



**Leo F. Goodstadt, Poverty in the Midst of Affluence:
How Hong Kong Mismanaged its Prosperity,**

Hong Kong, Hong Kong University Press, 2013, 264 pp.

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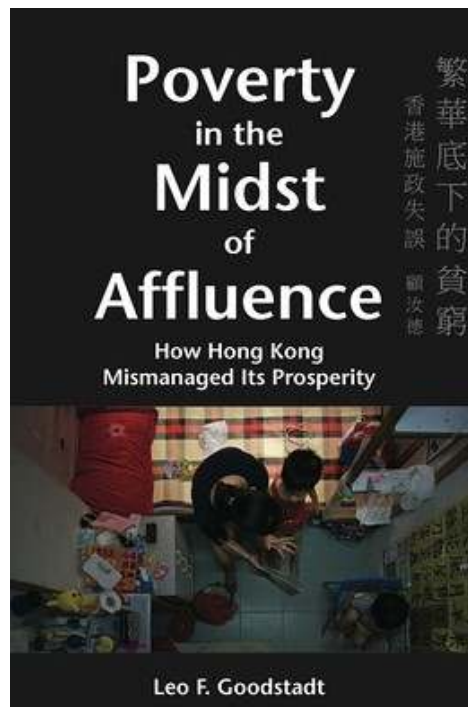
Leo F. Goodstadt, Poverty in the Midst of Affluence: How Hong Kong Mismanaged its Prosperity,

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1 Leo F. Goodstadt's new book explores how the Hong Kong government's ongoing support of business over all else has created a society that treats its most vulnerable members with callousness and cruelty. Goodstadt, who served as the Hong Kong government's chief policy advisor from 1989 to 1997, has written this book on the basis of his extensive knowledge of inner governmental workings in Hong Kong, as well as more widely available mass-media sources. The book is depressing but essential reading for anyone interested in the recent past, present, and future of Hong Kong as a society.

2 The book's Introduction discusses the Asian financial crisis of 1997-1998 and its effects on Hong Kong: "For the first time since the Japanese Occupation ended in 1945, parents could not take it for granted that their children would enjoy better job prospects" than they themselves had (p. 2). Goodstadt sees this as a failure of leadership of the Hong Kong government, particularly then-Chief Executive Tung Chee-hwa, who attempted to manage Hong Kong as if it were a company rather than a society. In this, Tung was following earlier colonial-era government views of business as the



model for societal management; but Tung, and after him Donald Tsang and C. Y. Leung, exacerbated Hong Kong's social injustices. Goodstadt quotes the economist Robert Heilbroner: "A society where economic activities are ruled by the market will be an attentive servant to the rich, but a deaf bystander to the poor" (p. 21).

- 3 Chapter One, "Crisis Economics: Private Profits, Public Pain," shows that the 1997-1998 economic crisis in Hong Kong was less the result of external forces than of Tung Chee-hwa's misunderstanding of the underlying robust health of Hong Kong's finances, a health he helped destroy with his policy of austerity. Tung's intervention in the financial system in 1998 was successful, but his pledge to provide affordable housing for Hongkongers was a failure as he abandoned his promises before the demands of the big property developers, leading to a drastic drop in the supply of public housing in the 2000s. This chapter also discusses "the end of the Guangdong boom" for Hong Kong, with Hong Kong companies having to undergo retrenchment in the early 2000s in response to new mainland policies; and it discusses Hong Kong taxes as "vintage Third World" (p. 43), without levies on capital gains, dividends, and inheritance – taxes that are amazingly low, and designed for aiding business rather than the larger community of Hong Kong.
- 4 Chapter Two, "The Business of Government: Less Politics, No Welfare," notes that while "the Basic Law made business pre-eminent in the political system" (p. 59), Hong Kong's government went far beyond this in its support of business, as exemplified in the rise of cronyism, the Cyberport deal, and ongoing resistance to competition laws. A major backdrop to these developments was the mainland increasingly exerting its business advantage over Hong Kong. In the 1980s and 1990s, "Hong Kong manufacturers could maintain their export competitiveness by relocating to the mainland," but by the 2000s, "Hong Kong itself became the main market for exploitation," with the property market, the labour force, and the retail consumer all serving as victims (p. 66). Given the growing gap between rich and poor, "why [...] have Hong Kong politics remained so polite and social hardships been so patiently endured?" (p. 75). This question is particularly pertinent given the misbehaviour of Hong Kong's masters, such as Donald Tsang's hobnobbing with business tycoons on private yachts and jets. Goodstadt concludes this chapter by noting that "the real threat to the governability of Hong Kong starts with misconduct by those in power" (p. 79).
- 5 Chapter Three, "Housing: Unending Crisis," discusses how the Hong Kong government has been hamstrung since Tung's withdrawal of his ambitious housing plans in the early 2000s. The effect of Tung's brief reform was that "by 2002, some of the community's worst housing problems...had been finally overcome" (p. 91), although this was eclipsed in public consciousness by a drastic drop in property prices. Goodstadt notes that after the government withdrew from the property market in 2002, property prices increased at a rate of 19% per year in the ensuing decade (p. 101), making housing unaffordable for an ever-larger number of Hong Kong's people. Hong Kong had once been world-famous for its massive construction of public housing, but in the early 2000s, "the government's exit from housing was so total that nothing was left of the machine that had formerly provided public housing for over three million people" (p. 104).
- 6 Chapter Four, "Social Reforms: Too Little, Too Late," discusses how Hong Kong has never fully recovered from the decision of its colonial administrators in the late 1940s and 1950s to provide no welfare and health services to the million people who flooded into the city. Despite the massive growth in Hong Kong's economy from the 1960s through the 1990s, "the health, education and welfare services were starved of funding...and their development remained firmly Third World till the closing years of British rule" (p. 114). The Hospital Authority, set up

in 1990, transformed hospital care for the better, but the government became increasingly concerned about the high cost. In education, too, the colonial government long dragged its feet, with primary school neither free nor compulsory as late as 1971, and free secondary schooling introduced only in 1978. “The more generous funding allocated to health, education and welfare in the 1990s was too little [...] to make up for earlier decades of underspending. In the present century, health, education and welfare services were to be badly handicapped by this legacy” (p. 129).

- 7 Chapter Five, “Social Reforms: The New Poverty,” shows how this is particularly the case today, in an era of increasing financial pressures. Hospitals have served as a prime target for government cutbacks, with the government increasing the numbers of critical drugs that are no longer provided free of charge. Education likewise became a matter of “higher fees, lower standards” (p. 148) despite an array of reforms. As for welfare, Donald Tsang proclaimed that “the Government must never try to assist the poor using its own resources, for this is doomed to failure” (p. 152).
- 8 Chapter Six, “The Undeserving Poor,” discusses the plight of those left out of Hong Kong’s wealth. “Comprehensive Social Security Assistance (CSSA) has become the key issue which defines the limits of the community’s compassion” (p. 169). Allegations have often been made, for example by the first Commission on Poverty, that CSSA enables individuals who might work to live off government largesse instead. Goodstadt shows the wrongheadedness of these allegations – in fact, one large problem in Hong Kong is the large number of unemployed who are unwilling to apply for CSSA despite their need. Another anti-CSSA argument is that it destroys Chinese tradition by having the government rather than offspring aid the poverty-stricken elderly. This too is a canard, Goodstadt shows. CSSA continues to be stigmatised, not just by business and government, but by a surprisingly large number of Hong Kong citizens.
- 9 In Chapter Seven, “An Absence of Advocates: How the ‘Welfare’ Lobby Lost Its Voice,” Goodstadt shows that in the 1990s and 2000s, the defence of political rights against the encroachments of mainland China seemed more important to many Hongkongers than did the creation of a more equal Hong Kong society. There was in this era “the subordination of social policies to political priorities” (p. 202) whereby “the deprived, disadvantaged and disabled lost their traditional defenders, and the advocates of social reform declined in numbers and influence” (p. 206). In Hong Kong today, hundreds of thousands of people take to the streets in support of greater democracy, but far fewer take to the streets in support of a fairer society for the poor and disadvantaged.
- 10 The book’s Conclusion discusses how poverty in Hong Kong, despite government claims to the contrary, has tragically increased with the emergence of “the new poor.” This dire situation has been created by “the widespread conviction within the government that all public services were inherently wasteful” (p. 219). The solution to this situation, Goodstadt maintains, is to shift away from business models to embrace public service: a move towards providing “what the vulnerable need rather than [...] what they could afford to pay for” (p. 221). But history is repeating itself: Hong Kong’s present leaders are reiterating past colonial rulers’ emphasis on business over all else. However, the mainland is now emphasising the development of social services for its citizens more than Hong Kong is. Hong Kong’s increasing reintegration with the mainland may eventually lead to greater social well-being than Hong Kong’s own business-obsessed leaders have been able to provide.
- 11 Goodstadt’s book is extremely important in providing a broad picture of how contemporary Hong Kong has been socially shaped through its government’s ongoing emulation of business and foot-dragging on social welfare, including housing, education, and healthcare. This is a

major part of the story of Hong Kong in recent decades, a story largely obscured by popular and scholarly emphasis on the politics of Hong Kong's return to China, and neglect of the social effects of Hong Kong's own neoliberal governance over the decades. However, although I am convinced that Goodstadt is largely right in his claims, I think he overstates his case. To give a personal example, I have been taken to the hospital by ambulance on several continents. When this happens in the United States, I am utterly terrified by the expense – I am looking at US\$5,000 or more in payments. In Hong Kong this does not happen: the flat HK\$100 payment is a blessing of Hong Kong's socialised medicine. Hong Kong universities, for all their problems, are provided with funding that most public universities in the United States would kill for. Medical care and post-secondary education, despite Goodstadt's comments otherwise (p. 139), are areas where the Hong Kong's government provisions have been comparatively generous compared to some other societies, and this is true in terms of various other government policies as well. I think that Goodstadt should acknowledge this rather than portraying Hong Kong government policy with a uniformly dark brush.

- 12 Beyond this, there is a huge social and philosophical debate over what kind of society is ultimately best for human well-being: one that provides much for its citizens in return for high taxes (as in many countries in Western Europe) or one that largely leaves citizens to fend for themselves and keeps taxation comparatively low (such as Hong Kong and the United States). Discussion of this larger argument would have been highly useful in Goodstadt's book. He assumes that government spending is always good without ever examining that assumption. I would have welcomed a fuller examination of the social and philosophical premises underlying Goodstadt's argument.
- 13 But this is to ask Goodstadt to have written a different book than the one he did write. The book as it is definitely is worth reading: it provides an essential window on Hong Kong society today. I very much recommend it.

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