

Have Absolute Price Levels Converged for Developed Economies? The Evidence since 1870^{*}

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Summary

We compare price level and income convergence since 1870 for eleven developed economies using implicit price deflators derived from the GDP data of Maddison (1995, 2001 and 2003). We find that “sigma” and “beta” convergence for prices occurs later and to a lesser extent than income. Price levels converge after 1950 while income convergence begins in the 1880’s. We find no evidence for stochastic convergence or for “club” price convergence. JEL codes F3, F4.