

Establishment of Basic Financial System in Taiwan: From Taiwan Industrial Cooperative Association to Taiwan Cooperative Bank (1942-1949)

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ABSTRACT

The paper discusses first how Taiwan Industrial Cooperative Association and Taiwan Industrial Bank invested the capital gathered from cooperative unions in the 1940s, and then explores the evolution of Taiwan Industrial Bank to Taiwan Cooperative Bank, which carried forward the prewar financial system and channeled the inherited capital to post-World War II economic recovery.

Both Taiwan Industrial Cooperative Association and Taiwan Industrial Bank were established during the wartime. Besides being responsible for managing the cooperative unions, they were also in charge of integrating and allocating the capital amassed from cooperative unions. While Taiwan Industrial Bank supplied capital to domestic enterprises and independent farmers through loans, over 50% of its assets were corporate bonds and government bonds of Imperial Japan, which contributed financial resources for the Japanese military expansion in the 1940s. Toward the end of World War II, when Taiwan suffered from serious financial blockade, it was Taiwan Industrial Bank that provided economic support to the Governor-General Office for promoting fiscal independence.

In the aftermath of World War II, Taiwan Industrial Bank was taken over by Taiwan Cooperative Bank, which also assumed responsibility for managing the Credit Department of the Farmers' and Fishermen's Association, as well as different cooperative unions. During this period of economic recovery, Taiwan Cooperative Bank not only played an important role in advancing loans to farmers, fishermen, and local businesses, but also operated like other banking institutions, which was a breakthrough in its business operations.

A macro-analysis of the establishment of Taiwan Industrial Cooperative Association, the evolution of Taiwan Industrial Bank to Taiwan Cooperative Bank, and their subsequent

impact on the financial system in Taiwan reveals its significant role in domestic capital integration. Taiwan Cooperative Bank has served to integrate the then banking system and cooperative unions for farmers, fishermen, and local communities into an unitary organization that facilitated the allocation and management of capital by the government. In the late 1940s, when the Nationalist Government took over Taiwan, it made use of the prewar financial system in advancing loans for promoting various government policies.

Keywords: Taiwan Industrial Cooperative Association, Taiwan Industrial Bank, Taiwan Cooperative Bank, Cooperative Union, Wartime Finance