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Estimation of Elasticity of Substitution between Capital and Labor in Turkey/ Türkiye’de Sermaye ile Emek Arasındaki İkame Esnekliğinin Tahmini

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ABSTRACT

The aim of this study is estimation of the constant elasticity of substitution (CES) production function and elasticity of substitution for Turkey. In this context, GDP, capital stock and labor data for the period 1950-2011 is used to estimate the elasticity of substitution. The empirical analysis was performed by using non-linear time series methods and optimization algorithms. The results obtained within the framework, elasticity of substitution between capital and labor for Turkey is estimated to be 0.032. Therefore, the degree of substitutability between capital and labor in Turkey is very low.

KEYWORDS CES Production Function; Elasticity of Substitution; Non-Linear Time Series

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