



## FACULTY & RESEARCH

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# The Price of Capital: Evidence from Trade Data

by [Laura Alfaro](#) and Faisal Ahmed

## Abstract

We use highly disaggregated data on trade in capital goods to study differences in the price of capital across countries. This strategy is motivated by the fact that most countries import the bulk of machinery equipment from a small number of industrialized countries. We find the price of imported capital goods to be negatively and significantly correlated with the income of the importing country. We cross check our results in a number of ways. Our results, which differ from findings using Penn World Tables data, caution against discounting a role for the higher price of capital goods in explaining the higher relative price of capital to consumption goods observed in poor countries.

**Keywords:** [Price](#); [Goods and Commodities](#); [Trade](#);

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