An Analysis of Hong Kong’s Economic Prosperity

A Probing Response to John Stossel’s Presentation of *Is America #1?*

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As Stossel seeks to pinpoint the reasons behind a nation’s economic success, he tries to isolate one specific cause for Hong Kong’s prosperity. As a result, he ignores a wealth of factors that have allowed independent places such as Hong Kong and the United States to continually exceed the economic growth of their counterparts. While freedom is indeed an essential ingredient in maintaining a thriving economy, it alone fails to justify the success of an economic and political system of such magnitude. A closer examination reveals that Hong Kong was initially forced to industrialize, partially because of both geography and chance. Such factors have fueled Hong Kong’s dynamic economy, as its creative adaptation of freewheeling economic principles has launched the small province into an era of uninhibited economic growth that evidently, continues today.

While he does not fully discuss its impact or its origin, Stossel arrives at a noteworthy conclusion: freedom is the critical reason for Hong Kong’s status as arguably, the most economically prosperous region in the world. Hong Kong’s government promotes efficiency by establishing simple procedures for individuals to start their own enterprises, a significant departure from the hassles involved in creating a new business in America. Hong Kong fosters an inventive environment through its lack of bureaucratic infringement. As Stossel points out, “even a clueless American can open a business in a day.” By giving individuals the opportunity to maximize their economic potential, Hong Kong’s government draws on human ingenuity and naturally cultivates the ideas and abilities of its inhabitants. In abandoning what Stossel aptly deems “the government crutch,” Hong Kong has encouraged innovation and entrepreneurship, earning its reputation as a leading industrial powerhouse.

Like any other region in the world, Hong Kong suffers from the poverty, crime, and moral decay. However, Economist Milton Friedman aptly marks its lack of restriction the

“one key ingredient” that overpowers the province’s institutional failures, which seem negligible in comparison to the remarkable standard of living enjoyed by the majority of its population. Despite its overpopulation, Hong Kong has managed to maintain this standard of living unlike other regions, most notably India, because of it continually allows individuals to pursue their economic interests and succeed in multiple market sectors.

In addition, Hong Kong is a “mobile society” without a fixed social hierarchy. A comparison to India’s social structure most evidences the underlying economic advantages of living in Hong Kong. While India has advanced significantly towards greater social freedom in the past century, it has not fully abandoned the caste system that is in part, derived from Hinduism and long-standing religious ideals. The historical absence of a dominant religion in Hong Kong has prevented social status from deciding the financial destiny of any one person, hence explaining its higher standard of living.

While Stossel’s conviction that the “best places to live are the places with the fewest rules” generally applies to Hong Kong, the region’s success is also attributable to years of global change. Before its economy was transformed into a competitive market system, Hong Kong was forced to dismantle an older way of life. First recognized as an island, it held few economic resources before being added to British territory in the aftermath of the Opium Wars and further British colonization in the late nineteenth century ([1](http://www.izzit.org/games/contests/essays/PHorngregion3essay6.htm#1)). Forced to industrialize, it was later transformed into a “hub of Britain’s China trade,” and gradually grew into a free-market system by adopting the economic principles of the British. After the brief interruption of World War II, the massive entry of entrepreneurs in the 1950’s prompted a post-war boom, allowing them to take advantage of the cheap labor available in Hong Kong. In attracting a large labor force, the region established a strong economic base ([1](http://www.izzit.org/games/contests/essays/PHorngregion3essay6.htm#1)). Hong Kong’s flourishing economy clearly reflects the tremendous impact of World War II and major historic changes throughout the nineteenth and twentieth centuries, which are barely touched upon by Stossel’s analysis of its thriving economic condition.

In fact, the British policy of “benevolent neglect” only briefly mentioned by Stossel was a compelling force in Hong Kong’s success. By refusing to dictate the colony’s economic affairs, this policy allowed individuals to exploit the region’s resources and develop their own enterprises, thereby fostering Hong Kong’s economic independence. Such freedom to develop also relied on an investment of trust in individual responsibility. The absence of economic restraint only increased its economic momentum, which reflects a critical aspect of years of underlying economic theory: people create jobs.

Hong Kong’s relationship with China was also invariably a wavering factor in Hong Kong’s preservation of its free market system. Had China intractably refused to allow Hong Kong to survive under the idea of “one country, two systems,” or perhaps engaged in war to exercise control over the province, its economic activity might have stagnated ([1)](http://www.izzit.org/games/contests/essays/PHorngregion3essay6.htm#1). Fortunately, China maintained its promise to allow Hong Kong to develop peacefully, illustrating the more fortuitous aspects of history that affected its economy.

Upon further examination, geography also appears to have assisted Hong Kong’s fiscal growth. Only six percent of the land is suitable for farming, since most of Hong Kong consists of mountainous terrain ([2](http://www.izzit.org/games/contests/essays/PHorngregion3essay6.htm#2)). As a result, its inhabitants found ways other than agriculture to generate wealth, namely manufacturing and today, services industries. Its scarcity of natural resources have forced it to create other sources of economic opportunity, and ultimately, led to its prosperity.

Before the end of the late twentieth century, Hong Kong’s economic institutions were in a constant state of flux. A market economy succeeds largely due to its capacity to produce and Hong Kong’s factors of production are the outcome of years of historic change and multiple circumstances such as location and chance. Fortunately, Hong Kong emerged from the rapid course of history, a stronger province that today, arguably holds the greatest productive capacity in the world. The simplicity of its market system and the lack of government infringement have fostered the development of individual enterprise, transforming it into an unusual site of innovation and unprecedented economic growth.

Works Cited

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