

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

Mikio Ito[†]
Keio University

Kiyotaka Maeda[‡]
Seinan Gakuin University

Akihiko Noda[§]
Kyoto Sangyo 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 fundamental equation for the spot returns and 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: promotion of japonica rice cropping and letting the imported rice deliverable in the exchanges.

JEL classification numbers: N25; G13; C22

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

*We would like to thank Shigehiko Ioku, Makoto Kasuya, Yo Kikkawa, Junsoo Lee, Minoru Omameuda, Takao Shiba, Mototsugu Shintani, Masato Shizume, Yasuo Takatsuki, Masahiro Uemura, Tatsuma Wada, seminar participants at Doshisha University, Keio University, and Wakayama University, and conference participants at the Japanese Economics Association 2014 Autumn Meeting, Political Economy & Economic History Society 2014 Autumn Meeting, and the 90th Annual Conference of the Western Economic Association International for their helpful comments and suggestions. We would also like to thank the financial assistance provided by the Japan Society for the Promotion of Science Grant in Aid for Scientific Research No.26380397 (Mikio Ito), No.26780199 (Kiyotaka Maeda) and No.24530364 (Akihiko Noda). All data and programs used for this paper are available on request.

[†]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).

[‡]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).

[§]Corresponding Author: Faculty of Economics, Kyoto Sangyo University, Motoyama, Kamigamo, Kita-ku, Kyoto 603-8555, Japan (noda@cc.kyoto-su.ac.jp, Tel. +81-75-705-1510).