

TABLE 1—CORRELATION AND STANDARD DEVIATIONS OF FACTOR RETURNS AND FACTOR INCOME GROWTH

Country/ return	Standard deviation of returns: percent per year	Standard deviation of income growth rates: percent per year	Japan $r^L$	Japan $r^K$	Germany $r^L$	Germany $r^K$	U.K. $r^L$	U.K. $r^K$	U.S. $r^L$	U.S. $r^K$
Japan: $r^L$	6.45	3.12		<b>0.99</b>	0.15	0.10	0.26	0.24	0.02	-0.02
Japan: $r^K$	8.83	5.31	<b>0.36</b>		0.14	0.09	0.25	0.23	0.02	-0.02
Germany: $r^L$	1.35	2.51	0.58	0.28		<b>0.78</b>	0.30	0.29	0.35	0.35
Germany: $r^K$	1.90	3.10	-0.07	0.37	<b>0.06</b>		0.16	0.22	0.40	0.43
U.K.: $r^L$	2.41	2.33	0.28	0.24	0.30	0.19		<b>0.93</b>	0.32	0.29
U.K.: $r^K$	2.45	5.59	-0.07	0.28	-0.03	0.51	<b>-0.01</b>		0.40	0.37
U.S.: $r^L$	2.73	2.12	0.16	0.55	0.30	0.47	0.24	0.48		<b>0.99</b>
U.S.: $r^K$	3.18	3.48	-0.03	0.09	-0.06	0.38	0.07	0.54	<b>0.54</b>	

*Notes:* Correlations of factor returns are above the diagonal; correlations of factor income growth rates are below the diagonal. Within-country correlations are indicated in boldface type. Correlations of factor returns are computed using local currency returns; 1 lag included in VECM; annual data, 1960–1993.