

# Futures Premium and Efficiency of the Rice Futures Markets in Prewar Japan\*

**Mikio Ito**<sup>†</sup>  
Keio University

**Kiyotaka Maeda**<sup>‡</sup>  
Seinan Gakuin University

**Akihiko Noda**<sup>§</sup>  
Wakayama University

## Abstract

This paper examines how the Tokyo and Osaka rice futures markets in prewar Japan were evolving in view of market efficiency. Applying a non-Bayesian time-varying model approach to analyze the famous equation for the futures premium, we find that the market efficiency of the two major rice futures markets varied with time. Such time-varying structure of the rice futures markets in prewar Japan corresponds well to historical changes in the Japanese colonial policy and domestic development of railroad system and port facilities.

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*Keywords:* Rice Futures Markets; Futures Premium; Market Efficiency; Non-Bayesian Time-Varying Model Approach

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<sup>†</sup>Faculty of Economics, Keio University, 2-15-45 Mita, Minato-ku, Tokyo 108-8345, Japan (ito@econ.keio.ac.jp, Tel. +81-3-5427-1284).

<sup>‡</sup>Faculty of Economics, Seinan Gakuin University, 6-2-92 Nishijin, Sawara-ku Fukuoka 814-8511, Japan (k-maeda@seinan-gu.ac.jp, Tel. +81-92-823-4102).

<sup>§</sup>Corresponding Author: Faculty of Economics, Wakayama University, 930 Sakaedani, Wakayama 640-8510, Japan (noda@eco.wakayama-u.ac.jp, Tel. +81-73-457-7712).