

# "Darned Clever, These Chinese"

by SYDNEY MAYERS

IT is heartening to observe that, in a world full of political, economic and social turmoil, there is one spot, albeit a tiny one, whose inhabitants blandly go about their business, quite oblivious to almost everything except production and trade. Thanks to their industriousness, these contented people, who call their community *Hsiang-chiang*, have prospered for many years. The "secret of their success" is no secret at all. They have adopted and effectively practice an economic way of life that would have gladdened the hearts of the Physiocrats. It is, pure and simple, the system of *laissez-faire*.

Astute readers will have discerned that the happy place referred to is the British Crown Colony better known as Hong Kong. Though hardly more than an enclave, with an area of less than 400 square miles and a population of only four million, Hong Kong ranks with the leading industrial and commercial nations of Asia. In many ways, it is a unique geographical unit, perhaps mostly because of its wholehearted dedication to energetic free enterprise. It annually exports goods worth billions of dollars, much of which is domestically manufactured, the balance being processed or re-exported commodities. A noteworthy fact is that, while Hong Kong exports nearly 200 million dollars' value in goods annually to the United States, its imports from the U.S.A. aggregate close to a like amount.

British businessmen operating in or out of the colony earn sizable dividends, but the largest profits realized go to the local Chinese. With little investment from outside, spurred solely by their own initiative, these independent *entrepreneurs*, many of them refugees from China, have cleverly man-

aged to develop their own capital. Through a kind of native "Operation Bootstrap," they have constructed manufacturing facilities sufficient to produce almost 700 million dollars' worth of goods in 1964. This productive activity has provided employment for thousands of workers who otherwise might have been kept alive only by doles from the British government.

Two other distinctions enjoyed by Hong Kong contribute greatly to its amusing economic progress. First, it is a bastion of free trade, levying duties on very few imports, for revenue and not for "protection." Second, its tax structure is highly favorable, taxes on salaries and profits being limited to a maximum of 12.5 per cent. No wonder the colony's economy has been expanding at the rate of approximately twelve per cent per year!

There is no doubt that Hong Kong exists only at the pleasure of Red China, which could easily take it over at any time. However, even communists delight in fat profits, and Comrade Mao much prefers to share in the local prosperity. As a result, the Chinese Reds own four up-to-date department stores and two of the biggest banks in Hong Kong, together with large interests in theaters, real estate, insurance companies, and other "capitalistic" enterprises.

As a further good-will gesture, Communist China recently began selling water to Hong Kong through a 50-mile pipe and aqueduct system, designed to carry fifteen billion gallons a year. This deal, by the way, will bring the People's Republic just under three million dollars in foreign exchange, in addition to the 500 million a year it is already making through its Hong Kong business activities. It seems clear

that as long as the money rolls in, Red China's attitude toward its little neighbor will be benign and cooperative.

The population density of Hong Kong is one of the highest in the world. Naturally, its land values are correspondingly high. Nevertheless, because of its peculiar political structure, there fortunately is at least a partial deterrent to local land monopoly. All land in the colony belongs to the British Crown, and therefore there is no private land ownership *per se*. However, Britain has traditionally followed a policy of granting extremely long leases covering extensive areas. Most leases run for seventy-five years; some for a century, and one vast plot was let for a term of 999 years. Since land values rise far more rapidly than the rate at which such leases expire, the greater part of the higher rents charged to sub-lessees of the property goes into the pockets of the leaseholders.

Interestingly, when a lease does at last run out, the colonial government will not renew it unless the land involved is developed or improved to a reasonable degree. This, of course, tends to discourage holding land com-

pletely out of use for speculative purposes.

If the governors of Hong Kong would grant comparatively short leases in place of long leases, as they expire, there would ensue a commendable approach toward the collection of annual site-values. Hopefully, the rents imposed under such a short-term policy would reflect current land-values. Better yet, if the government would suspend the selling of leases, long or short, and instead would install a system of land-value taxation, buildings and other improvements could be untaxed, income taxes and duties could be abolished, and Hong Kong could be assured an opportunity for even greater growth.

Still, even though private rent collection takes some toll from Hong Kong's economy, it is encouraging to see what free productive enterprise, free trade, and limited taxation have done for this thriving little community. Its residents are happy; Britain is happy; even Red China is happy—because they are all profiting from the colony's brisk activity. That is why, as U. S. News & World Report said in a dispatch from Hong Kong some months ago, no one wants to "rock the boat."



## HONOLULU'S LAND VALUATIONS SOAR

"The property of eight large Oahu landowners has been reassessed from an approximate \$6 million valuation last year to a staggering \$23 million for 1965." According to a report in the Honolulu Star-Bulletin, this is the final blow in a two-year attack on the big private land holdings.

The tax chief, Edward J. Burns, asserts that the large holdings are now assessed fairly close to 70 per cent of market value. He had expected assessment increases on the "urban use" holdings of these owners, but even he was surprised at the results, and none of the owners have appealed. "Just imagine how much faster large acreage would get on the market if we had a 50 per cent higher real property tax than we have," he commented.

Mr. Burns will ask the Governor for six additional appraisers to review all Oahu property each year. This he considers ideal, but at present they are only taking one-half each year and he doesn't consider that exactly fair. The final valuations for 1964 on certain lands totaled \$47.3 million — topping 1963 values by \$32.4 million.