

Macro Roundup Article

Headline: [Perspectives on the Labor Share](#)

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Tweet: Analysis by Loukas Karabarbounis finds that labor's share of US national income declined 5pp btw 1929-2022, and labor's share globally has declined 6pp since 1980. He proposes capital-augmenting technology as the most likely driver of these declines.

Summary: The headline estimate for the United States is a roughly 5pp decline of the labor share between 1929 and 2022. The decline after World War II is even larger, at around 7pp. The great majority of U.S. industries exhibited labor share declines in recent decades. The United States is not unique, as we observe labor share declines in most countries of Europe and Asia and in emerging markets. It helps to organize factors affecting the labor share in five categories: technology, product markets, labor markets, capital markets, and globalization. The factors that have contributed to the labor share decline are intertwined. My view is that the most plausible causes have technological origin. Developments such as the information age and automation, manifesting through changes in the cost of capital and the structure of product markets, caused the labor share to decline. If technological advancements continue to favor capital indefinitely, the natural outcome is a transition to a world in which capital on its own produces the entire global income.

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Primary Topic: Wages/Income

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