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TITLE: WHAT DO WE KNOW ABOUT VALUE RELATIVE PRICES AND MARKET PRICES: JAPAN 1951-2000

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ABSTRACT:

Abstract David Ricardo's idea that market prices fluctuate around natural prices, and that natural prices are determined by the labour requirements producing that commodity will be tested using data for period 1951 to 2000 Japan. In Ricardo's writings, natural prices can be considered as production prices. In the following, value relative prices （either profit rates are zero, or capital depreciation costs are negligible）are taken as natural prices and it will be compared to market prices. Findings indicate that there are gradual tendency for the market prices to converge towards value relative prices. Such convergene are more apparent for manufactured sectors. Manufactures goods are tradable and face international competition. There are tendency that profitable industry at profitable period to diverge from such trend. With free entry and free exit, and international competition leads market prices closer to value relative prices.