

War and Finance: Operation of Taiwan Commercial and Industrial Bank (1937-1945)

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ABSTRACT

This article reports empirical research findings on the Taiwan Commercial and Industrial Bank, one of the largest banks in Taiwan before World War II. First, under the wartime regime, the Taiwan Commercial and Industrial Bank implemented proactive and comprehensive measures for savings, resulting in a six-fold increase of its deposit balance, which became the main source of capital during that period. Of the capital generated, 65% went to clear the debts of the Japanese government and to acquire corporate bonds of military industries, reflecting the financial control policies of the Japanese government for wartime mobilization.

Second, despite tight fiscal measures on dividends, the Taiwan Commercial and Industrial Bank managed to increase its annual dividend rate with the approval of the Japanese government. The approval shows that the authorities would allow such an increase as an incentive to secure shareholders' commitment to "public finance" and "financial service to the country." At the same time, in addition to the stock price supported by the shareholders, the Bank also won public trust in its operational capabilities of a quasi-state-owned enterprise, thus ensuring the capital required to finance military supplies for foreign invasion of the Japanese empire.

Finally, compared with the expansive growth of the Bank's assets, its safety, liquidity, and profitability were all low, and further deteriorated as the war worsened. However, the signs of these financial fragility were hidden because of the financial control policies. Obviously, the Taiwan Commercial and Industrial Bank was forced to transform itself from a profit-making corporation into a quasi-state-owned enterprise with low profits.

Keywords: Wartime Regime, Taiwan Commercial and Industrial Bank, Financial Control, Public Finance, Government Debt Clearing, Savings Campaign