

**On wartime money finance in the Japanese occupied territories during the Pacific War:
The case of instant reserve banks as bad central banks¹**

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Abstract: This paper explores how the Japanese government financed war expenditures locally in the occupied territories during the Pacific War. First, the reserve banks, founded instantly by the government, funded the occupation forces by issuing their bank notes in North/Central China, and Southern Regions. Second, the Japanese government financed military expenses by requesting the existing central banks to issue their legal tenders in Manchuria, Indochina, and Thailand. In the years 1943-1945, the first method in the regions with sharp inflations yielded 559.7 billion yen at face value, but only 7.2 billion yen at purchasing power parity (PPP), while the second in the regions with relatively low inflations generated only 5.8 billion yen at face value, but still 3.6 billion yen at PPP. In the former regions, the occupation forces did not acquire that much purchasing power, while in the latter regions, non-negligible portions of the occupied countries' nominal GDP were transferred to the occupation forces.

Key words: money finance, wartime finance, occupation, central bank, reserve bank.

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