

Hong Kong and Macau: Icons of Freedom (Part 1)

by John Cobin, Ph.D. for *The Times Examiner*

January 18, 2006

This column is the first segment of a two-part series commenting on liberty in Hong Kong and Macau.

There are still free places left in the world, and Hong Kong is one of them. This freedom has led to economic bustle and prosperity in Hong Kong that is nothing short of marvelous.¹ During our December 2005 visit, my wife and I experienced favorable first impressions to say the least. With no natural resources other than a wonderful deep-water harbor, and an area (called the New Territories) of only 1,092 square kilometers (about six times the size of Washington, DC), Hong Kong has emerged into a first-world city and regional center for commerce. And the people of Hong Kong love it. As one taxi driver told me: “It is nothing to do with race. We are Chinese just like the people on the mainland. But we are different culturally and we prefer to be under British rule rather than Chinese rule.” If only Americans would again yearn for the rule of liberty in their country rather than the yoke of fascism that is being thrust upon them, then they might take closer notice of Hong Kong to see just how wonderful liberty can be.

Hong Kong boasts having the busiest port in the world. Its high rises stretch as far as the eye can see—more than rivaling Manhattan, and it contains first world shopping malls with effective public services.² Without a doubt, Hong Kong stands as an icon of capitalism and freedom. Hong Kong is ranked first in the world in the Cato Institute’s *Economic Freedom of the World 2005* index.³ And so it should be.

There are some flaws, however, perhaps the most important of which is that possessing guns for self-defense is prohibited. In this sense one may argue that Hong Kong is not ultimately free. The people have no “ultimate check” against their government. There also remain undesirable restrictions on land ownership and automobile use. But even these blights are overwhelmed by the overall level of liberty found in Hong Kong.

Hong Kong Island was first occupied by the British in 1841 and it was formally ceded by China in 1842. Various adjacent lands in the New Territories were added later in the 19th century. Hong Kong lies just inside the Tropic of Cancer, but it can still get quite cool in winter. Pursuant to an agreement between China and the United Kingdom (December 19, 1984), Hong Kong became a Special Administrative Region (SAR) of China on July 1, 1997. China promised that according to its “one country, two systems” formula (i.e., socialist mainland and capitalist SAR), China’s communist system would not be imposed on Hong Kong until 2047. Moreover, Hong Kong has been permitted to enjoy a high degree of autonomy in all matters except foreign affairs and defense. For that reason, Americans traveling to Hong Kong do not need a visa, while they do need one to cross into mainland China. And Hong Kong has its own currency too: the Hong Kong dollar. The population of Hong Kong today is nearly 7 million, of which an estimated 10% practice some form of Christianity.

Turbo jet ferries (hydrofoils) run frequently for an hour-long ride to Macau, a nearby peninsula colonized and settled by the Portuguese in the 16th century—long before the British settled Hong Kong.⁴ Macau is tiny, only a tenth of the size of Washington, DC, and has a population of about 450,000. Several long bridges over shallow sea inlets connect the various small islands that make up Macau.⁵

The Portuguese grew weary of maintaining their colony in the 1970s and 1980s. Thus, under similar terms as Hong Kong, Macau became an SAR of China in 1999 and will remain free and capitalistic until 2049. It is presently a booming area, donned with double-digit annual growth rates, as well as much

¹ Hong Kong’s per capital GDP was \$34,200 in 2004, 9th highest in the world, according to the *CIA World Fact Book*.

² The speedy airport train, for instance, is better than any I have seen in American airports.

³ <http://www.cato.org/pubs/cfw/> says: “Economic Freedom of the World measures the degree to which the policies and institutions of countries are supportive of economic freedom. The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of privately owned property.” Out of a possible 10 points, Hong Kong scored 8.7, Singapore 8.5, and the USA, Switzerland, and New Zealand were tied for third place with 8.2.

⁴ Macau’s per capital GDP was \$19,400 in 2003, 50th highest in the world, according to the *CIA World Fact Book*. Portugal is ranked 54th with \$17,900 (2004).

⁵ Roadway signs inscribed in both Portuguese and Chinese are commonplace in Macau, just as those inscribed in both English and Chinese are commonplace in Hong Kong, showing the colonial heritage of both places.

real estate development and many new casinos. Few people speak English in Macau, unlike Hong Kong where most people do. The local Macau currency, the Pataca, is still used and is pegged to the Hong Kong dollar (which is also accepted everywhere). One must get his passport stamped when traveling from Hong Kong to Macau but no visa is required of Americans for entry.

The flat tax rate in Hong Kong is about 15% but clothing, groceries, and nearly all other goods purchased are deductible, making the actual tax rate for most residents of Hong Kong much lower (perhaps 6% to 8%). Of course, the government also makes money by doling out land leases. In Macau, taxes are higher but still low by world standards. There is a transfer tax of 4% to 6% for real estate, property tax of 10% of the market value (which is boosted to 16% if the property is leased), and a corporate profits tax of 15% on earnings over 300,000 Patacas (US\$38,700). Marginal (progressive) income tax rates for individuals and professionals range from 2% to 15%. Gift and inheritance taxes range from 5% to 36% on real and personal property. Wouldn't Americans love to be so blessed as to have such low rates of "legalized plunder" in our country? While the current policies of the Republicans in Congress and President Bush make a mockery of the Statue of Liberty and America's founding documents, Hong Kong and Macau stand as beacons of freedom declaring that at least two free places still exist in the world.

Hong Kong and Macau: Icons of Freedom (Part 2)

by John Cobin, Ph.D. for *The Times Examiner*

January 25, 2006

This column is the second segment of a two-part series commenting on liberty in Hong Kong and Macau.

Life is *free* in Hong Kong (especially) and Macau in nearly all aspects—excepting gun use, land ownership, and automobile use. Besides a 100% tariff on car imports in Hong Kong, the fee for annual license plate renewal is about US\$1,000—although the restriction and tax is much less egregious in Macau. The biggest scam, however, is real estate control. The government of Hong Kong makes a great deal of profit by exercising monopoly control over real estate development. There is plenty of open space in the New Territories. Why then are so many people crammed into 30 to 60 story high rises built on a fraction of the available land?

By artificially restricting the supply of available land, the price of land and housing is driven up—along with the corresponding fees due to the government for granting a permit and a lease. In addition, the government makes clear that it only intends to lease land to developers (usually for 99 years). Freeholds are rare in both Hong Kong and Macau. The government remains the ultimate allodiary.⁶ (At least Hong Kong and Macau rulers are more honest about who the true owner of land is than their American counterparts.) As a result, a 1,000 square foot apartment in Hong Kong or nearby Kowloon (an adjoining population center on the other side of Hong Kong harbor) might cost as much as US\$10,000 per month. While land use regulation in Macau is much lighter, and housing costs are much lower, the situation is far less than libertarian.

My wife and I saw a US\$300,000 Lamborghini (that must have cost US\$600,000 after the tariff) hovering around the narrow roads winding through the hilly terrain. There is no open space to really accelerate to Lamborghini levels on Hong Kong Island. Other than a tariff on cars and alcohol, however, there are no tariffs in Hong Kong. Trade is truly "free". And nearly everyone prospers. Low taxes are probably one reason why people buy so many expensive cars in Hong Kong. They have more Rolls Royce automobiles per capita than anywhere else in the world. One sees few paupers or homeless in Hong Kong.

My cousin Dan Tagliere, a permanent resident of Hong Kong for the last 12 years, told me everything is cheaper in Hong Kong except rent and cars. He has no intention of ever returning to the United States. With the little-taxed money he makes in Hong Kong he could hardly afford to do so. He came to

⁶ That is, the government owns the land absolutely, without taxes or regulation or answering to a superior authority.

Hong Kong in his 20s and, after “struggling” for a decade (relatively speaking), he finally hit it big in sales and real estate development.

Shopping is also good in Hong Kong, and stores are well-supplied with all kinds of goods. If, for instance, you like to buy gold and jewelry, then Hong Kong is the place to go. I set out to buy a gold coin and found that they are available over the counter at the Hang Seng Bank. Just look for the sign that says “Gold Coins” and get in line. I progressed to the window quickly and asked what was available. The clerk stated that he had various sizes of American Eagles, Canadian Maple Leafs, and Australian Nuggets. “How much is a one ounce version of any of those coins?” I asked. He replied, “US\$508, cash only” (note; Hong Kong dollars and foreign currencies are also accepted). Note that the spot price of gold was reported at \$508 that day so there was no transactions cost whatsoever.⁷ The Bank of China sold Panda gold bullion coins at about \$25 over spot. I guess communists want to get a commission. In Macau I found a small Credit Suisse gold bar in a local jewelry shop. They took cash for it too, at just over the spot price. One thing to remember when shopping for gold in Hong Kong or Macau is to make sure to bring cash.

Hong Kong also has gold in jewelry shops. Crafted rings, sculptured animal figures, bowls and utensils, and other solid gold items are commonplace. Everything is shiny yellow and soft 24 karat—none of that mixed 18k or 14k stuff found in America. But the jewelry is the most staggering sight. Dozens of shop windows display millions of dollars in merchandise. We saw several diamond, emerald, ruby, and sapphire necklaces and broaches with price tags well in excess of US\$100,000. Some of the rocks were as big as (or bigger than) a baby’s fist. But the most amazing thing to see was the number of Chinese people sitting at the counters reeling off cash to buy expensive items. Maybe some were Chinese tourists from the mainland, Malaysia, Singapore, or elsewhere, but I doubt that all of them were.

Hong Kong is a wealthy place. And most professionals there dress accordingly. Hand-tailored suits for \$400 are not bad buys in Hong Kong either (but you might consider those found for \$90 in Thailand a better bargain). And Hong Kong people grow rich because they are free. Sure, liberty is lacking in gun and land ownership, as well as vehicle purchase and use. Otherwise, Hong Kong and Macau are the freest and most prosperous places in the world because they have (1) very low taxes and thus higher net wages, (2) truly free trade, and (3) little regulation and low costs of doing business. If America is to prosper it needs to establish these three things a well.

Fascism is moving across America under the present Bush regime. It’s time for us to learn a lesson in how freedom works by looking at Hong Kong and Macau. Wouldn’t it be wonderful if America could have such freedom, and better it by honoring the Second Amendment and guaranteeing gun ownership (unlike Hong Kong and Macau) as well as by encouraging and upholding allodial land ownership for individuals (as discussed by John Adams and Thomas Jefferson)? Aside from conversion to Christianity, what Americans need most is to be free, and Christians should be leading the way to bring Americans greater freedom and prosperity rather than follow along the fascist path of the Republican Party. And Hong Kong and Macau provide appropriate role models for us to follow to again attain liberty in the so-called “land of the free”.

⁷ Thus, I ran downstairs to get cash out of the ATM but, sadly, it did not accept my American Express card—not even the new American Express Traveler’s Check card. In fact, none of the seven ATMs or banks in the vicinity honored American Express (don’t ask me why). The card was cursed. So I bought none of these gold coins that day. I did get a Chinese Panda using cash later on.