Abstract

We provide new tests on the neoclassical trade model in the context of the natural experiment of Japan. First, the neoclassical trade model assumes that international trade affects a small open economy through a specific mechanism: changes in relative prices. Since the case of Japan is compatible with the critical assumptions of the neoclassical trade model, it provides a unique opportunity for testing the effects of trade liberalization on changes in relative prices. Statistically, we view Japan’s opening up as a structural change problem and use recently developed time-series methods to test for structural changes in real prices.

In this first research stage we employ graphical analysis and simple univariate time series tests. In the next stage, we plan to employ more sophisticated multivariate time-series tests. In this paper we first choose 1858, the “official” opening up year, as an exogenous break point. In the next version we plan to statistically test for the structural break points.

Our research strategy is as follows. If we find no statistical evidence for a structural break in a time series, then there is no quantitative evidence of a trade-induced regime change for a good and the theory does not apply to this good. However, if we find evidence for a structural break in a series, then we can compare the post-break real price with the counterfactual real price from the pre-break regime and see how this compares to the observed trade pattern of the good. Our analysis draws on a high quality 30-year time series data set of real prices, covering Japan’s last two decades of autarky and first decade of open international trade.
1. Introduction

This paper provides new tests on the strong, or good-by-good formulation of the law of comparative advantage in the context of Japan’s 19th century move from near-autarky to open trade. Previous research (Bernhofen and Brown (2004 and 2005) has established the case of Japan’s opening up as a “natural experiment” compatible with the assumptions of the small open economy neoclassical trade model. This paper employs a unique and high quality data set of national market prices for 22 traded commodities during the time period of 1838-1867, covering Japan’s last two decades of autarky and its first decade of open international trade. For each traded good, we construct a 30-year time series of real prices, test for structural breaks in the data and investigate whether the structural breaks are compatible with the good-by-good formulations of the law of comparative advantage.

Since trade economists consider the law of comparative advantage to be “…the very heart and soul of (their) field” (Ethier, 1984, p. 132), a key concern of the trade literature has been how to extend the standard two-good, two-factor undergraduate textbook version of the theory into an empirically relevant multi-good setting. The trade literature has developed two multi-commodity formulations of the principle of comparative advantage: the correlation version and the chain version.

The correlation version of the law of comparative advantage, developed by Deardorff (1980) and Dixit and Norman (1980), asserts that, on average, a country will import goods with high opportunity costs and export goods with low opportunity costs. Although the correlation version is the theoretically most robust formulation of comparative advantage, it is weak in the sense that it does not predict which particular good will be exported or imported. It is a statement about a country’s trading vector as a whole, since it looks at all traded goods simultaneously. Empirically, one can just explore whether a country’s entire trading vector is compatible with the prediction of the theory or not. In contrast, the chain versions of comparative advantage rank goods either in order of factor intensities or opportunity costs and uses this ranking to predict whether a particular good will be exported or imported.

Previously, we have provided historical evidence for the claim that Japan’s economy before and after its dramatic opening up to world commerce in 1859 was compatible with the key assumptions of the neoclassical trade model. Having established the case of Japan as a natural experiment for investigating the law of comparative advantage, we found strong
empirical support for the weak or correlation version of the law for each year of the sample period 1868-1875 (Bernhofen and Brown, 2004). This paper takes a step further and investigate whether Japan’s trading pattern is compatible with the strong, or chain proposition of the law of comparative advantage.

We would like to emphasize that we are testing the prediction of what can be called an “empirical proposition”, simply because the chain proposition is not as theoretically robust as the correlation proposition of comparative advantage. As the more detailed discussion in section 2 will show, the chain proposition has been formulated under more restrictive conditions than the correlation proposition. However, since there is room for the prediction to fail, we are engaging in hypothesis testing.

Our empirical strategy in this paper is a time-series approach, which stands in contrast to the “cross-sectional approach” we undertook in testing the correlation version of comparative advantage (Bernhofen and Brown, 2004). The empirical test of the correlation version is formulated within an autarky-free trade framework. It tests the proposition in terms of a counterfactual. Were the Japan of the pre-1859 period (the “closed” period) be open to trade, on average it would export goods for which the opportunity cost was low and it would import goods for which the opportunity cost was high. Opportunity cost is measured by the domestic price during the autarky (pre-1859) period. In the empirical application, this involves finding the sign of the Deardorff-Dixit-Norman (DDN) index of comparative advantage $p^a T$: the inner product of a counterfactual net trading $T$ vector and the autarky price vector $p^a$. The theory of comparative advantage predicts that the sign would be negative. For our evaluation, we used the net trading vector for each individual year during the years 1868-1875. Finding the DDN index for various years introduced robustness into the test. In all years, the DDN index was negative. Against an alternative hypothesis that the index in these eight years was purely random, the result was an acceptance of the null hypothesis at a high level of significance. Note that since we did not use price data under free trade, the analysis did not involve any comparison between prices under autarky and free trade.

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2 The Heckscher-Ohlin model is of course extendable to multiple dimensions, as has been shown by Vanek (1968) and Deardorff (1982). Davis and Weinstein (2003) provide a recent survey of the empirical Heckscher-Ohlin literature.

3 A subtle feature of the price index $p^a T$ is that it does not involve free trade prices. This is the case since the net trading vector $T$ contains all relevant information about relative prices under free trade. This can be most easily seen in the familiar 2-good trade trade triangle where the slope of the terms of trade line, or the relative price under free trade, is equal to the ratio of the equilibrium trade volumes. This approach also contrasts sharply with the well-known paper by Huber (1971), which attempts to compare relative prices in Japan with world prices (a comparison in the spirit of examining absolute advantage) and then examines the movement of prices from the pre-opening up period through the 1870s.
For the purpose of our analysis we constructed a time series of real goods prices for 22 Japanese tradable goods for the period of 1838-1867. We proceeded by testing each of the 22 time-series for structural breaks, treating the break date as exogenous. Visual inspection of the time series suggested for most series a potential break to occur somewhere in the late 1850s; hence, we chose the treaty year of 1859 as a break year. For two products, coal and ginseng, we chose 1853, the last autarky year, as a break date. We find evidence of structural breaks, or regime changes, for 14 of the 22 products in our sample. Since the law of comparative advantage implicitly assumes the existence of price differences between autarky and free trade, we argue that products with no structural break do not fall into the domain of the theory. For the 14 products for which we find evidence of a structural break, we find strong support for the good-by-good prediction of comparative advantage.

The paper is organized as follows. Section 2 gives the theoretical background. Section 3 reviews the natural experiment of Japan. Section 4 describes the data and section 5 contains the empirical analysis. Concluding remarks are contained in section 6.

2. Theoretical background

The principle of comparative advantage is central to our understanding of the pattern of and the gains from international trade. In the case of two goods, the principle is easily stated and verified: a country will export the good where it has a lower relative autarky price and this will result into gains from trade. In higher dimensions, the gains from trade argument carries through with few qualifications. However, a higher dimensional extension of the pattern of trade prediction has gone into several directions.

Following his pioneering opportunity cost formulation of the doctrine of comparative advantage, Haberler (1936) suggested the first multi-commodity formulation of the doctrine: the chain of comparative advantage idea. This idea has two components. First, it assumes that goods can be ranked by comparative costs in a chain of increasing opportunity costs. Second, there exists a dividing line in the chain where all commodities to the left of this line—the low cost goods—will be exported and those to the right of this line—the high cost goods—will be imported.

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4 In the next version of the paper we plan to treat the break dates as unknown and use recently developed statistical methods to provide estimates and confidence intervals for the unknown breakdates using univariate and multivariate techniques.

5 Ethier (1984) provides a thorough discussion of neoclassical trade theory in higher dimensions.
Assuming we have \( k \) different goods, \( p^a_i \) denotes the autarky price and \( p^w_i \) denotes the world price of good \( i \) (\( i=1,k \)), the goods can then be ranked in the order of increasing relative opportunity costs:

\[
\frac{p^a_1}{p^w_1} < \frac{p^a_2}{p^w_2} < \ldots < \frac{p^a_j}{p^w_j} < \ldots < \frac{p^a_{k-1}}{p^w_{k-1}} < \frac{p^a_k}{p^w_k}.
\] (1)

The chain law then identifies a good \( j \) such that the low opportunity cost goods \( 1, \ldots, j \), will be all exported and the high opportunity cost goods \( j+1, \ldots, k \) will be all imported.

In his seminal treatise on comparative advantage, Haberler (1936) has shown the validity of this chain prediction with an arbitrary number of goods if there is only a single factor of production, labor. In a single factor, Ricardian type model, the relative goods prices coincide then with the relative labor requirements. Drabicki and Takayama (1979) and Dixit and Norman (1980, p. 94-96) have provided counterexamples that a chain of price comparison does not imply an unambiguous trading pattern in the case of more than two goods.6

Although the theoretical trade literature has demonstrated that the chain comparison doesn’t hold in general circumstances (see Ethier (1984)), we know very little about the likelihood of these violations.

In the subsequent empirical analysis we will investigate a more restrictive version of the good-by-good formulation of the comparative advantage: the price movement formulation. The price movement formulation comes directly from a definition of comparative advantage that is common in most introductory economics textbooks (see Mankiw, 2004, p. 177). It involves a comparison between a good’s world price \( p^w_i \) and its autarky price \( p^a_i \) and predicts that if the former is larger than the latter, the country will export the good and vice versa. Formally,

\[
\begin{align*}
\text{if } p^a_i &< p^w_i, \text{ a country has a comparative advantage in good } i \text{ and } T_i > 0, \quad (2a) \\
\text{if } p^a_i &> p^w_i, \text{ a country has a comparative disadvantage in good } i \text{ and } T_i < 0, \quad (2b)
\end{align*}
\]

where \( T \) denotes the country’s net export vector (i.e. if \( T_i > 0 \), good \( i \) is exported and if \( T_i < 0 \), good \( i \) is imported). It can be easily seen that the price formulation of comparative as given in (2a) and (2b) is a special case of the chain version given in (1). Specifically, it specifies the

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6 If goods are ranked in terms of relative factor intensities, Deardorff (1979) has shown the validity of a chain comparison for two production factors and an arbitrary number of goods.
“dividing line at 1” and postulates that if $p^a_i / p^w_i < 1$, good $i$ will be exported and if $p^a_i / p^w_i > 1$, good $i$ will be imported. In the subsequent empirical analysis we will investigate the empirical validity of (2a) and (2b) for each of the products in our sample.

3. The natural experiment of Japan

The episode of Japan’s opening up to full international trade in July of 1859 constitutes one of the most dramatic episodes in the history of international trade. Prior to the signing of two treaties in 1854 and 1859, Japan’s economy had been in a period of nearly complete isolation from international markets for at least a century, if not actually two. The regime cannot be characterized as complete autarky, since a small amount of import-export trade was conducted through an artificial island of Deshima (or Dejima) with Chinese and Dutch traders negotiating with representatives of the Shogunate.7

The main export good was copper (with some camphor) and the main import good was sugar. Even this amount of legal trade was subject to severe limitations. Regulations imposed by the Shogunate restricted the amount of copper that could be legally exported and the number of ships (one Dutch ship and ten Chinese junks) that could be involved in any one year. The prices received by the Chinese and Dutch were also the result of bilateral negotiations between the treasury of the Shogunate and the traders. Meylan (1861) reports that the Shogunate took great pains to prevent the traders from learning the true domestic price of the export good copper and import goods such as sugar. The treasury then resold the goods to Japanese merchants. Trading visits also became less frequent during the 19th century, with the Chinese making the trip only every other year and Dutch visits perhaps even less frequent. Under these circumstances, the average export value of about 0.014 cents per capita that can be calculated for 1833 may actually overstates the involvement of Japan in international trade if it were to be expressed in annual terms.8

The episode of opening up on July 4, 1859 dramatically changed this involvement in the international economy, particularly for some goods for which there was a strong export market. Bernhofen and Brown (2004 and 2005) provide additional details on the period that suggest that trade, while not entirely unimpeded, became relatively more open as the first decade continued. Tariff barriers were minimal. Currency incompatibilities created some

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7 A small amount of trade was also conducted through the Ryûkyû Islands and Satsuma (Kogoshima).
8 This calculation uses current market prices at Canton and Singapore and the actual quantities of exported goods, primarily copper. Since the trade was balanced by definition (except for goods that were unsold and remained in storage at Deshima), the export valuation offers the best approximation to the volume of trade conducted by the Dutch and the Chinese.
barriers, as did the more open efforts of the Shogunate to restrict the export of silk. These efforts were countered by punitive western military actions. There is also some evidence of efforts to enforce sumptuary laws in some of the feudal domains, which would have tended to dampen the demand for imported woolens and cotton cloth. These efforts were apparently not effective. In any event, openness is in the end a relative concept. By 1873, Japan’s imports per capita were on the order of 73 cents, which is three times the level of China at the same time. No other Asian country experienced as large a relative price shock as did the Japanese economy during the 19th century.

4. Data

Our data consists of 22 traded commodities during the 30-year time period of 1838-1867. A summary of the products and their 1869 trade share is given in Table 1. We have 12 export goods, which constitute almost 67% of the total export volume in 1869 and 15 import goods, which constitute around 47% of the total import volume in 1869. The goods are recorded in the order of their relative trade shares. On the export side, the key missing item was silk worm eggs, for which there was only a limited market under autarky. On the import side, the key missing items were “new goods” (most importantly woolens) that the Japanese economy did not produce under autarky. The two right-hand columns in Table 1 give each good’s sample trade share (i.e. a good’s trade share divided by 67% in the case of an exportable and a good’s trade share divided by 47% in the case of an importable) and the cumulative trade share. On the export side, silk and tea dominated.

The raw data of the 22 commodities are given in nominal prices. Considerable effort went into making the nominal time series comparable with each other in terms of valuation in a common currency, the gold ryo. However, there remain some differences with regard to the points in terms the prices pertain to. Many of the series are based on one observation in January, rather than an average. Some series are based upon an observation in the springtime. The remainder can be viewed as annual observations or annual averages of monthly data. However, consistency of data collection for an individual time series have hopefully mitigated the influences of seasonal fluctuations.

Sugiyama(1988) and in subsequent research on trading networks suggests another potential source of friction between international and domestic prices. Western merchants were initially confined to a small geographic area around the four treaty ports, so that they found it difficult to ascertain market conditions for themselves directly. Instead, they relied upon networks of Japanese and Chinese traders. We expect that the magnitude of the relative price shock would have been sufficient in many markets to overcome the potential for this kind of strategic behavior to fully offset the impact of the opening up, but this question does need further examination.
Since the Japanese economy experienced a rapid increase in inflation during the 1860s, the nominal ryo prices of all goods have gone up considerably during that period. (see Figure 1 for a depiction of the Shinbo price index of non-tradables, indicating the rise of inflation through the 1860s). In order to be able to investigate the time-paths of real prices, we divided, for each year, the nominal gold ryo price by a price-index of 13 non-tradables taken from Shinbo (1978, table 5-10). These 22 time series of real prices are the inputs of the empirical analysis discussed in the next section.

FIGURE 1

Source: Shinbo (1978).

5. (Preliminary) empirical analysis

5.1. Empirical specification

The law of comparative advantage pertains to two different regimes: autarky and free trade. It is a key assumption of equations (2a) and (2b) that the autarky price $p^a_i$ of good $i$ is distinct from its world price $p^w_i$. From an empirical point of view, it is not quite clear how to identify the world price for a specific good; mainly due to trade costs (i.e. transportation costs, lack of perfect arbitrage etc.). However, if the “forces of the opening up” are strong enough, we would expect to see a break in a good’s real price series, given that the sample period covers the economy’s last 20 years of autarky and the first 10 years of open
international trade. Hence, we empirically investigate the good-by-good formulation of comparative advantage by testing the price series for each good for a structural break.

Our research strategy is as follows. If we find no statistical evidence for a structural break in a time series, then the underlying assumption of the theory does not apply to this good. However, if we find evidence for a structural break in a series, then the good lies within the domain of the theory and we can investigate whether the break is compatible with the prediction of the theory or not.

We consider the following model specification for each of the products in our sample:

\[ rp_t = \beta_0 + \beta_1 \text{time} + \beta_2 D_{\text{breakyear}} + \beta_3 D_{\text{breakyear} \times \text{time}} + \varepsilon_t, \quad (3) \]

where \( rp \) denotes the real price of a good at time \( t \), \( \text{time} \) denotes a time trend variable, \( D_{\text{breakyear}} \) denotes the break year dummy variable (\( D_{\text{breakyear}} = 1 \) for \( t > \text{breakyear} \) and 0, otherwise) and \( D_{\text{breakyear} \times \text{time}} \) interacts the time trend with the break year dummy. For 20 of 22 products we chose 1858, the treaty year, as the break year; for two products (coal and ginseng) visual inspection of the data suggested to use 1853 as the break year. We tested for a structural by formulating the following null hypothesis:

\[ H_0: \beta_2 = \beta_3 = 0. \quad (4) \]

If we are able to reject the null hypothesis (4), there is statistical evidence for a structural break in the data. If we can’t reject the null hypothesis, there is no evidence for a structural break.

Now given that there is a structural break, when will the break be compatible with the underlying theory? As we have discussed elsewhere (Bernhofen and Brown (2004a and 2004b)), the autarky-free trade comparison must be interpreted in terms of a counterfactual. In our case, it involves a comparison between the estimated average real price \( E(rp_t) \) from the free trade, or post-break, regime and the predicted, or counterfactual, average real price, \( PE(rp_t) \) from the pre-break regime. The empirical counterparts of (2a) and (2b) are then given as follows:

if \( PE(rp_t) < E(rp_t) \), then the good is expected to be exported. \quad (5a)

if \( PE(rp_t) > E(rp_t) \), then the good is expected to be imported. \quad (5b)
5.2 Preliminary results

We estimated equation (3) with OLS first for series of import and export price indices that we constructed and then separately for each individual price series. Since we are primarily interested in comparing the estimated post-break price lines with the predicted, or counterfactual, pre-break break price lines (equations (5a) and (5b)), we present all our results graphically. The import (export) price index has been calculated as a trade-weighted average of accumulated year-to-year price changes of all imports (exports) in the sample. For both indices we chose 1858 as the break year.

Figure 2 gives the pre-break and post-break prices lines for both indices. The predicted, or counterfactual pre-break price lines, which are simply the extensions of the pre-break line into the free trade period are not drawn. It can be seen that both price indices are compatible with what we would expect. We see a relatively sharp drop in the average import price index and a rise in the average export price index When testing for a structural breaks, we find that we can reject the null hypothesis (4) for the import price index at the 95% per cent confidence level. However, the structural break for the export price index is not statistically significant (i.e. we obtain a p-value of 20% for this series).
Next, we estimated equation (3) for each of the 22 products in our sample and tested for structural breaks. We tested the individual series with and without an intercept ("changing slope" versus "crash model") and chose, as discussed above, 1853 as the break year for coal and ginseng. The results are summarized in Table 2; the graphs for each of the 22 products are given in the Appendix.
Among the export goods, we found evidence of structural breaks for 7 of the 12 products in the sample. Among the 7 products, 5 products revealed a break consistent with the theory, one product (ginseng) showed ambiguous breaks (compatible with the theory when 1853 was chosen and incompatible when 1859 was chosen) and one product (charcoal) was inconsistent with the theory. In terms of trade volume, we found that 95% of the export volume revealed evidence of a structural break consistent with the theory.

On the import side, we found evidence of structural breaks for 7 of the 15 products in the sample. Among the 7 products with a statistically significant structural break, 6 were compatible with the theory and only one product (silk cloth) was incompatible. However, the product that was incompatible with the theory accounts for less than 0.5% of the total sample import share. In sum, we can conclude that we found, a bit surprisingly, evidence of price changes that are remarkably compatible with the good-by-good formulation of the law of comparative advantage.

6. Concluding Remarks

References


Nakai, Nobuhiko, ed. (Mitsui Bunko), 1989, *Kinsei kōki ni okeru shuyō bukka no dōtai (Movement of the prices of staple commodities)*, University of Tokyo Press.


<table>
<thead>
<tr>
<th>Product</th>
<th>Market</th>
<th>Category in Export Statistics</th>
<th>Trade share (share of 1869 exports)</th>
<th>Share of all exports in sample</th>
<th>Cumulative export share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silk</td>
<td>Ōsaka</td>
<td>Raw silk</td>
<td>43.7</td>
<td>65.78</td>
<td>65.78</td>
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<tr>
<td>Green tea</td>
<td>Kyōtō</td>
<td>Tea (green)</td>
<td>16.3</td>
<td>24.54</td>
<td>90.32</td>
</tr>
<tr>
<td>Coal</td>
<td>Ōsaka</td>
<td>Coal</td>
<td>2.2</td>
<td>3.31</td>
<td>93.63</td>
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<tr>
<td>Dried mushroom (shiitake)</td>
<td>Ōsaka</td>
<td>Mushroom</td>
<td>1.4</td>
<td>2.11</td>
<td>95.74</td>
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<tr>
<td>Vegetable wax</td>
<td>Ōsaka</td>
<td>Wax, vegetable</td>
<td>1.0</td>
<td>1.51</td>
<td>97.25</td>
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<tr>
<td>Planks (cypress)</td>
<td>Ōsaka</td>
<td>Planks, hardwood</td>
<td>0.5</td>
<td>0.75</td>
<td>98.00</td>
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<tr>
<td>Ginseng, 1st quality</td>
<td>Kyōtō</td>
<td>Ginseng</td>
<td>0.5</td>
<td>0.75</td>
<td>98.75</td>
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<tr>
<td>Copper</td>
<td>Ōsaka</td>
<td>Copper</td>
<td>0.5</td>
<td>0.75</td>
<td>99.50</td>
</tr>
<tr>
<td>Fish manure (sardine)</td>
<td>Ōsaka</td>
<td>Fish manure</td>
<td>0.2</td>
<td>0.30</td>
<td>99.80</td>
</tr>
<tr>
<td>Charcoal</td>
<td>Ōsaka</td>
<td>Charcoal</td>
<td>0.1</td>
<td>0.15</td>
<td>99.95</td>
</tr>
<tr>
<td>Tea, bancha</td>
<td>Kyōtō</td>
<td>Tea, bancha</td>
<td>0.02</td>
<td>0.03</td>
<td>99.98</td>
</tr>
<tr>
<td>Fish, salted</td>
<td>Ōsaka</td>
<td>Fish, cod</td>
<td>0.01</td>
<td>0.02</td>
<td>100.00</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
<td></td>
<td>66.43</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** Data from Ōsaka are from Miyamoto (1963) with the exception of silk, which is from Yamazaki (1983). The data from Kyōtō are from Nakai (Mitsui Bunko) (1989).

**Notes:** To the best extent possible, export categories have been matched with the price series that is closest to the products.
TABLE 1B:
Products in the Sample: Imports

<table>
<thead>
<tr>
<th>Product</th>
<th>Market</th>
<th>Category in Export Statistics</th>
<th>Trade share (share of 1869 imports)</th>
<th>Share of all imports in sample</th>
<th>Cumulative import share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plain cotton cloth</td>
<td>Ōsaka</td>
<td>Cotton shirtings and other cloth</td>
<td>14.6</td>
<td>31.34</td>
<td>31.34</td>
</tr>
<tr>
<td>Cotton yarn</td>
<td>Ōsaka</td>
<td>Cotton yarn</td>
<td>7.3</td>
<td>15.67</td>
<td>47.02</td>
</tr>
<tr>
<td>Brown sugar</td>
<td>Ōsaka</td>
<td>Brown sugar</td>
<td>4.6</td>
<td>9.88</td>
<td>56.89</td>
</tr>
<tr>
<td>Rice (Higo, Kumamoto Prefecture)</td>
<td>Ōsaka</td>
<td>Rice</td>
<td>4.3</td>
<td>9.23</td>
<td>66.12</td>
</tr>
<tr>
<td>Ginned cotton (Settsu, near Ōsaka)</td>
<td>Ōsaka</td>
<td>Raw Cotton</td>
<td>4.1</td>
<td>8.80</td>
<td>74.92</td>
</tr>
<tr>
<td>White Sugar</td>
<td>Tokyo</td>
<td>White sugar</td>
<td>4</td>
<td>8.59</td>
<td>83.51</td>
</tr>
<tr>
<td>Heavier plain cotton cloth</td>
<td>Kyōtō</td>
<td>Cottons (tafachellas)</td>
<td>3.7</td>
<td>7.94</td>
<td>91.46</td>
</tr>
<tr>
<td>Sake</td>
<td>Kyōtō</td>
<td>Wines and Spirits</td>
<td>0.98</td>
<td>2.10</td>
<td>93.56</td>
</tr>
<tr>
<td>Nails (ca 15 cm or 5 sun)</td>
<td>Ōsaka</td>
<td>Iron manufactures</td>
<td>0.7</td>
<td>1.50</td>
<td>95.06</td>
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<tr>
<td>Soybean</td>
<td>Ōsaka</td>
<td>Beans, Peas, Pulse</td>
<td>0.6</td>
<td>1.29</td>
<td>96.35</td>
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<td>Tobacco products</td>
<td>Kyōtō</td>
<td>Cigars</td>
<td>0.5</td>
<td>1.07</td>
<td>97.42</td>
</tr>
<tr>
<td>Sugar (candy)</td>
<td>Ōsaka</td>
<td>Sugar (candy)</td>
<td>0.4</td>
<td>0.86</td>
<td>98.28</td>
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<tr>
<td>Paper</td>
<td>Tokyo</td>
<td>Paper</td>
<td>0.3</td>
<td>0.64</td>
<td>98.93</td>
</tr>
<tr>
<td>Bar iron</td>
<td>Ōsaka</td>
<td>Iron in rods</td>
<td>0.3</td>
<td>0.64</td>
<td>99.57</td>
</tr>
<tr>
<td>Silk cloth (Chichibu, Saitama Prefecture)</td>
<td>Ōsaka</td>
<td>Silk cloth</td>
<td>0.2</td>
<td>0.43</td>
<td>100.00</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
<td></td>
<td>46.6</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Data from Ōsaka are from Miyamoto (1963) with the exception of silk, which is from Yamazaki (1983). The data from Kyōtō are from Nakai (Mitsui Bunko) (1989). The data from Tokyo are from Kinyū Kenkyūkai (1937).

Notes: To the best extent possible, export categories have been matched with the price series that is closest to the products.
### TABLE 2: EMPIRICAL RESULTS

<table>
<thead>
<tr>
<th>Exports</th>
<th>Sample Export share</th>
<th>Cumulative export share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a) with structural breaks</strong></td>
<td>Compatible with theory?</td>
<td></td>
</tr>
<tr>
<td>Silk</td>
<td>yes</td>
<td>65.78</td>
</tr>
<tr>
<td>Green tea</td>
<td>yes</td>
<td>24.54</td>
</tr>
<tr>
<td>Coal</td>
<td>yes</td>
<td>3.31</td>
</tr>
<tr>
<td>Vegetable wax</td>
<td>yes</td>
<td>1.51</td>
</tr>
<tr>
<td>Fish, salted</td>
<td>yes</td>
<td>0.02</td>
</tr>
<tr>
<td>Ginseng, 1st quality</td>
<td>ambiguous</td>
<td>0.75</td>
</tr>
<tr>
<td>Charcoal</td>
<td>no</td>
<td>0.15</td>
</tr>
</tbody>
</table>

**b) with no structural breaks**

<table>
<thead>
<tr>
<th>Exports</th>
<th>Sample Export share</th>
<th>Cumulative export share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dried mushroom (shiitake)</td>
<td>2.11</td>
<td>2.11</td>
</tr>
<tr>
<td>Planks (cypress)</td>
<td>0.75</td>
<td>2.86</td>
</tr>
<tr>
<td>Copper</td>
<td>0.75</td>
<td>3.61</td>
</tr>
<tr>
<td>Fish manure (sardine)</td>
<td>0.30</td>
<td>3.91</td>
</tr>
<tr>
<td>Tea, bancha</td>
<td>0.03</td>
<td>3.94</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Imports</th>
<th>Sample import share</th>
<th>Cumulative import share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a) with structural breaks</strong></td>
<td>Compatible with theory?</td>
<td></td>
</tr>
<tr>
<td>Plain cotton cloth</td>
<td>yes</td>
<td>31.34</td>
</tr>
<tr>
<td>Cotton yarn</td>
<td>yes</td>
<td>15.67</td>
</tr>
<tr>
<td>Heavier cotton cloth</td>
<td>yes</td>
<td>7.94</td>
</tr>
<tr>
<td>Nails</td>
<td>yes</td>
<td>1.50</td>
</tr>
<tr>
<td>Tobacco products</td>
<td>yes</td>
<td>1.07</td>
</tr>
<tr>
<td>Paper</td>
<td>yes</td>
<td>0.64</td>
</tr>
<tr>
<td>Silk cloth</td>
<td>no</td>
<td>0.43</td>
</tr>
</tbody>
</table>

**b) with no structural breaks**

<table>
<thead>
<tr>
<th>Imports</th>
<th>Sample Import share</th>
<th>Cumulative Import share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar, brown</td>
<td>9.88</td>
<td>9.88</td>
</tr>
<tr>
<td>Rice</td>
<td>9.23</td>
<td>19.11</td>
</tr>
<tr>
<td>Ginned cotton</td>
<td>8.80</td>
<td>27.91</td>
</tr>
<tr>
<td>White sugar</td>
<td>8.59</td>
<td>36.50</td>
</tr>
<tr>
<td>Sake</td>
<td>2.10</td>
<td>38.60</td>
</tr>
<tr>
<td>Soybean</td>
<td>1.29</td>
<td>39.89</td>
</tr>
<tr>
<td>Sugar (candy)</td>
<td>0.86</td>
<td>40.75</td>
</tr>
<tr>
<td>Bar iron</td>
<td>0.64</td>
<td>41.39</td>
</tr>
</tbody>
</table>

*Source:* Results of estimation of models of structural breaks. Detailed results of these tests are available from the authors.
APPENDIX

TEST RESULTS FOR INDIVIDUAL PRODUCTS:

I A. Imports with unambiguous structural breaks:

Plain cloth

Heavier cloth
Tobacco products

imports: cigars

Nails
Paper

imports: paper

Silk cloth

imports: silk, stuffs
IB. Imports with ambiguous structural breaks:

(i) Only a moderately significant structural break (p-value = 0.15) under the regular specification (i.e. with a time trend); consistent with the theory.

First series of cotton yarn

(ii) Highly significant structural break without a time trend, consistent with the theory.

Second series of cotton yarn
I C. Imports without structural breaks:

Brown sugar

Rice
Ginned cotton

imports: raw cotton

White sugar

imports: white sugar
Candy

imports: sugar candy

Bar iron

imports: iron in rods
II A. Exports with unambiguous structural breaks:

Silk

Coal
Green tea

exports: tea

Vegetable wax

exports: wax, vegetable
Charcoal

exports: charcoal

Salted fish

exports: fish cod
II. B. Exports with ambiguous structural breaks

(i) Compatible with the theory

Ginseng

exports: ginseng, (1853 Break)

(ii) Incompatible with the theory

Ginseng

exports: ginseng, (1858 Break date)
II. C. Exports without structural breaks

Shiitake mushrooms

exports: mushrooms

Cypress planks

exports: planks, hardwood
Bancha tea

exports: tea, ban

1840 1850 1860 1870

timevar

0.0004 0.0006 0.0008 0.001

p18