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Neoliberal Hong Kong Is Our Future, Too

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For two decades, demonstrations—both peaceful and violent—have become ubiquitous in Hong Kong. The casual observer might readily point to 2014 and 2019 as key episodes of unrest, years that captured the world's attention. The former demonstration channeled the spirit of Occupy Wall Street and took over three downtown and financial districts for seventy-nine days; it came to be known as the Umbrella Movement, referring to the now universal protest tool deployed to fend against the onslaught of police pepper spray. The latest protests erupted last spring and continued in force well into this year. At its peak they drew as much as a quarter of the Hong Kong population into the streets in a single day. Police violence and a strong-arm government backed by Beijing fired over 16,000 rounds of tear gas into crowds and arrested over 9,000 people. Riot police put out eyes, broke bones, smashed faces, and shot demonstrators, some **as young as fourteen**.

Something more fundamental than demands for universal suffrage and the heavy hand of Beijing structures the injustices of Hong Kong society: the organization of the political economy.

But such events are not uncommon in Hong Kong. Tens of thousands of marches, demonstrations, and protests take place every year. According to **Hong Kong police statistics**, there were 5,656 such protests in 2010 and well over 6,000 annually through 2015. That number jumped to 13,158 in 2016 and stayed well above 10,000 through last year. With over 30 daily meetings, demonstrations, marches, and protests happening on average day after day, one must conclude that the people of Hong Kong find something terribly wrong with their society and are constantly engaged in both active opposition and a search for methods, practices, and ideas to do something about it.

Analysts and commentators often point to protesters' demands of universal suffrage and the increasingly heavy hand of Beijing. But something more fundamental structures the injustices of Hong Kong society: the organization of the political economy has enabled democratic disenfranchisement and authoritarianism to emerge.

Over the past forty years Hong Kong has been guided by financial interests and free market idealism that has led to a gross concentration of economic power. Business taxes have been paired down, regulations annulled or minimized, and the public sector turned over to the private sector. In addition, government policy and administration have been put in the hands of business tycoons, who have leveraged it to expand their reach, and state power has been mobilized to preserve a well-functioning legal apparatus to uphold property rights, enforce contracts, protect business investment, and generally facilitate markets on the behalf of capital.

While orthodox economists like to point to these features having created the ideal free market, the social consequences have been disastrous. Inequality is rising, wages are declining and working hours increasing, overall economic opportunity is dwindling, and housing is so unaffordable that **office workers sleep in McDonalds**. Is it any wonder that the streets are now burning? Implementing this economic doctrine has led to great prosperity for a very select few but widespread disenfranchisement for the many. A handful of conglomerates have been able not only to carve out monopolies but also to orchestrate a complete takeover of all economic life.

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While Hong Kong is a striking example of this socio-economic practice, it is hardly unique. This specific case is a stark manifestation of the development of trends in the global political economy over the past forty years. In the 1970s and ’80s, free market advocates and politicians began to advance ideas and implement policies that both empowered capital and mobilized government in service of capital. This led not only to the slow dismantling of social programs and protections, but also to the use of government powers to create an environment within which global capital could thrive. Through military, legal, and political means a certain set of ideas about markets, property rights, and individualism were implemented around the world.

This blurring of the division between public and private finds governments overtly working on the behalf of capital to extenuate an economic system that favors global capital over labor, private corporations over society and social welfare, and economic concentration over economic democracy. It is a system that is perpetuated by the attenuation of politics and capital, whereby the rich purchase beneficial economic policies that further insulate their position and wealth. Through political influence they obtain lower taxes, larger deductions, fewer regulations, and corporate protections, among other things.

From this perspective, Hong Kong is only an extreme case of a general trend—an advanced manifestation of the future that awaits a society caught in the clutches of neoliberalism.

To understand Hong Kong society it is instructive to revisit the economic orthodoxy, especially in its view of Hong Kong. In 1980 the free market, Chicago-school economist Milton Friedman produced a PBS **TV series on his ideas**, aptly titled “Free to Choose.” At the focus of the first episode was none other than Hong Kong. “If you want to see how the free market really works,” Friedman says leaning on the rail of a passenger ferry in the Hong Kong harbor, “this is the place to come.” According to Friedman and free market thinkers Hong Kong was the perfect test for their ideas, for it has few if any natural resources apart from a deep-water harbor and the colonial state adopted a hands-off approach in governance by leveling no tariffs and few regulations. Hong Kong is, he says, “a thriving, bustling, dynamic city” that was “made possible by the free market—indeed, the freest market in the world!”

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In the free market narrative of Hong Kong the government is small and unobtrusive, leaving people to make their own decisions about their lives and the economy to develop in a “natural way.” Free markets and the lack of regulation, advocates claim, have allowed individuals to take responsibility for their own life choices and to enter into rational calculations on how best to employ their skills to make a prosperous living. Individuals suffer the consequences of their strategic failures and reap the rewards of their success. According to free marketeers, this has led Hong Kong to economic prosperity, high standards of living, and low mortality rates. Friedman takes the viewer down an alleyway and through a balcony to a “factory,” which is really a small apartment with three or four shirtless men carving ivory tusks under circulating fans. These are the some of the best paid workers in Hong Kong, he announces, who could lobby their employer for better working conditions but who choose instead to accept the conditions and pocket higher pay to spend as they wish.

Friedman’s logic is seductive. If all state intervention is removed and markets are allowed to set the terms of exchange and distribution, people will gravitate toward the most efficient means of production and circulation. Industrial policy and certifications are unnecessary if the market is free and all transactions are voluntary, for individuals will act in their own best interest, establishing factories and paying for services—or they won’t, and the market will work out the rest. Hong Kong was Friedman’s proof of concept. He pointed to the world’s busiest harbor, where ships arrived to carry away the plastic squirt guns assembled by the deft hands of women in windowless factories and the tin containers soldered together by Mr. Chen in the street. Thirty years later, in 2011, a senior fellow at the conservative Cato Institute followed in Friedman’s footsteps and pointed to the Hong Kong skyline boasting more skyscrapers that all of New York as his proof of the continuing success of the free market. Hong Kong’s spectacular GDP growth, he **said**, was not achieved by government directive but rather the free market. This is the logic that has come to frame the world’s understanding not only of Hong Kong but of the natural order of all social and economic life itself.

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But this understanding of Hong Kong is ephemeral in theory and fleeting in practice. It misleads on the role of the state and overlooks the evolving regional economy. What happens when all production moves to China and the factories either fold or leave? What happens when Mr. Hou can’t mechanize his picture frame shop, as Friedman says, because oligopolies create cartels and land prices skyrocket? What happens when Mr. Leung must close his Cantonese wedding gown operation because property rents have risen to a level that only international luxury brands can afford? What happens when wages stagnate and social mobility ceases? Ostensibly, one must adapt to market forces by upgrading one’s skills and moving up the value chain. But what happens when a university education only leaves you in debt and working the world’s longest hours in a minimum-wage job in the service sector, if you are fortunate to even find a job? And **what kind of choice is it** to live in a subdivided forty-eight square foot apartment while paying the world’s highest rent to do so?

In short, the failures of free market neoliberalism overshadow the successes. What went wrong? How did this system of small government and free markets generate so much inequality? How did it create oligopolies and rule by the rich? How is it that economic opportunity is diminished and freedom disheveled? Indeed, if the freest market in the world is so great, why are people protesting?

One place to start is deindustrialization. Intriguingly, all the subjects in Friedman's Hong Kong sojourn either work in a factory or engage in petty entrepreneurship of commodity production. When Friedman visited in 1980, Hong Kong—and the East Asia region in general—was at the tail end of a decades-long postwar manufacturing boom. Chinese migrants spilled across the border to work in factories making plastic toys, low-end electronics, and other goods for American consumers. With cheap labor and easy access to shipping ports, the New Territories had become a manufacturing center, experiencing exponential growth and relatively high wages. When China's economic reforms began to take hold in the 1980s and accelerate in the 1990s, however, manufacturing migrated north to Guangzhou, Shenzhen, and other areas in south China that offered free land, ample investment capital, and a pass on environmental and labor regulations. To quantify this shift, consider that in the mid-1980s manufacturing accounted for **more than a quarter** of Hong Kong's GDP. Today it accounts for less than 1 percent. In 1981 over 41 percent of the population was **employed in manufacturing**, but by 2011 that number had fallen to 4 percent, and it has continued to decline.

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This demise of manufacturing has been offset by the growth of financial, business, and consumer services. Hong Kong began to transform itself—on the one hand, into a processor of raw materials and produced goods going in and out of China, and on the other, a financial center that oversaw the manufacturing boom taking place in the Pearl River Delta. Hong Kong's capital moved into the servicing of import and export trades and catered to travelers moving throughout the region, and began wholesale operations and warehousing of goods. Quantitatively, manufacturing went into precipitous decline: at one time the sector employed nearly half of the Hong Kong population, but now employs almost none. Conversely, other sectors went through corresponding gains. In 1981, 19.2 percent of the workforce was employed in wholesale and retail, import and export trades, and restaurants and hotel sectors; by 2011 that number had grown to over 30 percent. Similarly, financing, insurance, real estate, and business services **went** from under 5 percent of the workforce in 1981 to almost 20 percent by 2011.

The consequences of this shift have not been widespread social prosperity but escalating inequality. Hong Kong domestic growth has been phenomenal, to be sure, with GDP gains of nearly 70 percent in real terms from 2000 until 2014—and that is in the midst of numerous economic and financial crises. Likewise, unemployment has continued to decline from over 8 percent in 2003 to just under 3 percent before the pandemic. However, the gains have gone to an economic elite who extract rents. Consider first Hong Kong's **rising Gini coefficient**—the gold standard of inequality. In 2016 it was one of the highest in the world at 0.539, up from 0.525 in 2001, where 0 represents perfect equality of income and 1 a situation where one person owns all the income. The United States, by contrast, recorded 0.485 in 2017, its highest in fifty years. In 2013 the richest 10 percent of Hongkongers owned more than over three quarters of the population, and the wealth of Hong Kong's forty-five billionaires was equivalent to 80 percent of the GDP. This state of affairs is a result of stagnating and declining wages. From 2001 to 2011, for example, the total share of the median monthly household income fell among the lowest quintile from 3.2 percent to 2.6 percent, but rose among the highest from 56.4 percent to 57.1 percent. In fact, since 1997 wages among educated youth **have experienced no growth** and in some cases declined.

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An increase in education has not helped address this problem; indeed it has only exacerbated it. As part of a governmental push to upgrade skills by encouraging university education, targets were set in 2000 to increase the number of high school graduates going to university from 20 percent to 60 percent, a figure that was far surpassed in 2015 at 70 percent. This has resulted in a highly educated workforce—one of the best educated in the world—but also one that can't find good jobs. A **recent study** found that graduates today earn 10 percent less than they did twenty-five years ago, in real terms. Similarly, from 2003 until 2014 salaries of graduates stagnated, and when they increased it was at a pace much slower than GDP growth. And that is if graduates can find a job; the increase in the number of graduates outstrips that of skilled jobs. For example, the number of skilled jobs, including administrative and professional positions, increased 18 percent during the period 2007–2017, from 1.22 million jobs to 1.44 million, but the number of workers with degrees rose by nearly 60 percent. Reporting on a conversation with a fourteen-year-old student, a social worker **said** that young people "see tertiary education more as getting into huge debt than achieving social mobility. In short, [they] sees nothing [they] can aspire to in life."

The lack of social mobility has become particularly galling as it has taken place within a single generation. In 1991, 84 percent of university graduates found a middle-class job, but by 2011 that number had dropped to 75 percent. Although this decline does not appear so steep, once upper and lower middle-class jobs are differentiated—that is, managers, administrators, and professionals in the former and associate professionals in the latter—the decline was more extreme, from over 60 percent of graduates in 1991 obtaining work in upper middle-class jobs to less than 40 percent in 2011. Meanwhile, a growing number of graduates had to settle for non-middle-class jobs in clerical, service, and retail positions. These **findings** indicate that more university graduates have increasing discovered that labor-market returns are dwindling and that they are presented with fewer life chances.

At the same time, the cost of living has increased. Property prices have shot up 126 percent since the handover, and a mortgage can consume 70 percent of individual's income. Indeed, at around $2,500 per square foot, housing in Hong Kong is consistently the most expensive in the world. For the past decade Hong Kong has recorded the **highest housing prices on the planet**, with a family needing over twenty years of savings to afford a home, almost twice as long as in the second most expensive city of Vancouver. As one commentator **put** it, people "can only fantasize about owning that most basic of human comforts—a roof over one's head." Consumer prices have also followed suit with astronomical increases. Petrol prices, for example, have **surged** 108 percent in the past seven years to clock in at over $8 a gallon in April 2020, or 131 percent **higher** than the international average. Food prices also remain **some of the highest** in the world, with fresh food costing two and a half times more in Hong Kong than Britain.

The situation, then, is dire. Jobs are worse and becoming fewer, pay is stagnating, housing is out of reach, prices are rising, and individual debt is accumulating. This state of the Hong Kong economy is a consequence of developments that go back to at least the 1960s that structured the economy in a way to enable an economic elite to extract rents from the rest of the population. At this time, local entrepreneurs began to consolidate the property market and leveraged their position and capital to increase land holdings and extend activities into other sectors of the economy, such as supermarkets and utilities, creating large oligopolies. This resulted not in a free market but rather a dual economy, where international trade remains relatively free and open but the domestic economy is in the hands of just a few tycoons.

The story of this concentration of economic power revolves around land. In the 1960s a handful of developers began to consolidate control of land and corner a market that was being restricted by the colonial government. As political instabilities rocked China in the late 1960s and ’70s and uncertainties surrounded both handover negotiations and the outcome of Chinese rule, British companies began to divest their portfolios. These assets were snatched up by local developers as they increased their holdings from 1.6 million square meters in 1979 to 11.5 million square meters in 1997. Concentration had reached such a degree that by the mid-1990s, 70 percent of new private housing was supplied by seven developers, and 55 percent came from just four. By 2009 the largest single developer, Henderson Land, **held** nearly 20 million square feet of developable floor area plus over 30 million square feet of agricultural land, increasing this amount to 44.5 million square feet by 2015.

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Rather than developing this land, however, Henderson and its few other competitors bank it. They sit on land and wait for prices to rise then release home sales slowly so as to ensure that prices remain afloat. As the policy think tank Civic Exchange **put** it, “There is another myth about Hong Kong—that it has insufficient land. A common belief is that prices are high because there is a shortage of supply. The truth is that there is plenty of land if only the land market is more flexible for development and regeneration.” In addition to ensuring high rents, this strategy has the advantage of pushing out smaller developers who can neither afford to wait for prices to rise nor who have the connections and know-how to mobilize bankers, investors, and auctions markets. In recent years the ranks of developers have shrunk as only a few big, capital-rich companies from mainland China have been able to enter.

To make matters worse, developers own far more than land: they control most of the Hong Kong economy. Supermarkets, utilities, transportation, banking, broadcasting, and telecommunications all fall under their purview. In fact, they are conglomerates with oligopolies in these areas. “Here is your typical day in Hong Kong,” **reads** one report charting the control of these oligopolies:

After buying your groceries from Li Ka-shing, you hop on to one of Cheng Yu-tung’s buses to take you back to your Kwok brothers’ apartment to cook your food with, you guessed it, gas supplied by Lee Shau-kee…With tentacles like these, it’s easy for the big conglomerates to bundle things together. If you buy a Henderson flat, you can be sure the water heater will run off gas. One developer, Hutchison, even tried to include its own telecoms services into Cheung Kong’s Banyan Garden estate management package before residents’ complaints made it back down.

Those four names refer to four families who own the four main consortiums with networks of companies in all sectors of the economy.

Far more than simply providing services for consumers, these companies collude to block competition, raise prices, and extract maximum rents. When French hypermarket Carrefour tried to penetrate the Hong Kong market and break the supermarket duopoly of Wellcome and ParknShop, the conglomerates, which also own all the real estate, made sure that Carrefour could not find enough premises to open stores. The conglomerates further directed wholesalers not to supply the new entrant. Carrefour abandoned the market. With their position secured, the two chains increased prices by an average of nearly 4 percent during a two-year period when overall retail prices fell by over 5 percent.

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Commercial sectors from textbooks, motor vehicle instruction, building services, and even noodles have all been subject to cartel activity from these conglomerates. Given that they own all the commercial real estate, it is not uncommon to raise rental prices, driving out small local retailers and waiting for international luxury brands to pay the exorbitant rents, at once increasing their bottom line while at the same time keeping out competition. “Walk along the street in many middle-class neighborhoods,” **suggested** one report, “and you will often see four, five, six or more real estate agents where there used to be a hairdresser, a stationer, a photocopy shop and a mom & pop store.”

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In June 2019, as millions of Hong Kong demonstrators were getting gassed in the streets, the chief news editor of Hong Kong’s largest English-language daily published a scathing video commentary. “This is about feeling hopeless and frustrated and downtrodden,” he said. “It’s about the perception that no one cares about their grievances, whether stemming from social or political problems, and that there is no future.” He went on to explain the current situation as a product of the conglomerates and their extreme concentration of economic power. Housing and monopolies, he **said**, “remains the root cause of resentment and social strife.” The fact that the administrative and legislative bodies allow it to continue is certainly “beyond outrageous,” as the editor proclaimed, but it is also a direct consequence of the political economy. The policies of the economic orthodoxy have long since wiped away the bustling markets, humming factories, and petty entrepreneurship of Friedman’s Hong Kong, replacing them instead with monsters that extract rents and leave little market access or opportunity for anyone else.

Democracy is an unlikely possibility; too many entrenched political and economic interests are threatened by the prospect. This is the world that neoliberalism has wrought.

The rallying cry of protesters has been universal sovereignty: the ability for ordinary men and women to exercise greater control over their lives by casting a vote for a representative who will recognize and fight for their interests, needs, and aspirations. But the economic and political elite of Hong Kong, not to mention of China, resist structural change and challenge to the political order. Like any ruling class throughout history, their power and position is both confirmed and secured within the existing social, political, and economic arrangements. Their laws articulate those structures and try to encrust their relations in an increasingly hard shell with further and greater measures to suppress outcry and dissent. Universal suffrage would displace China and disrupt the business oligarchy; it would lead to challenges of Chinese sovereignty and break the political structure. The business elite fear their megaphone might become reduced to but a shout if their influence over the government is lost and their position in the legislature diminished. Real antimonopoly laws might be passed, breaking up the conglomerates' stranglehold on the economy. Meaningful competition laws might be enacted enabling new entrants into the market and freeing consumers from the tyranny of cartel prices. Adequate public housing might get built giving citizens a suitable adobe and lower the exorbitant prices of private homes. Democracy might even lead to a forward-looking constitution not subject to the follies of neoliberal ideology.

Precisely for these reasons, democracy is an unlikely possibility. Too many entrenched political and economic interests are threatened by the prospect; those with political and economic power have shown that they are more ready to fight to the death—or rather attack to kill—than to give up these interests. The new National Security Law has been used not only to arrest and charge protesters for exercising speech but also to **disqualify** candidates from seeking legislative seats and, most radically, to **arrest** four teenagers who had previously formed a pro-independence political group on suspicion of "inciting secession." Authoritarianism is being mobilized on the behalf of capital.

This is the brave new world that we now inhabit. Bernie Sanders refers to it as a **new authoritarian axis**, where demagogues from Hungary to the United States exploit divisions to strengthen their hold on power and further economic concentration and wealth accumulation. Not only are leaders in nations around the world increasingly enacting authoritarian measures to consolidate their powers—from annulling democratic norms to stifling the press and free speech—but also using the state to create conditions that favor certain economic interests. It is becoming impossible to tell where the policies and practices of government end and the interests and benefits of its leaders—both elected and self-appointed—and their inner circle begins. A great attenuation among political and economic elites has been underway for some time, to be sure, but it is now adroitly manifest. This is the world that neoliberalism has wrought.