

# Market Integration in the Prewar Japanese Rice Markets

Mikio Ito<sup>a</sup>, Kiyotaka Maeda<sup>b</sup> and Akihiko Noda<sup>c\*</sup>

<sup>a</sup> Faculty of Economics, Keio University, 2-15-45 Mita, Minato-ku, Tokyo 108-8345, Japan

<sup>b</sup> Faculty of Economics, Seinan Gakuin University, 6-2-92 Nishijin, Sawara-ku Fukuoka 814-8511, Japan

<sup>c</sup> Faculty of Economics, Kyoto Sangyo University, Motoyama, Kamigamo, Kita-ku, Kyoto 603-8555, Japan

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**Abstract:** This paper examines the integration process of the Japanese major rice markets (Tokyo and Osaka) from 1881 to 1932. Using a non-Bayesian time-varying vector error correction (VEC) model, we argue that the process strongly depended on the government's policy on the network system of telegram and telephone; rice traders with an intention in using the modern communication tools were usually affected by the changes of the policy. We find that (i) the Japanese rice markets had been integrated in the 1910s; (ii) the increasing use of telegraphs had accelerated the rice market integration since the Meiji period in Japan; (iii) the local phone, which reduced the urban users' time for sending and receiving telegrams, promoted the market integration.

**Keywords:** Market Integration; Rice Futures Markets; Non-Bayesian Time-Varying Model Approach; Telecommunications.

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\*Corresponding Author. E-mail: noda@cc.kyoto-su.ac.jp, Tel. +81-75-705-1510, Fax. +81-75-705-3227.