Journal of Social Sciences and Philosophy 1995(March); Vol.7,No.1,pp.289-324 © Sun Yat-Sen Institute for Social Sciences and Philosophy, Academia Sinica

## An Economic View on the Political Stability along the Taiwan Strait over the Independence/Unification Issue\*

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In this paper we use a simple trade model to investigate how differences in Taiwan's and Mainland China's production comparative advantages, attitudes toward consumption and GNPs per capita could possibly affect the political stability along the Taiwan Strait over the issue of independence or unification that faces Taiwanese and Mainland Chinese as well. The results derived here represent necessary conditions for possible economic and political integration. Though the model developed here is very crude, insightful results can still be obtained without much sacrifice on the political realities that we have seen today. Possibility for further extension and limitation of this paper are also discussed.

<sup>\*</sup> An earlier version of this paper (under the title "An Economic View on the Possibility of Forming an Independent Taiwan or a Unified Grand China") has been circulating among friends for some time and was presented in the Institute of Economics at Academia Sinica (IEAS). This paper has also been presented in the author's own department. Comments and opinions raised by participants in these two seminars have been very helpful and are greatly appreciated. The author also likes to thank, in particular, Dr. Man-Chung Ng and Dr. Amy R. Hwang of IEAS, Professor Steven S. Kan of the Department of Economics in the National Tsing Hua University and Professor J. Patrick Gunning of the Institute of Public Finance in the National Chung Hsing University for their comments. The author also owes thanks to the three anonymous referees for their invaluable comments and suggestions which greatly improve this paper. As usual, all remaining errors are solely the author's responsibility. Opinion expressed here belongs to the author alone and the institute where he is affiliated with shall not be held responsible.

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## 由經濟觀點看海峽兩岸就統獨意念 引發之政治穩定問題

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## 摘要

在本文中我們用一個簡單的國際貿易模型,來探討臺灣地區與大陸在生產面之比較利益、消費傾向、平均國民所得等各方面的不同所可能帶來對海峽兩岸就統獨爭議引發政治情勢變動之可能影響,也推導出兩岸在政治與經濟上欲眞正統一整合時所應考慮到的必要條件。雖然本文的模型相當簡單,但仍可由其中推出許多頗契合現實政治情勢的推論來。最後我們也就本文中可加以推廣或有所限制的地方加以說明。