

VISION FOR TAIWAN: NATIONAL FISCAL POLICY

eliminate the ideology of being-colonization and pro-market and further to establish a national-based national fiscal policy.

This TBT-published vision is aimed at articulating the better way to establish a national fiscal policy that can fully support the national development of Taiwan. Ever since 1990's, the difficulty of fiscal deficit has kept troubling Taiwan's politic. Not only it has been targeted in budgetary bill each year in Legislative Yuan, this issue has even drawn Taiwanese's attention from every corner of lives by the formation of party politic accelerated by two turns political power transitions. Yet, both parties, whichever in office, though admitted the severity of fiscal problem, shirked the responsibility and shifted the blamed on to the other. While both parties shared some policies in common as to solving the fiscal problem, political slogans for instance, "fiscal rebuilding year," "fiscal reform year," "reach fiscal balance in 20xx," and so on, were highlighted, as well as every approach come up such as "broaden income, economize expense," "zero-base budget," and "fiscal discipline" were exhausted, Taiwan is still unable to escape from the fiscal crisis.

Therefore, in our proposition, fiscal deficit itself is not the cause; the core problem is the reason thereof. If the deficit occurs due to the recovery of natural accident such as the 921 earthquake, to subsidy lunchbox or tuition for students in poverty, to reinforce fair opportunity of national education, solve the economic predicament of people unemployed, to safeguard elders' economic security, or other purpose that conforms to public

interests, it will not cause fiscal problem at all. Instead, if the deficit is resulted from the policy increasing the tax-cut on estate and gift tax for the rich, raising the salary or subsidizing over 70 billion to 18% annual interests on saving deposits for retired public servants, expending huge amount on Taipei Flora Expo and 80 billion budget on consumption coupon, or allowing over-floated budget on public infrastructures, the deficit will lead to serious fiscal problems.

Instead of budgetary deficit itself, one shall be scared in the scenario that the root causing deficit was not properly taken care or intentionally ignored. Even if the fiscal problem occurs, the core factors would not be the effect of budgetary deficit or the national debt accumulated; rather, the issue lies in the leak of 2 trillion budgets. More specifically, the real fiscal problem Taiwan faces is the power on the management of huge national resources acquired by tax and debt. This huge resource has not been used to solve the economic problem suffered by people but cause the sovereign crisis. What's worse, it widens the poverty gap which threatens the right to survive of economic weaker and damage the dignity of nationals by making them feel withdrawn.

The fiscal problem or deficit has not existed from these days or been neglected; yet, to solve this long-standing problem, the priority job is to review the past opinions, approaches, and strategies adopted toward the problem. Otherwise, the fiscal problem will continue to exist

even after 2012 presidential election.

The core values underlined in this Vision are to eliminate the ideology of being-colonization and pro-market and further to establish a national-based national fiscal policy.

1.recognizing the history being-colonized:

for sustaining its ruling power as well as acquiring electoral benefit, Kuomintang (KMT) has changed its “one-party State capitalism” stance into “party-syndicate collusion” plutocracy which leads the big enterprise have the power to participate in the distribution of economic resources. In the political atmosphere of economic orientation disregard of national awareness, the fiscal policy then loses its subject matter and objectives. In nature, like Hong Kong, Taiwan does not have its fiscal system of “nation-nature” but “government-nature.” The fiscal structure in Taiwan lacks of national-base nature and rather forms the dependency of economic development in which the whole structure turns out to be the ruling instrument for the governor to maintain its authority over its “colony.” This phenomenon causes the distribution of economic resource departing from social justice and leads the rich get richer and poor become poor. Consequently, the national resource is monopolized by few people and the fruits of economic development are inevitably enjoyed only by those few people which make the poverty gap widened. If the fiscal policy departs from social development, not only the benefit of economic would not be share by most of the people, the feeling of

withdraw will also be deepened and hence cause the breach of social structure and awareness.

2.The myth of neo-liberalism, globalization, and “small but beautiful and capable” government:

since 1980’s, pro-market’s neo-liberalism becomes the majority of ideology by which it emphasizes “market superiority” and later dominates the world economic and the thinking of policy-makers. Although party power transition occurred after mid-90’s, the so-called theories of “third way” or “neo-middle-road” still cannot shatter the fiscal policy generated by 80’s thinking which the theory of neo-liberalism still prominent, both toward right and left wings. While the globalization of market economy pursued by neo-liberalism keeps trying to break the national barriers, the subject matter of the nationals’ economy is losing. Along with the expansion of Chinese economy, the gradually developed national awareness in Taiwan is unable to escape from being devoured in the trend of globalization. Under this situation, Taiwan falls into China’s trap of “unification by economic power toward politics” which cause Taiwanese national identify more diversified. Due to the fragile national awareness and setback of democratic development, the trend of pro-market and globalization thinking have further stabilized its weight and dominated the fiscal and economic policy of Taiwan in the past 20 to 30 years. Under the ideology of “small but beautiful and capable” government, the roles and

functions of government has been maneuvered and neglected. In turns, not only the national sovereignty and the dignity of people are degraded, but also the economic weak one will be abandoned by the global market-economy system and become economic orphan.

3. Eliminate budgetary deficits and national debts and the concept of fiscal balance:

under the trend of thinking above mentioned, the “fiscal problem” has been simplified as the problems of budgetary deficit and debts accumulated as well as been viewed as the source that leads to the contemporary economic, social and political crisis and by which keeping “fiscal balance” will deal with all problems properly. This myth has misinterpreted the “fiscal problem” by focusing all solutions on the problems of budgetary deficits and national debts. Moreover, it even inverts the cause and effect by ignoring the historical factors on the cause of budgetary deficits. Back in 70’s, the main reason for the support of neo-liberalism is because its core value of the policy: “by tax-cut and reduce of government expense to eliminate budgetary deficit in order to promote the economic growth and maintain the fiscal balance.” However, the result turned out to be that the worldwide financial crisis broke out, causing the ever-increasing high national debts, deteriorating unemployment problem, widening the poverty gap, and most people live life far below the living standard instead of alleviating the budgetary deficit. Therefore, do those governments become

the small but beautiful and capable governments by conforming to the principle of neo-liberalism?

4. Back to the fiscal nature that makes expense meet income:

“fiscal policy” is regarded as the overall of economic performance of a government. Thus, before solving the fiscal problem, one shall understand the role and functions played by the government in market economy under capitalism. The “government failure” or corruption criticized by the neo-liberalist is sourced from the “market failure.” In the modern society under capitalism, the government and the market consisting of the elements of overall political and economic system of a State are coexisted instead of being exclusive. To “uphold market economy operating soundly” including maintaining the credit stability of currency and financial system, establishing a credible and reliable trading system, creating a fair environment of competition for enterprise management, and providing a convenient and efficient public transportation is the primary function entrusted by the government.

Under market economy, as to the management of economic resources, including national expense and income, the main role played by government is to “re-allocate” the resources. Accordingly, what percentage government takes part in or how much resource government makes use of is based on the reasonableness of the distribution of the income and wealth decided by the market. More reasonable the income and wealth is distributed, less necessary the government re-allocates the

resource and contrariwise.

To analysis the current situation of fiscal problem, this Vision divides the discussion into several parts: 1) deficit, national debts, and the setback of democratic system; 2) misinterpretation on the expense of social welfare; 3) the loss of containment, embank, rational budget and the fiscal discipline. 4) challenges encountered under the trend of globalization. In the part of abovementioned point 3), the government must forsakes the loss of (a) the concept that broadens the source of income, reduce the expense; (b) confine the max limit of national debts and the amount of borrow thereof; (c) the fiscal discipline and the policy of rational budget. As to the point 4), the discussion contented thereof includes (a) policy-making mistake caused by the deviation of government's role; (b) deterioration of fiscal conditions; (c) approaching the legal max limit of the debts borrowed: the national debts unredeemed is nearly 40 % of the GDP; (d) the government function is confined by the severity of the fiscal problems; (e) the dysfunction of the re-allocation of the income under tax system; (f) the mechanism for local governments to participate in law or policy making is lacking; (g) the function of political parties is not manifested.

In our concrete propositions, Taiwan Brain Trust is dedicated to propose a sounder fiscal policy that secures the integrity of national sovereignty and the root of security, deepens the foundation for the sustainable development of national economy, and embodies the distributional justice in our society. Our purposes: instead of the approach of "fiscal balance," we consider that the purposes of the fiscal policy is to pursue

the sustainability of the government function and promote the effective use of national economic resources as well as enforce the distributional justice in society. Our strategies: the national fiscal policy in modern states must be accomplished through political process under democratic procedure. Its primary effect is to distribute or re-allocate the economic resources which will necessary cause the conflicts of interest between different classes of people. Therefore, the quality of a fiscal policy depends on the soundness of the democratic politics which includes the fair competition of political parties, the rationalization of the government organization, the balance of power between interest groups, and the autonomy and self-constrain of the press media. Specifically speaking, the forming of "Accountable Politics" is the major strategy to solve the current national fiscal problem of Taiwan.

Our concrete measures of fiscal policy: 1) review and re-identify the role and functions of the government. Support the national visions by a sound fiscal policy; 2) review the tax system to increase the sufficiency of the tax income and to strengthen the fairness of the tax division; 3) Reinforce the management and operation of the debt funds to secure the sufficient turnover of the government and the effective use of national resources; 4) adjust the budget-making mechanism in order to establish a procedure of budget-making that act in conformity with the functions and duties of the government; 5) Strengthen the party politics based on the principle of accountable politics; 6) Form a better fiscal division system between central and local government; 7) cancel the invalid regulation causing the lack of

transparency concerning debts borrowed; 8) promote eco-fiscal policy reform to create the trilateral wins between environmental protection, energy, and economy. Among the above, to adjust the budget-making mechanism in order to establish a procedure of budget-making that act in conformity with the functions and duties of the government includes the measure: (a) ascertain the role and functions of The Directorate General of Budget, Accounting and Statistics and the Ministry of Finance; (b) ascertain the duty and responsibility of budget center and party groups in Legislative Yuan; (c) secure the independency of the auditing system and strengthen its functions which can support the exercise of fiscal functions of the Legislative Yuan; (d) strengthen awareness of budget soundness in law-making process. 