

Black Market Prices during World War II in Japan: An Estimate Using the Hedonic Approach

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Abstract

This paper constructs a time series of data related to black-market prices of five goods (rice, sweet potatoes, potatoes, chicken eggs and sugar) during World War II (WWII) in Japan. It is the first attempt to capture the actual price fluctuation trends for individual products throughout the period during and after WWII. To this end, I have employed the hedonic approach, which is a methodology used to adjust for the quality of goods including the characteristics of counterparties and places of transaction in constructing the price data, to obtain estimates that are as unbiased as possible. The data reveals that 1) black-market prices of these goods soared during WWII to post 40-80 percent inflation on a quarterly basis toward the end of the war, 2) by the end of the war, black-market prices had already increased by over 50 times (in the case of sweet potatoes) or 700 times (in the case of sugar) compared with 1934 levels, prior to wartime inflation, indicating more severe inflation during the war than after the war, 3) the most severe period of inflation varied by product, peaking during the war for rice and sugar and after the war for sweet potatoes, potatoes and chicken eggs, and 4) black-market prices were generally higher in urban areas than in rural areas.