ERRATUM

Kevin O'Rourke and Jeffrey G. Williamson's "Late Nineteenth-Century Anglo-American Factor-Price Convergence: Were Heckscher and Ohlin Right?" which appeared in the December 1994 issue of the JOURNAL contains some errors that the authors discovered only after publication.

Equation 18 on p. 913 should be identical to equation 17 on p. 907: this is a typo.

There is a minor algebraic error in equation 19 on p. 913. It should read:

$$\epsilon^S{}_E X_E dp_E/p_E + \epsilon^S{}_I X_I[dp_E/p_E + dt/(1+t)] = \epsilon^D{}_E C_E dp_E/p_E + \epsilon^D{}_I C_I[dp_E/p_E + dt/(1+t)]$$

This correction leads to alternative estimates of dp_E. Moreover, since equation 19 is a linear approximation of large price shocks, the dp_E that drop out of equation 19 do not produce the exact price gaps actually observed in the "terminal year" (1895 or 1913). Let t_0 denote the original price gap, and t_1 the eventual price gap. Let the initial export price be 1: the initial import price is thus $(1 + t_0)$. Let π_E and π_I represent the percentage changes in import and export prices implied by equation 19. We scale these price shocks by a common factor, α, so that the terminal-year price gap is equal to that actually observed; that is, for each commodity, we find α such that

$$[(1 + t_0)(1 + \alpha\pi_I) - (1 + \alpha\pi_E)]/(1 + \alpha\pi_E) = t_1$$

The price shocks imposed on the model are then $\alpha\pi_E$ and $\alpha\pi_I$, as appropriate.

The price shocks imposed in the original version, and those now imposed on the model, are as follows:

Commodity	Original shock	New shock
U.S. manufactures		
1870–1895	−0.096	−0.082
1870–1913	−0.209	−0.194
U.K. manufactures		
1870–1895	+0.066	+0.061
1870–1913	+0.113	+0.109
U.S. food		
1870–1895	+0.072	+0.063
1870–1913	+0.158	+0.149
U.K. food		
1870–1895	−0.086	−0.074
1870–1913	−0.187	−0.176

As can be seen, the shocks are not much different, although they are somewhat muted. The "estimated impact" entries in Table 3 on p. 908 are all modified accordingly. The corrected version of Table 3 appears here as Revised Table 3.

The real wage database we use has been recently updated, and accordingly, the "actual movement" entries in Table 3 also have to be modified. Moreover, Table 3 reported fitted values of nominal wages and rents, as well as the CPI, based on regressions of these variables against time and time-squared. Movements in real factor prices, and the wage-rental ratio, were calculated based on these fitted values. Unfortunately, the effect of this procedure is to bias the growth in British nominal wages downwards, and bias the fall in British nominal rents downwards. The cumulative bias in the wage-rental ratio trend is

REVISED TABLE 3
THE ESTIMATED IMPACT OF ANGLO-AMERICAN COMMODITY PRICE CONVERGENCE ON FACTOR PRICES, 1870–1913
(percentages)

Variable	Actual Movement in Factor Prices: United States	Actual Movement in Factor Prices: Great Britain	Estimated Impact: United States	Estimated Impact: Great Britain
	Early Period: 1870–1895			
Nominal returns				
Urban wage	−16.0	+17.1	+5.7	+7.1
Land rent	+19.9	−46.1	+10.1	−31.0
Return to capital	n.a.[a]	n.a.	+2.6	+6.5
Wage-rental ratio	−29.9	+117.3	−3.9	+55.2
R	+210.0		+61.6	
Real returns				
CPI	−35.7	−25.0	+5.7	−2.1
Real urban wage	+30.6	+56.1	+0.1	+9.4
Real land rent	+86.5	−28.1	+4.2	−29.6
Real return to capital	n.a.	n.a.	−2.9	+8.8
	Full Period: 1870–1913			
Nominal returns				
Urban wage	+11.4	+32.5	+13.3	+11.7
Land rent	+171.6	−58.3	+26.7	−55.7
Return to capital	n.a.	n.a.	+3.6	+10.8
Wage-rental ratio	−59.0	+217.7	−10.6	+152.3
R	+674.9		+182.2	
Real returns				
CPI	−24.2	−7.4	+13.0	−7.1
Real urban wage	+47.0	+43.1	+0.3	+20.3
Real land rent	+258.3	−55.0	+12.1	−52.3
Real return to capital	n.a.	n.a.	−8.4	+19.3

[a] n.a. = data not available.
Note: R is the percentage increase in the British relative to the U.S. wage-rental ratio.

substantial. Revised Table 3 therefore reports actual factor-price movements, based on the raw data for 1870, 1895, and 1913.

As before, the new real wage database shows convergence between 1870 and 1895, and divergence between 1895 and 1913. However, the net effect is now that real wages increase by slightly less in Britain than in the United States over the period as a whole. The qualitative picture remains unchanged, however: commodity-price convergence contributed to convergence in the earlier period, and was a countervailing force reducing divergence in the later period.

The estimated impact of Heckscher-Ohlin forces is roughly unchanged, but over the full period, the British wage-rental ratio, and thus "R," increases by significantly more than before. The effect of these changes is thus to reduce the share of the movement in these variables explained by commodity-price convergence. Over the full period, Heckscher-Ohlin forces can account for 70 percent of the increase in the British wage-rental ratio (rather than the entire amount); and 27 percent of the relative movement in the British and U.S. wage-rental ratios (rather than two-fifths). Otherwise, the qualitative results are basically unchanged.

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