stata + PLATYPUS ECONOMICS
WITH JUSTIN WOLFERS

How many cents of every dollar of income go to workers?

Run each command in Stata, fill in what you find, and decide whether depreciation changes the story.

STEP 1 Get the data

Pull three quarterly BEA series from FRED: what corporations pay workers, their total income, and depreciation:

```
import fred A442RC1Q027SBEA A451RC1Q027SBEA CCFC, clear†
```

STEP 2 Rename the series so the code reads like English

Worker pay; total income before wear and tear; and the wear and tear itself:

```
rename A442RC1Q027SBEA compensation
rename A451RC1Q027SBEA gross_value_added
rename CCFC depreciation
```

STEP 3 Compute the gross labor share

Divide worker pay by gross value added — workers' slice of every dollar of income:

```
gen labor_share_gross = 100 * compensation / gross_value_added
list daten labor_share_gross if daten == td(01jan2026), noobs
summarize labor_share_gross
```

Gross labor share in 2026 Q1? ____________ Historical mean? ____________ Minimum? ____________

STEP 4 Cross-check: take out depreciation, then divide again

Depreciation isn't income to anyone — subtract it from gross income, then divide worker pay by what's left:

```
gen net_value_added = gross_value_added - depreciation
gen labor_share_net = 100 * compensation / net_value_added
list daten labor_share_net if daten == td(01jan2026), noobs
summarize labor_share_net
```

Net labor share in 2026 Q1? ____________ Historical mean? ____________ Minimum? ____________

STEP 5 Graph both shares over time

Convert dates to years, then plot each measure with a label every decade:

```
gen year = yofd(daten) + (month(daten) - 1)/12
line labor_share_gross year, xlabel(1950(10)2020) name(gross, replace)
line labor_share_net year, xlabel(1950(10)2020) name(net, replace)
```

What do you notice?

1. Which labor share is bigger — gross or net? Why does shrinking the denominator raise the share?
2. Compare each 2026 Q1 value with its minimum. Is either measure at (or near) an all-time low?
3. Looking at your graphs, when did the labor share begin its sustained decline?
4. Depreciation changes the number — does it change the story? Explain in one sentence.
5. If capital's share is rising, who gains and who loses? Name one possible cause.

† Step 1 needs a free FRED API key (set up once): get a key at fredaccount.stlouisfed.org/apikeys, then type in Stata:
`set fredkey YOUR_KEY, permanently` (import fred requires Stata 15.1 or later.)