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Structure Flaw and Shadowology: Root Cause  
of Financial Crises

結構性缺陷與隱行爲——經濟危機的根源

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# Abstract

Whenever there was a major financial crisis, regulators and investors always tried to identify and solve the problems. However, such efforts only touched the surface, not the root or the structural issues where problems were created. Therefore, people never learned the lessons or intentionally ignored the truth, then, crises and debacles just repeated again and again. This study tries to discuss this question by perspective of dark side nature of human beings, namely shadowology, which had already investigated in Bible. Several cases of financial bubbles are studied and analyzed for exploring structure flaws and framework of shadowology. Existing researches on shadow system behind the bubble is summarized to derive the research problem in this study. In the third part, a game theory model is formulated to discuss structure problem that effect equilibrium among four main participants who need to choose between acting sunshine and shadow activities. We observe that when coalition is permitting, collusion and shadow activities are the preferable choices against investors. In the fourth part, a research model is constructed to investigate the impact of shadow activities to the efficiency of financial markets. A survey is conducted and data is collected through questionnaire. Quantitative methods such as descriptive statistics, factor analysis, reliability analysis, validity analysis and structural equation

model analysis are applied to the data. According to the refined research model, most hypotheses are supported and important factors leading to market failure are revealed. A case study is conducted to verify the active shadow activities revealed in the model. In the final part of the thesis, several policy recommendations are proposed.