

HONG KONG

An Economic Enigma

BY A CORRESPONDENT

This is the first of a series of four articles on Hong Kong. Those that follow will cover the economic background, the future. In its remarkable economic progress Hong Kong has not followed the paths laid down by the modern economists Smith and Henry George. Much of the information for these articles has been drawn from the Commerce, Industries and Labour Department of Hong Kong, and from the Annual Report published by the Hong Kong Government.

PART 1.—PHYSICAL AND SOCIAL BACKGROUND

HONG KONG'S birth may, in racing language, be described as by Cunning out of Circumstance. During the eighteenth century practically all trade with China, of which British merchants had by far the greatest share, was carried on through Canton against the main current of authoritative Chinese opinion, which was not interested in foreign trade, and in the face of increasing restrictions imposed by the Chinese Government. Two embassies to Peking failed to improve relations, and attempts to negotiate directly with the Viceroy at Canton met the same fate. In 1838 the merchants were driven out of Canton, and later in the year British families led by Captain Charles Elliot, R.N., then Superintendent of British Trade, withdrew from Macao, where the Portuguese Authorities could no longer be responsible for their safety.

The arrival in 1840 of a powerful British Expeditionary Force enabled Elliot to resume negotiations as plenipotentiary, and preliminary agreement was reached with Ke-shen, the Manchu negotiator, for the cession of the Island of Hong Kong in the waters of which the British merchant ships were sheltering. Captain Charles Elliot reported enthusiastically to his Government, calling attention to Hong Kong's "noble harbour" and "valuable position"; Commissioner Ke-shen was equally pleased and expressed the view that in the circumstances the yielding of "a barren rock in the far south" was a negligible concession to the barbarians, and thought that the Emperor would be highly delighted with his cunning.

The response of the respective Governments was the reverse of that expected by the negotiators; Elliot was promptly sacked and Ke-shen condemned to death. Both were subsequently pardoned, Elliot being given another job and Ke-shen released after a period in chains.

This was not a very auspicious start in life, but nevertheless Hong Kong survived, largely perhaps because it was too remote from both Peking and London for either of the two principals to do much to change the course of

action of those on the spot.

This remoteness has had considerable historic importance in the life of Hong Kong.

Geographical Position

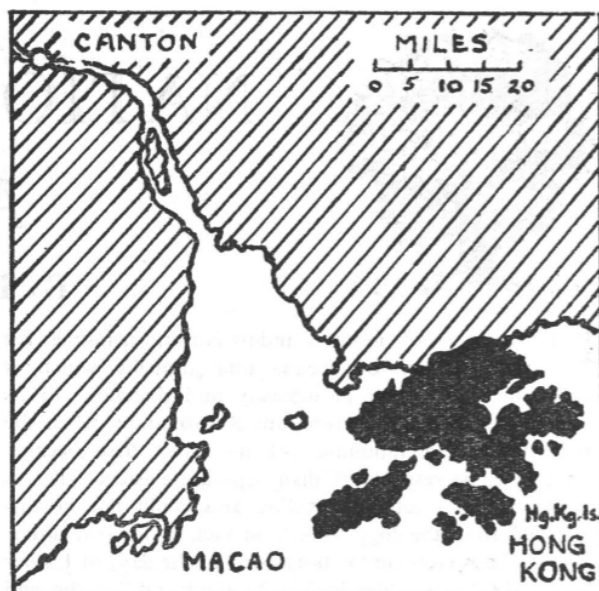
The Crown Colony of Hong Kong, comprising Hong Kong Island (29 sq. miles), Kowloon (3½ sq. miles), and the leased Territories known as New Kowloon (356 sq. miles), in all 398 sq. miles, lies just within the tropics, off the south-eastern coast of the Chinese province of Kwangtung, east of the Pearl River estuary.

Hong Kong Island is steep and rugged, with a spine of hills of which the highest point, Victoria Peak, is 1,800 feet above sea level. Victoria, now a city of skyscrapers pressed between the hills and the water, has expanded by encroachment into the latter. It is still the main business centre, and here, mainly on reclaimed land, stand the banks and merchant houses which helped to make the Colony prosperous. Between the Island and the mainland of Kowloon lies Hong Kong's famous natural harbour; almost land-locked, it extends for nearly seventeen square miles, and is from one to three miles wide. Capable of taking vessels drawing up to thirty-six feet of water it is one of the busiest, and certainly one of the most magnificent harbours in the world.

Kowloon and the adjacent leased territories known as New Kowloon contain the main wharves for ocean-going ships, the terminus of the railway from China, and the Colony's airport, as well as the major industrial districts. Kowloon has several residential suburbs and over 100,000 people commute daily to Hong Kong Island by ferry.

Behind Kowloon, a range of steep hills divides the densely packed city areas from the rural parts of the mainland New Territories. The greater part of the New Territories is steep, sparsely inhabited and scenically very striking; the highest point is Tai Mo Shan, which rises to 3,142 feet. It is from these hills, through a complex

system of land tenure and the hopes and fears for the economists. Rather has it kept closer to those of Adam Smith and Finance Directory, published by the Department of Finance to whom we make due acknowledgement.



Kowloon and New Kowloon; 138,320 on boats and 409,945 in the New Territories.

Thus over two and a half million people live in the thirty-six square miles of the urban area, and most of those occupy the ten square miles of built-up city on both shores of the harbour, which has the unenviable distinction of being one of the most densely populated areas of the world. The city is second in population only to London among cities in the Territories under the British Crown.

There are over fifty different nationalities represented in Hong Kong's cosmopolitan non-Chinese population of some 48,000 persons. Excluding personnel of the British Armed Forces and their families, there are about 21,000 British subjects from the United Kingdom and the Commonwealth outside Hong Kong. There are important but small communities of Indians, Pakistanis, Malaysians, Ceylonese and Filipinos, and a number of businessmen and technicians from Japan. The next largest non-Asian community is the Portuguese.

Hong Kong has no problems of race distinction and all classes of the community mingle freely.

Constitution

The principal features of the Constitution are laid down in Letters Patent, passed under the Great Seal of the United Kingdom, which provide for a Governor, an Executive Council and a Legislative Council.

The Executive Council, which is presided over by the Governor, consists of six official and six nominated unofficial members. Its main function is to advise the Governor, who must consult its members on all important matters. The responsibility for deciding questions which come before the Council, and for taking action, rests with the Governor. The Governor in Council is also given power to make rules, regulations and orders under

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History and People

British trading with China began in 1681, when the East India Company, which held a monopoly of the East India trade, secured a foothold in the Portuguese settlement of Macao, and a little later started business in Canton. By 1700 a regular seasonal trade had begun. The shore staff lived in the Canton "factories" during the season and in the Company's premises at Macao during the summer. The French and Dutch followed, and were later joined by the Americans. By the end of the eighteenth century British merchants, trading on their own account, began to share the benefits of this precarious enterprise. The Company's monopoly expired in 1731.

In 1841 the merchants moved to Hong Kong, and the cession of the Island to the British Crown was confirmed by the Treaty of Nanking in 1842. The Treaty of Peking of 1860 added the Kowloon Peninsula and Stonecutters Island to the Crown Colony and, in 1898, the New Territories were leased to Great Britain for a period of ninety-nine years.

The results of the census of March 7, 1961, the first for exactly thirty years, show that the total population of Hong Kong on that day was 3,133,131 including the armed forces and their families and including also 3,483 transients. 1,005,041 lived on the island of Hong Kong; 1,579,825 in

WILFRID HARRISON

WITH much sadness we have to record the death of Wilfrid Harrison, who passed away peacefully on March 10 at his home in New Jersey.

Wilfrid Harrison became a convinced believer in the philosophy of Henry George before the first world war when the Land Question was a burning issue in British politics. He served in the army during that war and took part in the ill-fated Gallipoli affair. After the war he left England for China, and was in business there for many years. It was there that he met his devoted wife.

About 1930 he returned to England and when he had settled down got in touch with Arthur Madsen and the United Committee, of which he was soon made a member. He was a tower of strength to the Committee. His financial abilities were soon realised and he was elected a treasurer of the U.C. He was undoubtedly a financial genius and by his wisdom the financial stability of the U.C. is assured for many years to come. Not only did he manage the financial affairs so successfully but he added his own very generous contributions.

But Wilfrid Harrison was not only a wonderful financial manager. He was always on the look-out to sow the seed. There are many good friends in the Movement today through his discreet planting of a copy of *LAND & LIBERTY* or a pamphlet, and then the recommendation to read *Progress and Poverty*. He made converts while he was living in South Africa.

He was ardent in defence of liberty, as is shown in his own pamphlet *Why Liberty*, and he had no mercy on those who betrayed it. In his last letter to me, dated February 26, he refers to the reactionaries who have done so much damage — "Who told them they should go to Europe and offer up our sovereignty? They did it at Ottawa. They are not satisfied with wrecking our ship-building and banking, world markets, insurance supremacy and currency. Let us get back to honesty, Free Trade, Land and Sound Currency."

With failing health in the last few years and failing eyesight he never wavered, and would have fought on and on, however long he had lived, even if he had been the last friend of liberty on earth.

Our sympathy goes in full measure to his widow who has lost such a champion.

Ashley Mitchell

OTTO CULLMAN

WE REGRET to report the death of Otto Cullman, industrialist and philanthropic economist who died at Skokie, Illinois, on January 22.

Otto Cullman, 95, was active up to the last week, when he experienced a consuming fatigue. The doctor diagnosed a weak heart and apparently the end came only because "the machine ran down."

Early in life he invented the bicycle sprocket which transmits leg power to the rear wheel and soon founded

the Cullman Wheel Co. which has prospered ever since and which he now leaves to his heirs. His public spirit was manifested in supporting with his talent and means the principles of economic justice as divined and presented by Henry George. He supported the Merchants and Manufacturers Federal Tax League, housed in an office in his factory on Altgeld Street in Chicago, with Emil Jorgenson, dynamic executive secretary and publicity director. The League pushed hard for land-value taxation as a means to a free economy. At a later period Mr. Cullman backed a magazine *Cause and Effect*, pursuing the same object. Still later he persisted in his purpose to alert his fellow citizens by writing and publishing three monographs; the latest *Behold The Future* in 1942.

He strongly warned that negligence in allowing the economic rent of land to escape to private privilege would certainly lead away from freedom to tyranny in all its manifest forms. Hope on the other hand lay in coming alive to the need to distinguish between values created by public service—rent, and values created by the labour of producers in industry—wages. Let economic rent support the public service and wages go untaxed to the individual. He sought to demonstrate that the public appropriation of economic rent of natural resources would work out substantially into a voluntary revenue for which he coined the phrase "Volmatic Revenue."

George T. Tideman

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a number of the Colony's Laws. A further function of the Council is to consider appeals and petitions under certain Ordinances.

The laws of the Colony, known as Ordinances, are made by the Governor with the advice and consent of the Legislative Council. This Council, of which the Governor is the President, has nine official members and eight appointed unofficial members. The Legislative Council also controls finance and expenditure through its Standing Finance Committee on which all the unofficial members sit. Procedure in the Council is based on that of the House of Commons.

The Common Law and Statutes of England as they existed on April 5, 1843, except where inapplicable to local circumstances, form the basis of the legal system of Hong Kong. They have been extended and modified by the application to the Colony of some later Laws of England and by Hong Kong Ordinances. The Judiciary, or Courts of the Colony, operates under the direction of the Chief Justice quite separately from the Executive.

Under the general direction of the Colonial Secretary, the administrative functions of government are discharged by some forty departments, all the officers of which are members of the civil service. The majority of the members of the civil service are full-time employees of the Government and as such are not permitted to take part in political activities or in business and other forms of employment.

LAND & LIBERTY