

Our Financial Policy Vision

Pursuing Economic Growth that Brings Wealth and Fairness

In his book *Freefall*, Joseph E. Stiglitz, recipient of the Nobel Prize in economics, pointed out in the chapter “Avarice Triumphs over Prudence” that misaligned market information and incentive schemes that amply rewarded Wall Street financial marketeers engaged in egregious risk-taking but shifted the losses to ordinary people and the economy as a whole are culprits catalyzing the global financial tsunami. Careful observation shows that similar problems of misaligned market information and incentives are prevalent everywhere. Perhaps this is the fundamental reason why capitalist societies have suffered unremitting ills.

But while handling the aftermath of the financial tsunami has left the global community reeling, the economic performance of one country has been regarded as an emerging miracle—Germany, whose economic growth has topped G7 nations and where no bubble in real estate prices is in sight and the distribution of income and wealth remains fairly equal. What’s unique about Germany’s economic miracle has little to do with its economic growth statistics but lies in the German people’s feeling the benefits of the economic growth, namely wealth and fairness. Germany had paid painful price to attain its present-day achievements; internationally renowned media once humiliated Germany by dubbing her the “sick man of Europe” 10 years ago. Today, however, Germany is admired by the world for being “Europe’s economic powerhouse.” In contrast, the U.S. and the UK, which came to the fore riding the wave of the economic bubble a decade ago, have remained entangled in the plight caused by the busted bubble economy. The financial tsunami has uncovered the truth about many bizarre and bewildering economic phenomena and has taught that people can choose their paths of economic growth and financial development. Self-reliance and perseverance in endeavors to walk on the right path can lead to the intended destination, but much ridicule and boos have to be endured along the way, not to mention the risk of being kicked out of power. That is why only a few politicians of high moral principles are willing to take this path. As for the majority of interest-minded politicians, they only think about how to gain or consolidate their power, hoping there will be a panacea for everything or that they can have a stroke of luck. They prefer to resort to shortcuts or quick-fixes in their administration so that they can speedily present a brilliant list of accomplishments to voters, the source of their power. Many governments don’t seem to be concerned about whether their nostrums are fake solutions that may bring irredeemable side effects or consequences. Therefore, practices which create economic bubbles and leave disasters to the coming

generations have been repeated over and over again. Perhaps greed, short-sightedness, and the propensity for easy gains are very true elements of human nature, but except for self-interestedness, in human nature there are also moral sentiments such as justice, compassion, sympathy, self-denial, and altruism. As we pay much attention to Adam Smith's *The Wealth of Nations*, we should not forget another work in which the author had invested painstaking efforts, *The Theory of Moral Sentiments*. If a nation is to make its people feel the benefits of economic growth and preserve sustainable development of the environment, then its financial system has to assume responsibility more proactively. The authorities have to be practical and pragmatic and take the right path that will not create a bubble economy; moreover, they have to place great importance on national security and financial stability, make these higher priorities than the development of any individual financial institution, and, based on these principles, consider the direction the financial sector should take. Plainly speaking, in handling future financial development, the authorities should not retrace the old path of avarice but should reestablish the moral sentiments of financiers, face problems bravely, and seek dignified solutions instead of pursuing short-term easy profits at the expense of character, honor, or the rights of the coming generations.

A model of economic growth that is built up through holding competition and efficiency in high regard may cultivate an entrepreneurial economy and society booming with creativity; however, in such a model of economic growth driven by self-interestedness, where the superior win and the inferior lose and the rule of natural selection seems to prevail, all benefits are ladled out to the winners. As a result, the economic growth has not been felt by the people and has created a wide gap between rich and poor. These consequences have become a destiny that is difficult to avert. In light of this situation, the Taiwan Brain Trust maintains that it is necessary to achieve the goal of "wealth and fairness." In other words, pursuits of self-interests must be restrained or circumscribed by national interests or moral sentiments such as justice or compassion. If advantaged members of the society lack these moral sentiments, the government should, out of consideration for national interests, make positive interventions. A willing attitude and perseverance in attaining the aim of "wealth and fairness" will bring about opportunities and room to realize this objective.