French economist Thomas Piketty’s book Capital in the Twenty-First Century has received rave reviews, with some calling it a masterpiece that might change global capitalism in the 21st century.

The main idea expressed in Piketty’s book is that economic growth represents the rate at which the average wealth of society as a whole increases and that return on capital represents the average rate of increase in capital wealth. If the government allows the rate of return on capital to remain higher than the economic growth rate, the wealth of capitalists grows faster than the average.

Piketty also says that in the future, more than 80 percent of capital will be concentrated in the hands of the wealthiest 10 percent, in particular in the hands of the wealthiest 1 percent. The remaining 90 percent will suffer from the imbalances in today’s capitalist system.

Under this premise, the policies of a government focused on the welfare of the general public should therefore focus on increasing average wealth and domestic economic growth.

Unfortunately, the administration of President Ma Ying-jeou (□□□) has moved in the opposite direction for several years now, devising policies that place a lopsided focus on increasing the rate of return on capital, while also promoting the idea that capital must flow to the most beneficial place, the deregulation of Taiwanese investment in China, direct cross-strait flights and the Economic Cooperation Framework Agreement.

Taiwanese businesspeople have rushed to invest in China, but while their short-term rate of return on capital has increased due to their access to cheap labor and resources, they have lost the opportunity to upgrade and transform their enterprises. This has resulted in youth unemployment among Taiwanese and salaries dropping to the levels they were at 15 years ago — the only winners are the capitalists.

The all-out attempt made by Premier Jiang Yi-huah (□□□) and the Cabinet to promote state-run bank mergers and turn the nation’s finance industry into a leader in Asia was all about increasing the rate of capital returns for capitalists, without any concern for the general public.

The government keeps repeating that local banks' return on assets is a mere 0.68 percent and that their return on equity last year was only 10.26 percent — far lower than international banks in other countries, where the return on assets is typically 1.3 percent and the return on equity 16 percent — and that mergers are an effective way of increasing competitiveness.

Yet what the general public wants to know is in what way making the domestic financial industry a regional leader can improve the problem of starting salaries being a measly NT$22,000 at home?

The problem is that increasing capital returns is not a blessing for the public, but a nightmare. Banks are increasing their return on equity by using their control over market pricing obtained through mergers to raise fees — such as remittance and collection fees — and expand the spread between loan and deposit interest rates, for example, by raising mortgage interest rates.

Moneyed clients can haggle with banks, but ordinary clients cannot, which means that the public would shoulder the burden if all banks were to increase their return on equity. This is the process that Piketty in his book says is used to concentrate wealth in the hands of the top 10 percent and the Ma administration is an accomplice to this procedure.

It should be noted that the banking industry is not a productive one and that a 10 percent return on equity is quite good — the nation's economic growth rate is not even 4 percent.

There is also the question if the big state-run banks that would result from bank mergers would be capable of becoming regional leaders. It can be foreseen that 10 years after these mergers, it will turn out that 1 plus 1 did not make 3 after all, but rather 1.2.

The sweeping mergers being promoted by the government contain more overlap than complementarity, so each pairing of banks would leave 8 percent of the market for other banks to gobble up.

In this scenario, it is all but certain that the big, privately owned financial institutions that already control most of the wealth will be the ones who profit, while the state-run banks, the state and the public as a whole will lose out.

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