

# Abstract

Taiwan's National Finance Stabilization Fund (NFSF) is started since 2000, and its main propose is to "save the stock market." This propose is rare in a country with a highly-developed financial market. Since the fund has 500 billion NT dollars (about 17 billion US dollars), it can interfere Taiwan stock market severely. I try to discuss that when the government has such an influential tool, whether it would use this tool to benefit companies which have political connection with ruling party. I use the transaction data of the fourth (in 2008) and fifth (in 2010-2011) saving action during the Kuomintang (KMT, a.k.a. the Chinese Nationalist Party) in power, and estimate with difference-in-difference-in-difference method. Also, I define the political connection by directors' political experience and political stockholder. I find that stocks of the companies political-connected with KMT will on average have 0.21% higher daily abnormal return during the saving action period if they have been invested by the NFSF in saving action. If it is compounding every transaction day, then the cumulated abnormal return is 14.13% in the fourth saving action, and 17.78% in the fifth saving action.

Key words: National Finance Stabilization Fund, stock market saving action, political connection, Kuomintang, difference-in-difference-in-difference, forensic economics