

Dynamic Linkages Between Tokyo and Osaka Rice Futures Markets in Prewar Japan*

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Abstract

This paper examines how the rice futures market in prewar Japan evolved in view of market efficiency changing with time. Using a non-Bayesian time-varying VAR model, we compute the time-varying degree of market efficiency of the rice futures exchanges in Tokyo and Osaka. Then we demonstrated that the markets experienced three periods of significantly low market efficiency every time the government intervened: first in 1890 in Osaka, second in the early 1900s in Tokyo and third in the early 1920s in both Tokyo and Osaka.

JEL classification numbers: G13; G14; N25

Keywords: Rice Futures Markets; Non-Bayesian Time-Varying VAR Model; Market Efficiency

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