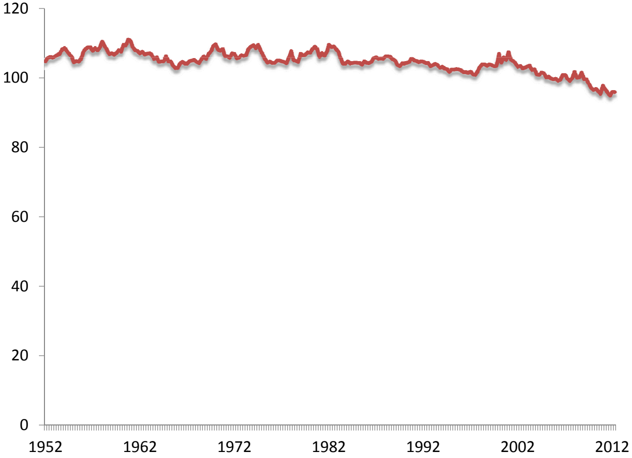
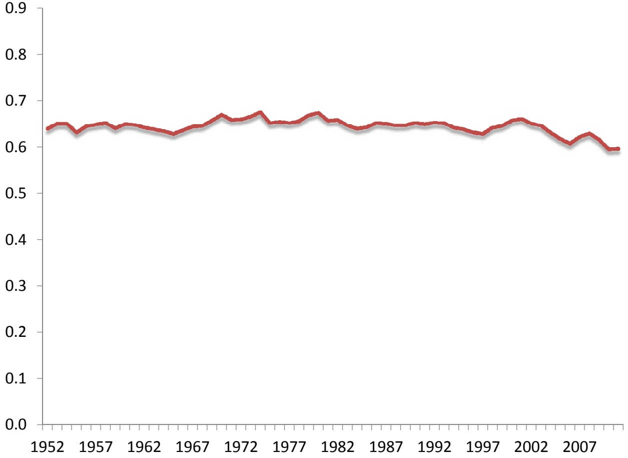

United States
.5
.6
.7
.8
.55
.6
.65
.7
1975
1985
1995
2005

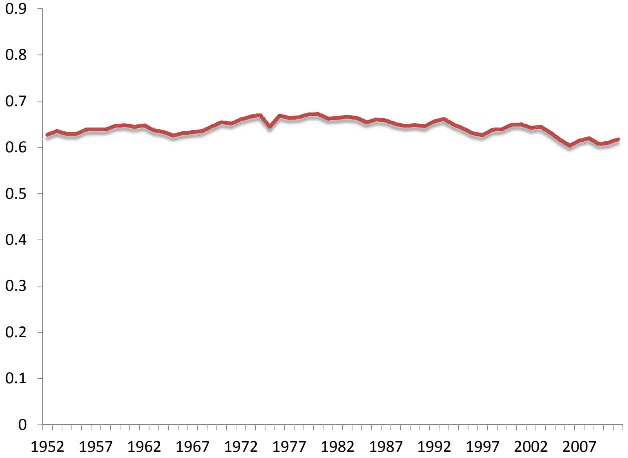
U.S. Non-farm Business Labor Share, BLS Index



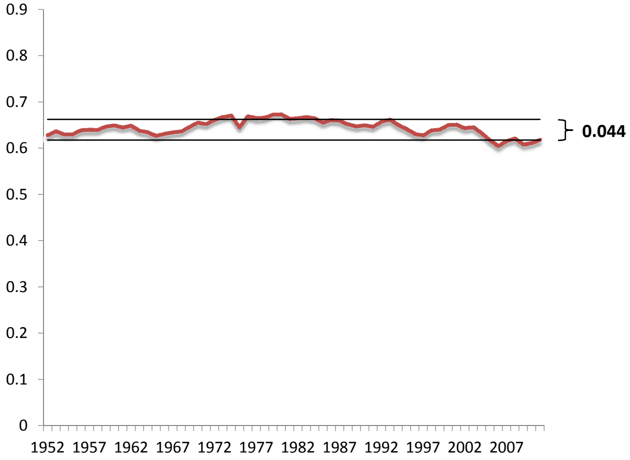
U.S. Corporate Labor Share, NIPA



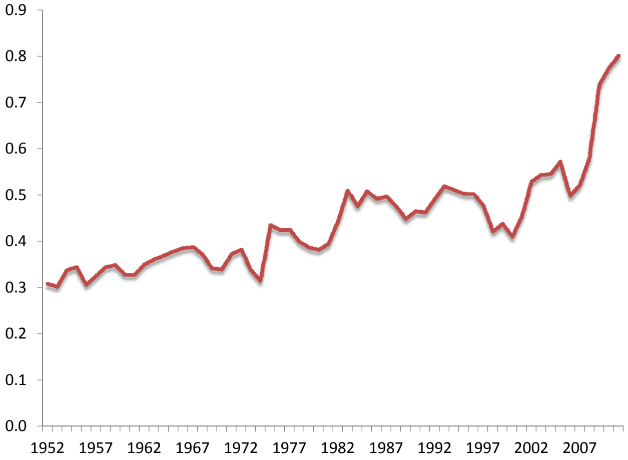
U.S. Corporate Labor Share, NIPA, with Cyclical Adjustment



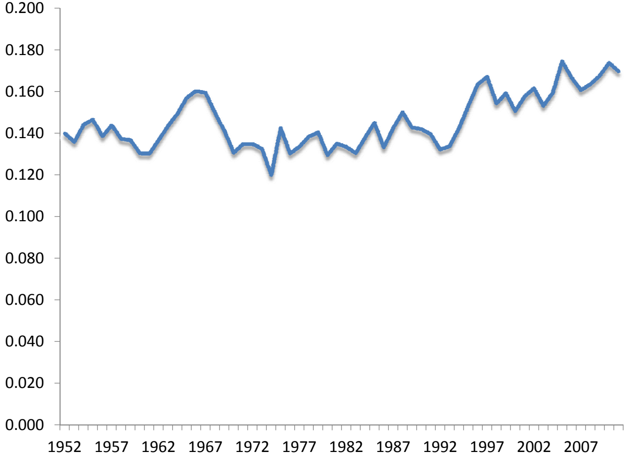
U.S. Corporate Labor Share, NIPA, with Cyclical Adjustment



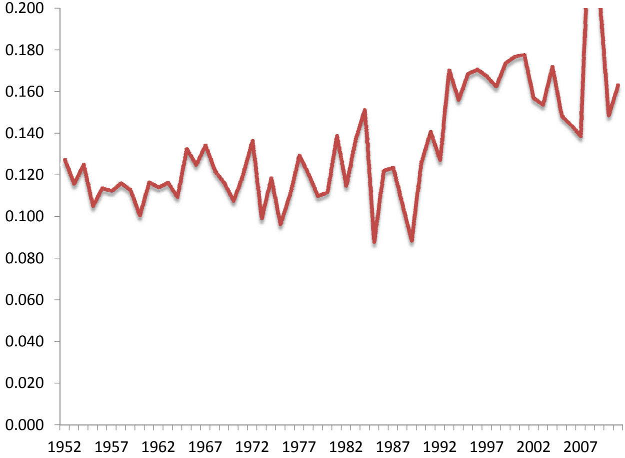
U.S. Corporate Gross Saving/Total Gross Saving



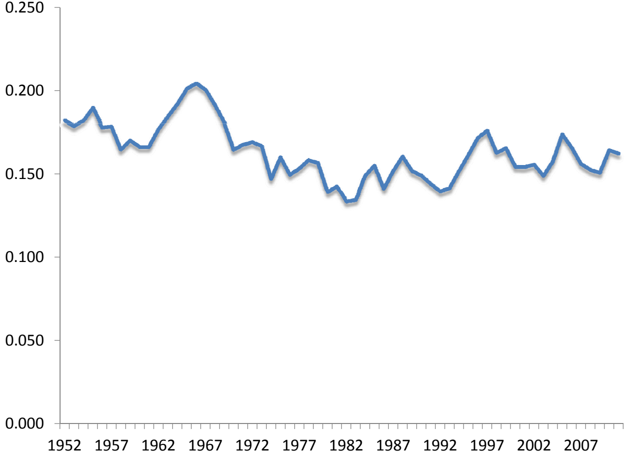
U.S. Corporate Saving/Corporate GDP, Source Side, Cyclically Adjusted



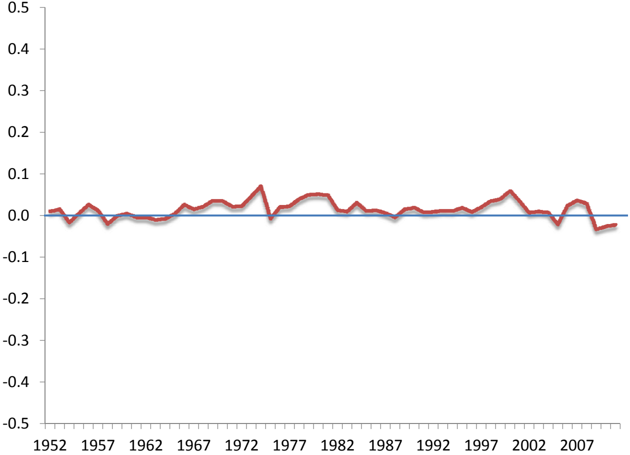
U.S. Corporate Saving/Corporate GDP, Use Side, Cyclically Adjusted



U.S. Corporate Saving/Corporate GDP, Source Side, Cyclically Adjusted, and Adjusted for Shortening Capital Life



Capital Expenditures Less Internal Funds, U.S. Corporations, as a Ratio to Corporate Income



Elasticity of substitution, σ

$$\log s_K = (\sigma - 1)(\log r - \log p)$$

$$\frac{ds_L}{d\log r} = (1 - s_L)(\sigma - 1) = 0.207$$

$$s_L = 0.614 \Rightarrow \sigma = 1.54$$

The authors report 1.42 because of some details about r.

Identification with biased technical change

Diamond-McFadden-Rodriguez (1978); Antràs, *Contributions to Macro* 4(1)

$$\Delta \log \frac{K_i}{L_i} = \alpha + \sigma \Delta \log \frac{w_i}{r_i} + (1 - \sigma) b_i + \epsilon_i$$

Bias of tech change b_i =labor-augmenting rate - capital-augmenting rate

Identifying condition: $(1 - \sigma) b_i + \epsilon_i$ uncorrelated with $\Delta \log \frac{w_i}{r_i}$

Alternative: $b_i = b$ and ϵ_i uncorrelated with $\Delta \log \frac{w_i}{r_i}$

Capital deepening in a one-sector model

Technology with constant employment: $y(t) = e^{gt} f(k(t))$

Turnpike condition: $e^{gt} f'(k(t)) = \rho + \delta + \frac{g_c}{\gamma}$

Approximate growth path; $k(t) = f'^{-1}(e^{-gt}(\rho + \delta + \frac{g_c}{\gamma}))$

$$\dot{k}(t) = -g e^{-gt} f''^{-1}(e^{-gt}(\rho + \delta + \frac{g_c}{\gamma})) > 0$$