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**AGGREGATE PRODUCTION FUNCTION AND INCOME IDENTITY-
EMPIRICAL ANALYSIS****Abstract:**

Aggregate production function, especially in its Cobb-Douglas and more general CES form, is still very popular among economists. However there is a huge and long-standing critique regarding the function. The core of the criticism which prevailed until these days is that not only the Cobb-Douglas but also CES aggregate production functions are nothing more than income identity in disguise. Such fact would have serious implications for contemporary macroeconomics – both theory and practice. In this paper we estimated Cobb-Douglas and CES production functions in traditional way. Then we used capital and labour services instead of capital stock and labour. We came to conclusion that to get statistically sound results when elasticities equal factor shares, it is necessary to use the latter approach to deal with the factor's utilization. However doing so revealed that such modified estimate is really only an estimate of income identity in disguise as predicted by the critique.

Keywords:

Aggregate production function, Income identity, Capital services, Labour services

JEL Classification: O00, E23, E25

nechce do proceedings, bude dávat totéž do IJoES!