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HONG KONG INSTITUTE FOR MONETARY RESEARCH

**GOVERNMENT WITHOUT STATISTICS:
POLICY-MAKING IN HONG KONG 1925-85, WITH
SPECIAL REFERENCE TO ECONOMIC AND FINANCIAL
MANAGEMENT**

Leo F. Goodstadt

HKIMR Working Paper No.6/2006

April 2006



Hong Kong Institute for Monetary Research

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Government without Statistics:
Policy-making in Hong Kong 1925-85, with special reference to
Economic and Financial Management

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Abstract

Until the 1970s, Hong Kong's Government collected as few statistics as possible, a policy only partially explained by its commitment to *laissez faire*. Statistics were seen as threatening its freedom from London's control and its ability to limit political debate locally. Using unpublished material from the Hong Kong Public Records Office, this paper reviews statistical issues of major importance in Hong Kong's transition to an industrial economy and its emergence as a financial centre. It demonstrates how the quality of statistics affected the management of financial markets and banking crises, and identifies the wider costs of the shortage of comprehensive statistics.

Key Words: *laissez faire*, census, balance of payments, national income, labour, housing, banking, regulation, Hong Kong, China, United Kingdom

Hong Kong's economic performance in the second half of the twentieth century was among the most impressive in modern economic history.¹ Yet its record has aroused relatively little attention among economists. Its success attracted some interest when the kind of economic liberalism consistently practised by Hong Kong came back into fashion late in the twentieth century, but mainly as a marginal case.² Hong Kong has also featured in the debate over total factor productivity and whether 'miracle' growth in the Asian was the result of increased investment and cheap labour or genuine improvements in efficiency and productivity.³ On the whole, however, development economists have not hailed Hong Kong as a useful model of economic growth.⁴

For the development economist, the enormously successful economy of Hong Kong has so little to offer because the Government steadfastly set its face against the production of adequate statistics.⁵

In order to evaluate the speed and magnitude of post-war industrialization, one would normally turn to industrial production statistics, but in the case of Hong Kong this is impossible, for none exist. There is, in fact, a scarcity of published economic statistics of every kind, and a total absence of national income accounts. This situation is the direct result of the Government's anachronistic economic policy, which attaches little value to comprehensive economic and social statistics.

Contemporary academics made valiant attempts to repair the 'data deficit' for the 1950s, with estimates of population, national income and other key indicators.⁶ These endeavours involved very brave assumptions during a period in which there were no census-based demographic data, no accurate figures for industrial establishments or employment, no reliable statistics on wages or earnings, indifferent banking data and limited published statistics for domestic exports. The data gaps were so daunting, that British official statisticians described the Bank of England's statistical reviews of Hong Kong in this decade as 'pretty worthless'.⁷ Significantly, the Hong Kong Government's own reconstruction of GDP data for the 1960s involved considerable revisions to the original official estimates.⁸ The problems that

¹ Gordon Redding, 'Culture and Business in Hong Kong', in Wang Gangwu and Wong Siu Lun (eds), *Dynamic Hong Kong: Business & Culture* (Hong Kong: Centre of Asian Studies, 1997), p. 102.

² This marginal status seems very evident from World Bank, *The East Asian Miracle. Economic Growth and Public Policy* (New York: Oxford University Press, 1993).

³ See Alwyn Young, 'A Tale of Two Cities: Factor Accumulation and Technical Change in Hong Kong and Singapore', in O. M. Blanchard and S. Fischer (eds), *NBER Macroeconomics Annual 1992* (Cambridge: MIT Press, 1992) and Edward K. Y. Chen, 'The Total Factor Productivity Debate: Determinants of Economic Growth in East Asia', *Asian-Pacific Economic Literature*, Vol. 11, No. 1 (May 1997), pp. 18-38.

⁴ George Hicks, 'The Four Little Dragons: An Enthusiast's Reading Guide', *Asian-Pacific Economic Literature*, Vol. 3, No. 2 (September 1989), pp. 36-7.

⁵ James Riedel, *The Industrialization of Hong Kong* (Tübingen: J. C. B. Mohr (Paul Siebuck), 1974), p. 7.

⁶ Notably Edward Szczepanik, who was indefatigable in investigating demography, housing, prices and national income (e.g., *Far Eastern Economic Review* (FEER hereafter): 'The Hongkong Population Puzzle', 29 September 1955; 'Hongkong's National Income', 24 December 1959). More considered and much quoted is K. R. Chou, *The Hong Kong Economy: Miracle of Growth* (Hong Kong: Academic Publications, 1966).

⁷ This was the unflattering verdict of the Colonial Office's Statistics Department. P. Selwyn minute to Sir William Gorell Barnes, 6 July 1961. London Public Records Office CO1030/1300 'The Future of Hong Kong'.

⁸ C. P. Haddon-Cave, Financial Secretary, *Hong Kong Hansard*, 28 February 1973, pp. 457-8. A comparison of the final revised estimates with previous figures and academic exercises is instructive, see, for example, *2003 Gross Domestic Product*, p. 14 and Cheng Tong Yung, *The Economy of Hong Kong* (Hong Kong: Far East Publications, 1977), Table 8.1 Estimates of G. D. P., p. 145.

these well-resourced official agencies encountered in compiling macroeconomic series indicate the limitations of estimates prepared by academics. Against this background, development economists have had good reason to be doubtful about their ability to specify Hong Kong's growth model in more than generalities.

Did this statistical void matter in practice? Since Hong Kong can boast a better growth record in the second half of the last century than any other Asian economy except Japan and Singapore, it seems reasonable to conclude that both the Government and the business community had whatever information was necessary for efficient public administration and private investment.⁹ This paper investigates this assumption, relying principally on unpublished material from the Hong Kong Public Records Office to trace the connection between statistical information and policy making. It examines whether the operations of the 'invisible hand' were entirely benign in an economy where officials refused to compile the statistics regarded elsewhere as essential for good government. It identifies areas where this data deficit handicapped policy-makers, and it assesses the consequences of policy decisions based on partial information.

Pragmatism not Principle

A major obstacle to assessing the impact of the data deficit on government decisions is that throughout the period under review Hong Kong had a government in which internal policies were not written down as a coherent guide to decision-making,¹⁰ and forward planning and strategic management were not much in evidence.¹¹ This was administration with minimal policies and few statistics, which was in line with the official commitment to non-interventionism. In their approach to policy-making, however, senior Hong Kong officials took a more pragmatic view of *laissez faire* than is generally recognised.

For example, the crucial decision to restrict the compilation of social statistics in the 1950s was taken by Sir Robert Black (Governor, 1958-64), who seemed firmly wedded to *laissez faire*. In 1958, however, he was ready to introduce import controls to protect local manufacturers¹² and to make a general retreat from traditional *laissez faire* in 1964 if real benefits seemed likely to result.¹³ The official who did most to prevent the collection of economic data was Sir John Cowperthwaite (Financial Secretary, 1961-71). Despite a reputation for uncompromising opposition to government involvement in the economy,¹⁴ he frequently showed himself ready to depart from *laissez faire*. He advocated, for example,

⁹ This benign view of the colonial administration's record was accepted by one of the earliest critics of the absence of statistical information. Nicholas C. Owen, 'Economic Policy', in Keith Hopkins (ed.), *Hong Kong: The Industrial Colony. A Political, Social and Economic Survey* (Hong Kong: Oxford University Press, 1971), pp. 141-2, 179, 183.

¹⁰ 'The files never stated a policy outright'. Trevor Clark, *Good Second Class* (Stanhope: The Memoir Club, 2004), p. 156.

¹¹ There were, of course, public statements setting out government intentions in different fields. But these were limited in scope, detail and number in the period under review. On medical services as an example, see Catherine Jones, *Promoting Prosperity: The Hong Kong Way of Social Policy* (Hong Kong: Chinese University Press, 1990), pp. 177-8.

¹² Sir Robert Black letter to Sir Hilton Poynton (Colonial Office), 19 July 1958 Hong Kong Public Records Office (HKRS hereafter) 270-5-44 'Commercial and Industrial Development – Major Policy'.

¹³ *Hong Kong Hansard*, 26 February 1964, p. 36.

¹⁴ See his obituary in the *Daily Telegraph*, 25 January 2006.

cheap land and subsidised finance to promote manufacturing in 1947¹⁵ and anti-monopoly controls on public utilities in 1957.¹⁶ During the 1960s, he was ready to consider help for ‘infant industries’ and the introduction of building licences to control the over-heated property sector.¹⁷

Thus, although officials regularly claimed that a non-interventionist colonial administration in an open economy did not need the sort of statistics routinely compiled by governments elsewhere, *laissez-faire* principles were not the dominant factor in the colonial administration’s reluctance to compile statistics. When officials refused to collect data, the initial decision can be shown, almost always, to have involved deliberate choices based on practical considerations. This paper will argue that although there was a historical aversion to statistics within the colonial administration, even more important was political convenience and the desire to protect Hong Kong’s ‘informal’ autonomy from London. Officials resisted the collection of data whenever they believed that the figures would empower their local critics or create additional excuses for British ministers and officials in London to interfere with Hong Kong affairs.

The Statistical Environment

By comparison with the rest of the Asian region, Hong Kong was a statistical wasteland until the 1970s. Virtually every other government was releasing national income accounts and balance of payments estimates by 1950, for example.¹⁸ The starting date for Hong Kong’s official GDP estimates is 1961, but publication of this series did not begin until 1973.¹⁹ The first official balance of payments statistics were not released until after the end of colonial rule in 1997.

Historical Hostility

The Government almost succeeded in abolishing all significant economic data about Hong Kong in 1925, when the collection of official trade statistics was abandoned. Manufacturing was still very limited, and the economy depended on the port and its throughput of international trade originating on the Chinese Mainland. Thus, the trade figures were an essential measure of Hong Kong’s performance. Nevertheless, their collection ceased until 1930, despite protests from business leaders.²⁰ The

¹⁵ M. 4 Acting Director of Supplies, Commerce and Industry to Labour Officer, 31 July 1947. HKRS163-1-305 ‘Retail Price & Wages Index. Preparation of ...’.

¹⁶ Acting Financial Secretary minute to Colonial Secretary, 25 April 1957. HKRS163-1-634 ‘Public Utilities Companies Proposed control of the charges and dividends levied by ...’.

¹⁷ ‘Completely new industries’ were his actual words. *Hong Kong Hansard*, 30 March 1962, pp. 131-4 and 26 February 1964, p.45.

¹⁸ Of 14 Asian economies reviewed, only Nepal’s GDP series starts later than Hong Kong (1962). South Korea’s series begins in 1953 (because of the war) and Singapore’s in 1960. Balance of payments estimates show a similar pattern: South Korea’s series begins in 1951 and Malaysia’s in 1956 (but covered Singapore until 1963); while the new state of Bangladesh starts its series in 1973. B. R. Mitchell, *International Historical Statistics Africa, Asia & Oceania 1750-1993* (London: Macmillan Reference Ltd, 1998, 3rd edition), pp. 1028-38, 1091-1107.

¹⁹ The initial publication covered only 1966-71. C. P. Haddon-Cave, Financial Secretary, *Hong Kong Hansard*, 28 February 1973, pp. 457-8.

²⁰ *Hong Kong Hansard*: 8 March 1926, p. 12; P. H. Holyoak, 18 March 1926, p. 18; W. T. Southorn, Colonial Secretary, 5 September 1929, p. 163.

Government made its case against compiling trade figures in terms to be repeated in the decades ahead.

- Their costs were ‘enormous’.
- They were of no interest to the business community.
- Their accuracy could not be guaranteed, particularly in a free port.²¹

Much the same excuses were advanced by officials in the 1950s. By this date, official policy was ‘to reduce expenditure on the compilation and dissemination of statistics to the barest minimum’.²² But the reasons for not collecting information in a variety of fields, ranging from the labour market to the balance of payments, were not just the costs. Chinese businessmen were unwilling to supply information, it was claimed.²³ Accurate statistics could not be collected in a ‘free economy’.²⁴ These excuses were to be recycled once more in 1970 to counter calls for national income statistics.²⁵

The bureaucracy’s hostility towards statistics was rarely challenged. One striking exception was a reforming governor, Sir Geoffry Northcote.²⁶ In 1938, he denounced the chronic shortage of the data essential for good government.²⁷

In many respects the statistical information at the disposal of this Government is deficient or unscientifically arranged; there is a serious lack of machinery for the co-ordination of such statistics as exist, and in nearly every case these are crude. In such circumstances it might with some truth be alleged that figures are given to us to conceal the facts. The first-rate importance of well-digested and well-correlated statistics to a Colony, which is so largely dependent upon commerce and has, for example, such grave population problems as Hong Kong, is indisputable.

Immediately after World War II, the colonial administration had good reason to heed this warning. Accurate economic data became important to the officials involved in reconstruction of the war-ravaged economy as they set development priorities and allocated scarce resources.²⁸ They had little enthusiasm for this role, however, and they were impatient to divest themselves of responsibility for economic management.²⁹

²¹ Sir Edward Stubbs, Governor, *Hong Kong Hansard*, 22 October 1925, p. 103; E. R. Hallifax, Colonial Secretary, *Hong Kong Hansard*, 18 March 1926, p. 18.

²² Commissioner of Labour minute to Colonial Secretary, 24 October 1952. HKRS22-1-19 ‘Labour Statistics - Policy’.

²³ *Hong Kong Annual Departmental Report by the Commissioner of Labour for the Financial Year 1952-3* (Hong Kong: Government Printer, n.d.), p. 16.

²⁴ Director of Commerce and Industry minute to Financial Secretary, 6 November 1950. HKRS163-9-88 ‘Trade. Balance of Payment Statistics. Policy regarding preparation of ...’.

²⁵ Sir John Cowperthwaite, Financial Secretary, *Hong Kong Hansard*, 25 March 1970, pp. 495, 496.

²⁶ Among Northcote’s innovations were major reforms in the provision of social services and their funding through direct taxation.

²⁷ *Hong Kong Hansard*, 13 October 1938, p. 117.

²⁸ A striking example was (18) Acting Director of Supplies, Trade and Industry (Cowperthwaite) memos to Statistical Officer, 6 March and 14 June 1948. HKRS22-1-88 ‘Chinese Owned Industrial Capital etc’.

²⁹ e.g., C. G. S. Follows, Financial Secretary, *Hong Kong Hansard*, 31 March 1949, pp. 135-6.

The value of statistics was ignored once more, and within a decade, the Government's statistician felt driven to make much the same complaint as Northcote had twenty years earlier.³⁰

There are still traces of the old attitude that it doesn't matter what the population actually is - we are doing what we can and the size of the population cannot alter that. This is a most dangerous argument that would lead both to misdirection and waste of resources. The statistical aspect of a problem must be known if efficient measures are to be taken to deal with it.

The British Colonial Office had the constitutional power to force a change in this culture. By 1950, British colonies were being encouraged by London to take a broader view of the contribution which modern statistics could make to their progress.³¹ The starting point had to be a population census. The other priorities were:

- external trade, including value and volume indices for both exports and imports, to be produced on a timely basis;
- retail or consumer price indices based, where possible, on budgetary surveys;
- industrial production; and
- gross capital formation.

This programme caused considerable alarm in Hong Kong. The Government Statistician, incredibly, was blamed for London's statistical activism. He had previously given offence to his colonial colleagues in 1947 by straying beyond his statistical duties to proffer advice on social and economic policy.³² In 1950, he was viewed as London's 'agent'. His opinions were distorted; his professional performance denigrated; and his position made impossible.³³ Hong Kong's anti-statistics culture triumphed, and, apart from external trade statistics, Hong Kong did not meet any of London's goals before 1961.

Yet, within the colonial administration, one group of officials grasped the importance of good data. When the United States imposed its initial economic blockade on China during the Korean War, shipments to Hong Kong were also banned. The colony's Commerce and Industry Department found itself handicapped by defective trade figures when seeking to negotiate exemptions for Hong Kong products with Washington.³⁴ Reliable, timely and comprehensive figures proved vital to successful international

³⁰ (10) Statistician minute to Director of Commerce and Industry, 15 December 1958. HKRS22-1-96 'Population Census 1961'.

³¹ Colonial Office, *First Conference of Colonial Government Statisticians, 1950* (London: HMSO, 1951, Colonial No. 267), pp. 10-4, 16.

³² He proposed the introduction of food subsidies along lines similar to the United Kingdom and Malaya to be financed by Cowperthwaite's department. (15) Statistical Officer memo to Colonial Secretary, 21 August 1947, pp. 3-5. HKRS22-1-78 'Report S.O. 3/47 on White Collar Workers (January-March 1947)'.

³³ DCS minute to Colonial Secretary, 26 May 1950; AS8 minute to DCS, 22 September 1950; (18) Government Statistician letter to Colonial Secretary, 3 May 1950; Acting Government Statistician memo to Colonial Secretary, 4 April 1951. HKRS41-1-4969 'Conferences - The Conference of Colonial Government Statisticians Convened by the Secretary of State for the Colonies at the Colonial Office during March, 1950. Correspondence re ...'.

³⁴ *Hong Kong Annual Departmental Report by the Director of Commerce and Industry for the Financial Year 1951-2* (Hong Kong: Government Printer, n.d.), pp. 2, 3.

negotiations over textile quotas and other trade restrictions in the years that followed in order to counter allegations of unfair competition from Western importing countries.³⁵

It helped that in the late 1950s and early 1960s, the Department's director believed *laissez faire* was outdated. He backed the expansion of his professional statistician's agenda from trade figures into industrial production statistics, retail and consumer price information and the first household expenditure survey.³⁶

Statistics and Social Policies

The refusal to recognise the contribution of good statistics to policy-making involved two assumptions about the policy-making process:

- good policies could be made just as well with partial information; and
- it was pointless to quantify problems when resources were scarce.

Population Puzzles

London's blueprint for colonial statistics outlined in 1950 had declared that 'administrations not fully aware of the changes in their populations, both by natural growth and by immigration, must regard this as a fundamental gap in their knowledge'.³⁷ Hong Kong officials at this date had only the sketchiest notion of how many inhabitants were in their charge. In the acute food shortages after World War II, Hong Kong's procurement and distribution of essential supplies had been made more difficult by the lack of accurate estimates of the numbers to be fed.³⁸ Then, as the Chinese Civil War reached its climax in 1949, colonial officials planning for security and civil defence demanded accurate figures on the number of inhabitants, which were not available.³⁹

A population census would have solved these problems, and the legal formalities for conducting the first census since 1931 had been approved in March 1948. The Government decided, however, that it should issue everyone with an identity card first and postponed the exercise until the World Census in 1950.⁴⁰ This deadline was also missed, and the first post-war census was not conducted until 1961.

³⁵ See, for example, M. 97 AI to DDAI, 27 May 1969; M. 100 IID to TID(2), 19 September 1969. HKRS1056-1-194 'Industrial Survey - Policy'.

³⁶ This director was H. A. Angus. For his economic activism, see Director of Commerce and Industry memo to Financial Secretary, 9 September 1958; Commissioner of Labour letter to Director of Commerce and Industry, 9 September 1958. HKRS270-5-44, 'Commercial and Industrial Development - Major Policy'.

³⁷ Colonial Office, *First Conference of Colonial Government Statisticians*, 1950, p. 16.

³⁸ M. 13 Director of Supplies, Trade and Industry to Colonial Secretary, 29 January 1947; M. 20 Director of Medical Services to Colonial Secretary, 17 February 1947; M. 21 Director of Supplies, Trade and Industry to Colonial Secretary, 24 February 1947. HKRS170-2-1 'Census Estimate of Population'.

³⁹ HKRS259-6-1 'Report on the Population of the Colony, Mid-Year 1949', pp. 1, 2.

⁴⁰ M.1 to M.5, 14 October-8 November 1947; M. 23, 23 March 1948; M. 52 Colonial Secretary to Governor, 23 December 1948. HKRS170-2-1.

The public was told that this delay had been made necessary because of ‘the impossibility of obtaining a completely reliable assessment of immigration’.⁴¹ This excuse was not convincing since, by now, the Government had in place systems not just for registering the general population but street sleepers, squatters and others with no ‘permanent’ abodes. Indeed, estimation of the total population soon improved in accuracy despite the complaints about tracking illegal immigration from the Mainland.⁴²

The real motive for the delay was political convenience.⁴³ A census would have produced demographic information that would have focused uncomfortable attention on the community’s social and economic problems. Black, then Colonial Secretary, bluntly declared that a census would not assist policy-making.

... we are well aware that we are not able to meet our known commitments in educational, health and social welfare services. We cannot afford to do more than are doing, although it is not enough. When we have satisfied ourselves that we are nearer to achieving our known targets would be the time to have a census to see what additional commitments there may be.

Black’s comment settled census policy for the rest of the decade despite complaints from government departments facing demands to develop housing, education, health and urban services.

The damage done to policy-making by the failure to take an early census became very clear when the results of the 1961 Census were published. Its data showed, for example, how misleading were two of the colonial administration’s previous assumptions in making policy.

- Officials had clung to a long-standing conviction that, somehow, the Chinese population was in transit and that the refugees would not integrate into the rest of the community. The colonial administration, therefore, considered that the immigrants were not part of Hong Kong society and that they had no claim on its resources.⁴⁴ The 1961 census data showed that integration had been rapid and almost total.⁴⁵
- Officials also took a dismal view of the labour market. They saw the population as suffering from unemployment, under-employment and penury. The 1961 Census recorded an unemployment

⁴¹ *Hong Kong Annual Departmental Report by the Commissioner of Labour... for the Financial Year 1953-54* (Hong Kong: Government Printer, n.d.), p. 70.

⁴² By 1961, the difference between the estimated population and the Census enumeration was only 3.8 per cent. *Hong Kong Report for the Year 1962* (Hong Kong: Government Press, 1963), pp. 35-6; *Hong Kong Report for the Year 1960* (Hong Kong: Government Press, 1961), p. 37.

⁴³ The account that follows is based on: M. 9 DCS to Colonial Secretary, 8 December 1954; M. 4 Colonial Secretary to Governor, 27 February 1954; (10) Statistician minute to Director of Commerce and Industry, 15 December 1958; (11) M. 71. Director of Commerce and Industry to DFS(E), 15 December 1958. HKRS22-1-96.

⁴⁴ Note, for example, the attitude to squatters made homeless by a catastrophic fire. (21) Governor to Secretary of State, 29 December 1953. HKRS163-1-1578 ‘Shek Kip Mei Fire’. In 1957, the British Prime Minister intervened to halt a bid to ship immigrants from Hong Kong to Fiji. Sir Anthony Eden, *Full Circle* (London: Cassell, 1960), pp. 382-3.

⁴⁵ With no significant link between length of residence and career prospects, for example, where educational standards were the decisive factor. K. M. A. Barnett, *Hong Kong. Report on the 1961 Census* (Hong Kong: Government Printer, n.d.), Vol. III, pp. CXIII-IV.

rate of only 1.3 per cent.⁴⁶ A chronic shortage of labour had developed as a result of the extraordinary expansion of the manufacturing sector during the previous decade.⁴⁷

These misinformed attitudes coloured the approach to the social services, encouraging officials to set minimal standards. The Government's ignorance of the total population, its geographical distribution and its economic and social conditions was a particularly grave handicap in developing programmes to rehouse the inhabitants of makeshift squatter huts and squalid slums. These housing conditions created serious fire hazards and threats to public health and law and order which could not be ignored. In the absence of a conventional census, rehousing plans had been based on haphazard data obtained from limited surveys of social conditions.

By 1957, increasingly ambitious public housing programmes forced the Government to accept that political convenience must make way for better statistics, and academics were invited to undertake a more comprehensive survey. Some officials feared this exercise almost as much as a full-scale census because they might disclose 'urgent needs', creating pressure on the Government to propose solutions. When the academics released the preliminary results to the press, officials were outraged by the publicity and mounted a two-year campaign to discredit both the academics and their findings. Publication of the full report was suppressed.⁴⁸

The data deficit was too large to be remedied by ad hoc housing surveys, and even the 1961 Census provided only a partial solution. Not until 1967, when a quarter of the population was already living in public housing, was it possible to compile the first, crude estimates of 'affordability'. These data were essential for setting public housing targets in terms of rents and quality, as well as to determine the balance between rental units and housing produced for sale.⁴⁹ As a result, Hong Kong had created a housing stock by the end of the 1960s whose standard was below what the community needed and could have afforded, even in the previous decade.⁵⁰

Never Mind the Workers

In theory, the colonial administration should have been able to find other statistical measures to serve as proxies for missing census and macroeconomic data. For example, information on employment by

⁴⁶ The erroneous predictions about joblessness are noted in Barnett, *Hong Kong. Report on the 1961 Census*, Vol. III, pp. CXVI, 2, 33.

⁴⁷ As the private sector had already warned the Government. See H. D. M. Barton, *Hong Kong Hansard*, 16 March 1960, p. 94.

⁴⁸ M. 2 AS2 to DCS, 18 May 1957; M. 3 DCS to AS2, 21 May 1957; M. 18. A2 to Financial Secretary, 25 October 1958; Acting Financial Secretary (Cowperthwaite) to Colonial Secretary, 21 October 1958; M. 21. Governor, 28 October 1958; and enclosures (38) to (40) for the period 1959-61. HKRS41-1-9339(1) 'Pilot Social Survey of Shek Kip Mei Resettlement Area'.

⁴⁹ See (6) 'Housing Need in Hong Kong' and the related inter-departmental correspondence in HKRS532-3-51 'Housing Research'.

⁵⁰ By 1971, the Government had rehoused 1.4 million people (36 per cent of the population). Living space per person in public housing was 2.6 square metres compared with 4.7 square metres per person in the private sector. Census and Statistics Department, 'Overcrowding and sharing of housing accommodation in Hong Kong as revealed in the 1971 census', *Hong Kong Monthly Digest of Statistics*, January, 1973, p. 65.

industry and on wages and earnings would have tracked the switch from entrepôt to manufacturing and from penury to rising living standards during the 1950s.⁵¹

Hong Kong was committed to the publication of such information by a 1938 International Labour Organisation (ILO) Convention. In 1952, an internal government report noted that Hong Kong had not complied with this obligation. It described the limited labour statistics being compiled as ‘based on hearsay and untested assertions by employers or workers’, ‘almost useless’ and lacking in credibility. The ILO was ready to provide technical assistance to create a modern statistical system, but officials found an excuse to avoid that solution: Hong Kong had no statisticians with whom ILO experts could be able to work, and so none was invited. In 1963, officials admitted that employment-related statistics were backward, particularly by comparison with other Asian economies.⁵² In 1970, Hong Kong had still not complied with the 1938 ILO convention.⁵³

As a result, the Government’s labour statistics throughout much of the period under review remained virtually worthless. Over 20 per cent of Hong Kong’s factories engaged in exports were unknown to the Labour Department in 1961, and these were not the smallest or worst-equipped.⁵⁴ As a result, data about working conditions were far from comprehensive. Unemployment soared to 9 per cent in the 1970s, but the figures available to track this trend were extremely patchy.⁵⁵ Comprehensive statistics on earnings would not be available for another decade.⁵⁶ Productivity data were seriously flawed until the 1980s, despite the introduction of manufacturing censuses.⁵⁷

The Political Price of Blind Planning

The sorry state of labour statistics furnished an early example of how poor data can lead to erroneous policies. The outbreak of the Korean War was followed by the imposition of United States and United Nations economic embargoes against the new People’s Republic of China. As a result, the China trade and Hong Kong’s entrepôt collapsed. The economy seemed to face ruin, and the Government in 1951 feared that mass unemployment was inevitable. Officials abandoned their traditional *laissez-faire* attitudes

⁵¹ Except where otherwise indicated, the account of labour statistics that follows is based on the following internal correspondence: Acting Commissioner of Labour memo to Colonial Secretary, 1 September 1952 covering a report by S. T. Kidd of 26 June 1952; D. R. Holmes (Colonial Secretariat) memo to Director of Commerce and Industry, 17 October 1952; (5) Commissioner of Labour memo to Colonial Secretary, 23 March 1953; Commissioner of Labour minute to Colonial Secretary, 24 October 1952. HKRS22-1-19.

⁵² (1A) Commissioner of Labour memo to Colonial Secretary, ‘I.L.O. Fifth Asian Regional Conference’, 22 January 1963. HKRS1017-2-2 ‘Labour Department: General Policy (Gibbs Report 1963)’.

⁵³ (19) Commissioner of Labour to Commissioner, Census & Statistics, 15 May 1970, ‘Collection of statistics on employment and related subjects’. HKRS532-3-22 ‘Employment Statistics Bill 1972’.

⁵⁴ This was a Commerce and Industry Department calculation. (209) Minute to AD, 12 July 1961. HKRS270-1-2-1 ‘Industrial Development Flatted Factories Provision of...’.

⁵⁵ For serious concern among officials about the difficulties of tracking the impact of the business downturn, see HKRS1056-1-214 ‘Factory Closures due to World Economic Situation. Increase in the Price of Raw Materials etc (during 1973 and early 1974) Industrial Survey’.

⁵⁶ See ‘The New Wage Survey’, *Hong Kong Monthly Digest of Statistics*, July 1983, pp. 100-10 and ‘Salary Statistics of Middle-level Managerial and Professional Employees’, *Hong Kong Monthly Digest of Statistics*, January 1987, pp. 101-7.

⁵⁷ W. A. Reynolds, *Factors which Hinder or Help Productivity Improvement Country Report – Hong Kong* (Tokyo: Asian Productivity Organization, 1980), pp. 86-7.

and started to mobilise the private sector to cooperate in organising large-scale programmes to create jobs and maintain wages.⁵⁸

The Government, unfortunately, was planning blind for a non-existent emergency. The economy was being transformed by a surge in manufacturing. However, there were no national income statistics to monitor the speed with which industrial growth was offsetting the contraction of the services sector as the entrepôt trade disappeared.⁵⁹ Nor did the available trade statistics provide an indicator of this dramatic transition. Before 1959, the regular trade series did not distinguish between domestic exports and re-exports, so that the surge in local manufacturing was not being monitored even indirectly. The Government was collecting some limited data on domestic exports, which provided evidence of sustained, high-rate growth, as Table I shows. But their implications were not fully grasped within the Government, and the figures were not available to the public before 1954.

The only figures that seemed relevant to officials during the 1951 panic about impending economic collapse were data about the labour market. These were unreliable and only served to intensify the sense of emergency created by the shrinking entrepôt. In drawing up contingency plans, labour officials claimed that of an industrial workforce of 'at least 200,000', a quarter were unemployed, 'together with many more living at the bare subsistence level'; and conditions were expected to worsen. The police, who played an important role in monitoring social conditions at the time, were even more pessimistic and put the unemployment rate at 30 per cent.

All these figures were little better than guesses and excessively gloomy. The only data based on proper statistical surveys had been collected from the squatter population. These showed that among this group, regarded as including the least skilled and the most deprived families, unemployment for males aged 14 and above was only 1.7 per cent. The rate for females was much higher at 19.5 per cent, understandably in a period when women were removed temporarily from the labour force by high birth rates, long lactations, and when the garment, plastic flowers and similar industries which created ample outwork had not yet developed.⁶⁰

This incident had important political consequences. In the drive to enlist business support for employment-protection measures, officials abandoned attempts to control monopoly abuses by public utilities, which were creating widespread resentment amongst the community.⁶¹ The failure to resolve these grievances led to public – and business – outrage against the power companies in the 1950s, followed by an official

⁵⁸ These measures are recorded in HKRS1017-3-4 'Unemployment Relief'.

⁵⁹ Even academic exercises were not available until Ronald Ma and Edward F. Szczepanik, *The National Income of Hong Kong 1947-1950* (Hong Kong: Hong Kong University Press, 1955).

⁶⁰ M. 8 AS3 to Financial Secretary, 14 December 1951; M. 15 AS3 to Colonial Secretary, Financial Secretary and Political Adviser, 4 January 1952. HKRS163-1-1376 'Industry and Production. Industrial Situation in Hong Kong'. On conditions in squatter areas, note *Annual Departmental Report by the Commissioner of Labour for the Financial Year Ended March 31, 1951* (Hong Kong: Government Printer 1951), p. 11.

⁶¹ On this issue, see Leo F. Goodstadt, 'Business friendly and politically convenient – the historical role of functional constituencies', in Christine Loh (ed.), *Functional Constituencies: A Unique Feature of the Hong Kong Legislative Council* (Hong Kong: Hong Kong University Press, 2006).

commission of enquiry which recommended virtual nationalisation of the power industry in 1959.⁶² Discontent with the public transport sector led to extensive rioting in 1966.⁶³

Economic and Financial Management

From early in the post-war period, the colonial administration displayed an almost insolent indifference to London's instructions to supply data on financial markets. Repeated requests to produce balance of payments estimates and the banking returns furnished by the rest of the colonial empire were ignored as long as possible.

The Invisible Balance of Payments

The colonial administration's most stubborn resistance was to the compilation of balance of payments estimates; and they were not published before the end of British rule.⁶⁴ This stand-off illustrates the determination of the colonial administration to control Hong Kong's statistical policies, even when the United Kingdom insisted that British national interests were at stake.

The saga of defiance began in 1950 when a directive to the entire colonial empire to prepare such estimates provoked derision in Hong Kong. By 1952, London was pleading that not only were such data needed in the management of any modern economy but also that they were of crucial importance for the United Kingdom's handling of the latest Sterling Area crisis. Hong Kong took no notice.⁶⁵

Scepticism about the practical use of these figures in running Hong Kong was not the only reason for the colonial administration's insubordination. Another factor was the fear that the figures might strengthen London's hand when Hong Kong and British economic interests clashed. Thus, London's initial calls for information on the balance of payments were related to the conduct of the Cold War: British officials were anxious to estimate the volume of smuggling with the Chinese Mainland.⁶⁶ This information was of

⁶² *Report of the Electricity Supply Companies Commission* (Hong Kong: Government Printer, 1959), pp. 15-7, 20, 24, 30-1.

⁶³ 'KMB Questions', *FEER*, 10 November 1966; Officials regarded the bus company's top management as 'thoroughly unsatisfactory'. M.1 ACS(SD) to DES, 15 June 1965; M. 40 DES note, 23 August 1966. HKRS163-1-3238 'The Kowloon Motor Bus Co. (1933) Ltd. Financial problems relating to...'. Significantly, officials regarded the lack of transport statistics as the major obstacle to providing a standard of bus service acceptable to the public. M. 56 AS(G.C) to PACS(G), 27 July 1962. HKRS163-1-2283 'Public Transport Formulation of Policy regarding ...'.

⁶⁴ Except where otherwise indicated, the account of the London-Hong Kong conflict over balance of payments and related data is based on the following correspondence: Secretary of State for the Colonies circular dispatch to Officer Administering the Government, 'Balance of Payments International Monetary Fund', 13 September 1950; Acting Government Statistician minute to Financial Secretary, 10 October 1950; Director of Commerce and Industry minute to Financial Secretary, 6 November 1950; Economic Secretary minute to Financial Secretary, 17 May 1952; and the following enclosures for the period 1950-65: (1), (9) (14), (32), (41), (42), (80), (119), (123), (124), (128), (133) in HKRS163-9-88 'Hong Kong Balance of Payments'.

⁶⁵ Hong Kong could have supplied the information sought by London, albeit as a 'guesstimate'. R. A. Ma in the Department of Commerce and Industry had produced figures for 1952. Nobody appears to have paid any subsequent attention to this exercise. (18) secret folder, 7 October 1953.. HKRS163-1-1230 'Trade - Balance of Payments Statistics (Hong Kong) - Working papers and miscellaneous correspondence re preparation of ...'.

⁶⁶ Catherine R. Schenk, 'Hong Kong's Economic Relations With China 1949-1955: Blockade, Embargo and Financial Controls', in Lee Pui-tak (ed.), *Colonial Hong Kong and Modern China: Interaction and Reintegration* (Hong Kong: Hong Kong University Press, 2005), p. 213.

considerable sensitivity during the Cold War and the United States' campaign to blockade the People's Republic. Hong Kong's interest lay in minimising restrictions on Mainland trade.

Similarly, when in 1955 London renewed its request for balance of payments information, Cowperthwaite replied to London: 'The [British] Treasury's main, if not sole, purpose for wanting the figures is ... the detection of illegal movements between sterling and dollars through Hong Kong'. The colonial administration was not prepared to participate in such an exercise, he declared. His United Kingdom counterpart denied his allegation. The evidence, however, shows that the United Kingdom authorities did seek such data to monitor currency movements through Hong Kong.⁶⁷

Cowperthwaite used the 1955 dispute to attack the compilation of balance of payments data on broader grounds of economic management.⁶⁸

In countries where economic and financial policies may result in internal and external price levels getting out of line and setting up inflationary tendencies (and unfortunately such countries are in the overwhelming majority today) it is very necessary to keep an eye on the balance of payments. But our economy is almost wholly external (our foreign trade is probably twice our national income) and our balance of payments is self-regulating either through the free exchange market or through our currency mechanism.

He stuck to this outlook throughout his career and paralysed the compilation of macroeconomic data in general until the 1970s.

By 1961, London was imploring Hong Kong's cooperation, again with no success. When London organised a conference for all colonial territories on balance of payments estimates and their publication in 1964, Hong Kong refused to supply any data and declined to participate in this and all future conferences. London complained of 'embarrassment' caused by the lack of Hong Kong data 'because of [the United Kingdom's] responsibility for supplying information on the territory to Parliament, the United Nations and the I.M.F.'. Hong Kong remained unsympathetic, although the colonial administration itself was using internal, confidential balance of payments estimates to monitor economic relations with the Mainland during the 1960s.⁶⁹ The first official estimates were released only in 1999, two years after the resumption of Chinese sovereignty.⁷⁰

From 1967 when Hong Kong's control over its own currency was established, the refusal to compile formal balance of payments statistics lost its original justification: avoidance of Sterling Area Exchange Controls and London's interference. It encouraged a perception that the colonial administration was less than frank about Hong Kong's finances. Thus, despite the increased flow of official statistics during the 1970s, the dearth of data in the past and the continuing statistical gaps created public mistrust. The

⁶⁷ (34) Statistics Office (London) secret memo, 20 September 1956. HKRS163-1-1230.

⁶⁸ (79) Cowperthwaite letter to W. F. Searle, Chief Statistician (Colonial Office), 8 June 1955. HKRS163-9-88.

⁶⁹ HKRS163-1-2660 'Exchange Control Monthly and Half-Yearly Statistics of Foreign Exchange Transactions from January 1961'.

⁷⁰ The estimates covered 1997. 'HK's Balance of Payments (BoP) Account for 1997...', *Government Information Services*, 23 April 1999.

failure to publish the same range of statistical information about the economy as other modern societies allowed the assumption to flourish that Hong Kong remitted large but unpublished subsidies to the United Kingdom as a form of colonial tribute.⁷¹

In the 1980s, the Chinese Government showed that it shared the local community's cynicism about British financial management of its colony. Chinese leaders were convinced that the United Kingdom exploited the colonial relationship on a considerable scale. For example, President Jiang Zemin's claim that a 'profit' of US\$5 billion a year was remitted to the United Kingdom in the final period of British rule was put into circulation in an attempt to discredit the colonial administration's motives.⁷² The Chinese authorities denounced infrastructural projects as an attempt to transfer Hong Kong's financial reserves to British contractors, and Beijing attacked improvements to social services as unaffordable and likely to bankrupt Hong Kong.⁷³ The charges were fuelled by the absence of long-standing statistical series enjoying an established credibility among Hong Kong's opinion-makers. These suspicions complicated Sino-British negotiations on Hong Kong's future from 1982 onwards by aggravating misunderstandings and recrimination.

Banking Battles

The resistance to London's demands for banking statistics was less intransigent.⁷⁴ By 1953, London was complaining that Hong Kong's banking statistics were useless because HSBC and Chartered Bank were not supplying any data, contrary to the impression of Hong Kong officials. Presumably, these were unaware of which banks were making returns because the colonial administration had no interest in such information.

The Bank of England then decided that colonial territories should take direct responsibility for compiling their own banking statistics. But its problems with Hong Kong were not so easily resolved. Within the industry, there was strenuous opposition to collecting banking data. Some financial institutions simply ignored requests for information. HSBC, the largest bank, objected to supplying information on the grounds that it might be possible to deduce its financial position even from consolidated statistics. (Its management regarded such transparency about its affairs as dangerous.) The banks eventually agreed to make the required returns but on the strict understanding that only consolidated data would be transmitted to London and that no statistics would be published without prior consultation with them.⁷⁵

⁷¹ A belated official attempt to refute this widespread belief can be found in D. W. A. Blye, Secretary for Monetary Affairs, *Government Information Services*, 24 November 1981.

⁷² *Wen Wei Po*, 20 March 1993.

⁷³ Michael Yahuda, *Hong Kong. China's Challenge* (London: Routledge, 1996), pp. 62, 71-2; Hugh Davies in Bruce Herschensohn (ed.), *Hong Kong at the Handover* (Lanham: Lexington Books, 2000), pp. 132-4; Jane C. Y. Lee, 'Public Sector Reform and Public Sector Accountability', in Jane C. Y. Lee and Anthony B. L. Cheung (eds), *Public Sector Reform in Hong Kong. Key Concepts, Progress-to-Date and Future Directions* (Hong Kong: Chinese University Press, 1995), pp. 81-2.

⁷⁴ Except where otherwise indicated, the discussion of banking statistics that follows is based on the following enclosures for the period 1950-53: (18), (20), (24) and (26) in HKRS163-9-88 'Trade. Balance of Payment Statistics. Policy regarding preparation of...'.

⁷⁵ See the following enclosures for 1953 (127), (129), (132) and Governor to Secretary of State for the Colonies, 17 April 1957. HKRS 163-1-625.

By 1959, however, the pressure from London for greater disclosure in line with general practice in the rest of the British Commonwealth compelled Hong Kong to agree reluctantly to publish some data in a highly abbreviated form.⁷⁶ The usefulness of the published figures was limited. Statistics were not collected from all licensed banks, and the reliability of the data supplied was dubious,⁷⁷ not surprisingly because the exercise was not controlled by professional regulators.

Local Lending Patterns

The reluctance to compile adequate data had serious consequences for the oversight of an increasingly fragile banking industry in the 1960s. Between 1961 and 1965, two banks failed; five had to be rescued; and only a takeover by HSBC saved the second largest bank in Hong Kong, Hang Seng Bank, from closure.

In late 1960, a European bank had informed Cowperthwaite that its loans exceeded its deposits, which he found hard to believe. Indeed, he accused bankers of misunderstanding their own accounting practices. However, from the limited statistics available, he discovered that Hong Kong's overall loan/deposit ratio appeared to be very high compared with the United Kingdom. After some desultory discussion of the issue, both he and the Government Statistician decided that this figure was the result of misleading accounting by individual banks, and took no further action.⁷⁸ The limited banking statistics of that period showed average liquidity of the banking system falling by 30 per cent between 1960 and 1964.⁷⁹ In the absence of professional banking expertise within the Government, no alarm bells were rung.

The growing liquidity problem was compounded by over-concentration of assets in real estate. As Cowperthwaite was to explain in the 1966 budget debate, a banking crisis had developed in 1965 because of 'the vast number of redevelopment schemes which came forward in 1963 and 1964'. 'Excessive real estate development' had 'aggravated our banking troubles [in 1965], by freezing so much of our available resources in the form of not readily realizable and temporarily unproductive assets'. The ratio of loans to deposits had reached the 'high' figure of 76.4 per cent, he revealed, at the peak of the crisis in April 1965.⁸⁰

He presented this overall loan/deposit ratio as if it reflected an exceptional state of affairs caused by the crisis. In fact, before the crisis began, the ratio for local Chinese banks, the most vulnerable sector, had been 73 per cent. By contrast, the ratio for HSBC had been 58 per cent and for the China state-owned banks, only 51 per cent. Out of the 36 local Chinese banks, six started 1965 with loan books that

⁷⁶ (290) Memo Director of Commerce and Industry to Colonial Secretary, 6 January 1959. HKRS 163-1-625.

⁷⁷ W Ramsay-Main (Hong Kong) letter to F. F. Richmond (Colonial Office), 27 December 1954, HKRS163-1-625.

⁷⁸ (302) P. Mardulyn, Manager Banque Belge, letter to DFS (Cowperthwaite), 30 November 1960; (303) DFS's letter to Mardulyn, 3 December 1960; (312) Statistician memo to DES, 'Banking Statistics', 22 April 1961. HKRS163-1-625. No further interest is recorded either in this file or in HKRS532-3-54 'Banking Statistics Monthly Returns'.

⁷⁹ Cheng Tong Yung, *The Economy of Hong Kong* (Hong Kong: Far East Publications, 1977), 'Table 12.7 Liquidity Ratio of the Banking Sector', p. 254.

⁸⁰ *Hong Kong Hansard*, 24 February 1966, pp. 57-58.

exceeded the total value of their deposits.⁸¹ If comparable statistics had been available at the start, instead of only at the end, of 1964, the Government would have been in a position to intervene before the crisis broke. The data deficit deprived officials of that opportunity.

During the budget debate, Cowperthwaite conceded that he could have reined in the property sector through administrative measures as early as 1963. The excesses of the real estate sector had been caused by legislative changes and could have been mitigated by administrative action, including the imposition of a licensing scheme for new projects.⁸² Indeed, he had discussed such a scheme in previous budgets when he was worried that public sector programmes were being delayed by the excessive demands of the private sector for construction capacity.⁸³ At no time had he indicated any awareness of the threat that the real estate boom was posing to local Chinese banks. If the statistics on lending patterns had been available earlier in 1964, Cowperthwaite could have seen that the stability of the financial system was the real cause of concern, rather than delays to the Government's building plans. The data deficit meant he overlooked the connection between banking and the property market.

The statistical environment changed completely with the creation of the Banking Commission, which started collecting monthly returns in December 1964. These provided a basic profile of the solvency of individual banks and the extent to which they were trading prudently and complying with their statutory obligations. This innovation came just in time because in early 1965 a fairly large local bank, the Canton Trust, collapsed, taking financial circles by surprise.⁸⁴ The public quickly began to lose confidence in other banks as rumours multiplied. During the crisis that followed, the Government had the information to identify the weakest institutions and sectors which needed shoring up and to estimate what sort of financing would be required. The crisis was overcome very creditably.

Cowperthwaite had missed the opportunity in 1960 to improve the analysis of banking statistics, not surprisingly in view of his general opposition to the collection of economic and financial data. He had then foreseen the threat to the property sector but he had lacked the statistical information that would have allowed him to gauge the impact of the impending crisis, particularly on the banks. A lack of reliable, comprehensive statistics on bank lending patterns before December 1964 had masked the increasing vulnerability of the local Chinese banks earlier in the decade. The 1965 crisis would have been foreseeable and more manageable, even if not preventable, with more and better statistics.⁸⁵

⁸¹ These data are derived from (6) Commissioner of Banking memo to Financial Secretary, 19 March 1965. HKRS163-1-3273.

⁸² *Hong Kong Hansard*, 24 March 1966, p. 215. The Government's role in creating this crisis is analysed in a well-known paper, Stephen N. S. Cheung, 'Rent Control and Housing Reconstruction: The Postwar Experience of Prewar Premises in Hong Kong' *The Journal of Law and Economics*, Vol. XXII, April 1979.

⁸³ J. J. Cowperthwaite, Financial Secretary, *Hong Kong Hansard*, 26 February 1964, p. 45, 25 February 1965, p. 65.

⁸⁴ The earlier collapse of the much smaller Ming Tak had been anticipated but not the failure of the Canton Trust. R. G. L. Oliphant, Deputy Chief Manager, Hongkong & Shanghai Banking Corporation, 'Banks and Economic Expansion in Hongkong', *FEER*, 22 April 1965.

⁸⁵ The Commissioner of Banking appeared to believe that it was impossible for Hong Kong banks to avoid excessive involvement in real estate regardless of the danger to their stability. (4) Commissioner of Banking secret memo to Colonial Secretary, 'Real Estate Developers Association', 16 September 1965. HKRS163-1-3284. 'Problems Affecting the Real Estate and Allied Industries'.

In Fear of Competition

The data deficit was to have serious consequences in shaping official attitudes towards financial markets in the aftermath of the 1965 banking crisis. The colonial administration found itself under serious political threat from property developers who were demanding government assistance to survive the real estate crash. Although the links between the property sector and the banking crisis were a matter of record,⁸⁶ the Government was determined to discredit the developers' case. In this exercise, there was considerable selectivity and even suppression of official data.⁸⁷ In addition, it was politically convenient to claim that the principal threat to banking stability and financial integrity was excessive competition. The banking industry would support this stance since it would protect the interests of existing licence-holders, as well as distracting attention from the extent to which their own greed and fraud had contributed to the crisis. As a result, a moratorium on new bank licences was introduced which lasted until 1981,⁸⁸ and the Government endorsed an interest-rate cartel that survived until 2001. The indications are that the decision on the cartel was made with little formal discussion.⁸⁹

The anti-competition policies were a surrender to long-standing lobbying. HSBC had started to urge the Government in the 1950s to restrict the entry of new banks to Hong Kong on the grounds that 'there are more than enough banks already.'⁹⁰ This assertion was at odds with the available data. In fact, the number of banks was shrinking rapidly, principally because 52 local Chinese banks closed between 1948 and 1955.⁹¹ Foreign banks were increasing but at a moderate pace, and they were no threat to the stability of the banking system. When bank licensing began in 1948, there had been 132 licensed banks, of which 13 were foreign and 111 were under local Chinese ownership. On the eve of the 1965 banking crisis, there were only 87 licensed banks, of which 36 were foreign owned but only 38 were under local Chinese ownership.⁹²

⁸⁶ See *Hong Kong Annual Departmental Report by the Registrar General for the Financial Year 1964-65* (Hong Kong: Government Printer, n.d.), pp. 4-5.

⁸⁷ The Government's statistical and other efforts to disprove claims of a real estate crisis are set out in HKRS163-1-3284.

⁸⁸ Lifted temporarily in 1972, again between 1975 and 1978 and then substantially relaxed in 1981 covering applications from Hong Kong for the first time. T. K. Ghose, *The Banking System of Hong Kong* (Singapore: Butterworths, 1987), pp. 76-8; Haddon-Cave, Financial Secretary, *Hong Kong Hansard*, 27 May 1981, pp. 893-5. Foreign banks were not freed from all restrictions until 2001.

⁸⁹ See M. D. Cartland, Secretary for Financial Services, *Hong Kong Hansard*, 27 April 1994, p. 3477.

⁹⁰ Other members tended to echo the bank's sentiments. HKRS 163-1-679, Circular No. 49 'Yau Yue Commercial Bank' 18 February 1953; Circular No. 53 'Overseas Bank Ltd' 14 October 1953; Circular 69 'Banque Nationale pour le Commerce et l'Industrie' 11 December 1957.

⁹¹ Ricardo, 'Development of Banking in Hong Kong during 1955', *FEER*, 2 February 1956.

⁹² The rest were owned by the Chinese state. The 1948 statistics are from 'Exchange & Financial Markets: Hongkong Licensed Banks & Native Bank Firms', *FEER*, 17 November 1948; The 1964 data are derived from (6) Commissioner of Banking memo to Financial Secretary, 19 March 1965. HKRS163-1-3273 'Banking Statistics Various 1965'. On official confusion about the precise number of licensed banks, see (19) Commissioner of Banking memo to AS (E) 231 December 1965; (22) Commissioner of Banking memo to Financial Secretary, 25 January 1966. HKRS163-1-3273.

Despite these trends, HSBC found an ally when Cowperthwaite became Financial Secretary in 1961. Without any figures to substantiate the claim that Hong Kong was over-banked, he declared that ‘another bank in Hong Kong is unwelcome’.⁹³ A Bank of England expert was brought to Hong Kong to advise on legislation to create a modern regulatory system. Without any statistical analysis, he repeated Cowperthwaite’s views in a 1962 report. In a later report on the origins of the 1965 crisis, this same expert demonstrated that mismanagement and misconduct had been the primary causes of the 1965 bank crisis. Nevertheless, his confidential report also complained: ‘Too many banks chasing the available business is one of the basic causes of the reckless employment of customers’ money.’⁹⁴ Once again, no supporting statistics were produced. In a recent review of the available data, Professor Catherine R. Schenk has demonstrated convincingly that Hong Kong was not ‘over-banked’ or threatened by ‘excessive’ competition in the 1960s.⁹⁵

Statistical Handicaps

The consequences of the ill-founded anti-competition measures surfaced in the following decade. A new Financial Secretary, C. P. Haddon-Cave, publicly confessed that the moratorium on new bank licences ‘does prevent the participation in our banking system of some of the most highly reputable international banks in the world and inhibits the emergence of any new local banks’.⁹⁶ New entrants to Hong Kong’s financial markets would have to operate outside the regulated banking industry as unlicensed deposit-taking companies (DTCs). Why these newcomers should need less supervision than licensed banks was far from clear. In addition, the interest-rate cartel created an incentive for licensed banks to set up DTCs in order to compete for funds. The Government overlooked the dangers of allowing banks to shift part of their activities beyond the scrutiny of the Banking Commission.

A stock market bubble during the early 1970s led to the establishment of an estimated 1,500 financial firms. Most were undercapitalised outfits financing the speculation of small clients unable to arrange margin facilities from other sources.⁹⁷ The Government showed the same reluctance to oversee their activities as it had displayed towards the smaller Chinese banks during the 1950s. Commercial banks warned the Government of the dangers of the expansion of these unregulated institutions. The banks themselves, of course, were taking the opportunity to establish their own DTCs which would be free from the constraints of both statutory supervision and the interest-rate cartel.⁹⁸

⁹³ Circular No. 95 ‘Banking Ordinance – chapter 155 Bank Negara Indonesia’ 16 June 1961. HKRS 163-1-679 ‘Banking Advisory Committee’.

⁹⁴ HKRS 163-3-249 ‘Banking Emergency 1965 – Matters arising from...staff etc.’ H. J. Tomkins to Financial Secretary, 5 March 1965, ‘Suggested measures to deal with the aftermath of the failure of the Canton Trust & Commercial Bank, Limited’ p. 8

⁹⁵ ‘The Origins of Anti-Competitive Regulation. Was Hong Kong ‘over-banked’ in the 1960s?’, Hong Kong Institute of Monetary Research Discussion Paper, 8 November 2005. A similar analysis has shown that the restrictions on competition could not be justified in a later period. See Guorong Jiang *et al.*, ‘Banking Sector Competition in Hong Kong – Measurement and Evolution Over Time,’ *Hong Kong Monetary Authority Research Memoranda* (30 April 2004).

⁹⁶ *Hong Kong Hansard*, 3 July 1974, p. 954.

⁹⁷ Y. C. Jao, *Banking and Currency in Hong Kong. A Study of Postwar Financial Development* (London: Macmillan, 1974), p. 96.

⁹⁸ Philip Bowring, ‘Hongkong’s Banks: Newcomers squeeze the Establishment’, *FEER*, 1 April 1974.

The role of the banks and the DTCs in funding stock market and property bubbles in this decade became increasingly difficult to ignore. The colonial administration, nevertheless, proved very resistant to demands for regulation of DTCs. As the analysis which follows will show, the Government was to find that its failure to collect adequate statistics hindered it from taking effective action even when the need for intervention could no longer be denied. This data deficit was a matter of choice. Officials should have known from their experience of managing the 1965 crisis that good statistics were indispensable. Furthermore, as the stock market bubble had gathered momentum in the early 1970s, anxious officials had ordered licensed banks to provide additional data on their lending in connection with shares.⁹⁹ Haddon-Cave knew very well how important statistics were for the oversight of financial markets and the prevention of abuses. He chose not to collect such information from DTCs.

The first public admission that the absence of statistics was a barrier to supervision of the DTCs came after the stock market bubble had collapsed in 1973. Demands for tighter controls on DTCs increased, but the Government disclaimed responsibility for ensuring 'the prudent conduct of business' by these companies. Haddon-Cave argued that the lack of adequate information about the secondary banking market made it impossible to assess how stringently it should be regulated.¹⁰⁰ The second admission that the data deficit was impeding government action followed a new and alarming upsurge in share and property speculation in 1978. The Government then announced that DTCs would become subject to 'a system of prudential supervision broadly similar to that applied to all licensed banks', including minimum liquidity ratios. However, officials found that never having collected data from the secondary banking sector, they lacked the information needed to set the ratios for DTCs.¹⁰¹

Inadequate statistics also hindered the Government from adapting regulatory practices to changing market conditions as Hong Kong became a major financial centre in the late 1970s. Not until 1981 did it start to monitor certificates of deposit in order, among other things, to decide whether to accept them as specified liquid assets. It waited for five years before starting to collect the information to classify loans by whether they were for use inside Hong Kong or offshore.¹⁰²

Haddon-Cave was unapologetic about his failure to improve the quality of statistics earlier and derided those who argued that the Government 'should "anticipate" rather than respond to "problems"'.¹⁰³ The delays in extending regulation to DTCs during the 1970s, to which the lack of statistics contributed, cost Hong Kong heavily. They allowed a spate of collapses among DTCs.¹⁰⁴ 'Imprudence, mismanagement,

⁹⁹ These data and their sources can be found in Leo F. Goodstadt, 'Crisis and Challenge: The Changing Role of the Hongkong & Shanghai Bank, 1950-2000', *HKIMR Working Paper No. 13/2005*, July 2005, p. 26.

¹⁰⁰ *Hong Kong Hansard*, 8 January 1975, pp. 342-3; 5 November 1975, p. 189; 3 December 1975, p. 297.

¹⁰¹ Haddon-Cave, *Hong Kong Hansard*, 16 November 1978, p. 209; 28 February 1979, p. 554.

¹⁰² Haddon-Cave, *Hong Kong Hansard*, 25 February 1981, pp. 459, 465.

¹⁰³ Haddon-Cave, *Hong Kong Hansard*, 16 April 1980, p. 733.

¹⁰⁴ In 1978, deposits from customers with the 241 DTCs were equivalent to 17 per cent of the total with licensed banks. In 1982, the figure rose to 22 per cent but slumped to 10 per cent in 1987, by which date 94 DTCs had closed their doors. *Hong Kong Annual Digest of Statistics, 1988 Edition* (Hong Kong: Census and Statistics Department, 1988), pp. 125-8.

and malpractice' had taken root in the secondary banking sector, and misconduct and outright fraud in bank-owned DTCs were to bring down seven licensed banks between 1982 and 1986.¹⁰⁵

Rough Ideas about GDP

London's statistical demands included national income figures, both GDP and GNP. On this issue, Cowperthwaite did not reject the request as unreasonable. Instead, he claimed that the Hong Kong Government had funded such an exercise but had been badly let down by an academic hired to undertake the work.¹⁰⁶ In fact, this professional statistician had produced a set of estimates, but the Government had no intention of giving them any official endorsement. Instead, they were leaked to an appropriate journal, and London invited to make use of them without any commitment by the colonial administration as to their quality.¹⁰⁷

In the last resort, Cowperthwaite's case against national income statistics was the same as his objection to collection of other economic data: the special nature of the Hong Kong economy.¹⁰⁸

... The leverage exercised by Government on the economy is so small that it is not necessary, nor even of any particular value, to have these figures available for the formulation of policy. We might indeed be right to be apprehensive lest the availability of such figures might lead, by a reversal of cause and effect, to policies designed to have a direct effect on the economy. I would myself deplore this.

In effect, this statement amounted to a confession that official policies would not command community support if the public were fully informed about Hong Kong's economic situation. It also implied a denial of the right of the community to influence the policies adopted by the Government. The financial secretaries who followed him took a different view of national income statistics. They quoted them with gusto to sell their budgets and their policies to the public. They had little choice. By the 1970s, deference politics were out, and the community was starting to insist on its right to debate and even to protest at government proposals.

Nevertheless, as long as Cowperthwaite remained Financial Secretary, no official national income figures would be published. As late as 1970, when under pressure from the business community for such figures, he stood his ground steadfastly: the collection of such data would be onerous and expensive,

¹⁰⁵ Y. C. Jao, 'Monetary system and banking structure', in H. C. Y. Ho and L. C. Chau (eds), *The Economic System of Hong Kong* (Hong Kong: Asian Research Service, 1988), p. 59.

¹⁰⁶ (138) P. Selwyn (Colonial Office) letter to Cowperthwaite, 21 February 1966; (139) Cowperthwaite letter to Selwyn, 19 March 1966; (141) J. Blades (Ministry of Overseas Development) to Cowperthwaite, 28 April 1966; (142) M. D. A. Clinton (Hong Kong) letter to Blades, 11 June 1966. HKRS163-9-88.

¹⁰⁷ They appeared in Our Editorial Staff, 'Hongkong's National Income', *FEER*, 26 May 1966. The author was not aware of why the document had been leaked to him. The official report was not published until 1969: *Report on the National Income Survey of Hong Kong* (Hong Kong: Government Printer, 1969).

¹⁰⁸ Cowperthwaite, *Hong Kong Hansard*, 25 March 1970, p. 495.

and unpopular with businessmen. Official GNP figures might be ‘more precise and authoritative’, but they were unlikely to be ‘very accurate’. ‘We have a rough idea of where we are’, he claimed, ‘certainly enough for any practical purposes’.¹⁰⁹

How erroneous that complacent boast was did not become apparent until official GDP estimates became available after his retirement. These indicate that the data deficit seriously misled him in framing his response to the economic downturn that followed the 1965 banking crisis. In his 1966 budget speech, he insisted that the 1965 bank crisis had been contained.¹¹⁰ A ‘temporary deflation of credit’ had occurred, he said, which the Government had resolved through injecting liquidity into the banks at risk. He clinched his case with the following statement:¹¹¹

The words ‘recession’ and ‘depression’ have been freely used during the course of last year [and its bank runs] and, while it is true that some sectors of the economy have receded, the whole economy has done so only in the relative sense of growing less fast. When you have been running at 12-15% and slow down to a trot at, say 6-8% (which is a very rough guess at last year’s rate) you have the impression of going backwards – although rivals continue to envy you your speed.

These estimates were hopelessly wrong. The economy had actually expanded significantly during 1965. Cowperthwaite did not perceive that trouble had been postponed till the following period or that, as he was speaking, the full impact of the bank runs on investor confidence was cutting growth. In both 1966 and 1967, real GDP growth was below 2 per cent, well under the trend for the decade. (See Table II) Cowperthwaite’s misleading analysis was eventually corrected by his successor not just with the benefit of hindsight but with the aid of GDP estimates reconstructed for the previous decade with his encouragement.¹¹²

The injection of additional liquidity into individual banks or sectors of the industry hit by heavy withdrawals of deposits could not prevent serious deflationary pressures developing from other causes. This danger was masked by the limitations of the monthly banking returns. These allowed the regulators to survey the state of individual banks, as well as of the different sectors of the banking industry, virtually on demand during 1965 (and the political crises of the following two years). The banking returns, however, did not provide a comprehensive profile of the forces at work or of changing investor confidence in particular.

This limitation can be illustrated very graphically for the property sector. ‘Our real estate “depression” is characterized more by a temporarily excessive increase in supply than by any substantial reduction in demand for new premises’, Cowperthwaite declared in his budget speech, ‘and by a tendency at present for the general public to rent rather than purchase’.¹¹³ The banking returns seemed to confirm this

¹⁰⁹ Cowperthwaite, *Hong Kong Hansard*, 25 March 1970, pp. 495-6.

¹¹⁰ The full text of his speech is at *Hong Kong Hansard*, 24 February 1966, p. 54 *et seq.*

¹¹¹ *ibid.*, p. 56.

¹¹² Haddon-Cave, *Hong Kong Hansard*, 1 March 1972, p. 422; 15 November 1972, p. 163.

¹¹³ *Hong Kong Hansard*, 24 February 1966, p. 59.

analysis because they revealed no decline in either the volume or the share of loans to the property sector.¹¹⁴ But these figures covered only current lending to building and construction and did not include loans for investment in land, property purchases or mortgages, for example.

The Government had another, highly accurate statistical indicator of property market trends. This was provided by data on plans for residential redevelopment projects, which were the driving force in the property market at that time, as Cowperthwaite himself acknowledged.¹¹⁵ These statistics are presented in Table III, which illustrates the market's dynamics and the total collapse that occurred in 1965. The indications are that neither Cowperthwaite nor the other officials involved had reviewed this information.¹¹⁶ As a result, he felt able to assume that the economy, including the property sector, was back to normal after the temporary setback of the previous year.

If Cowperthwaite had not set his face so resolutely against the compilation of national income statistics, he would have been unable to take such an optimistic view of the state of the economy in the 1966 Budget. But did this error matter when the Government was committed to *laissez faire*? His budget speech that year raised taxes and exerted the maximum discipline on public sector spending. Both policies could have been justified if his belief had been well-founded that the slowdown in the economy had already taken place but had left the economy growing at six to eight per cent. But his budget was framed on a flawed estimate of growth trends, and it contained deflationary measures inappropriate for Hong Kong's situation in 1966. GDP statistics were far from irrelevant to budgetary policy that year.

Given his insistence, quoted above, that the Government's leverage on the economy was minimal, would Cowperthwaite's 1966 budget have been very different if proper GDP data had been available? In 1970, he confessed that even an anti-Keynesian like himself believed that 'over-spending in the not so good [years] is a sound practice'.¹¹⁷ On this principle, his 1966 budget should have avoided deflationary measures. Instead, it raised taxes and held down spending. In 1970, he also stated that he had increased Hong Kong's sterling holdings in the previous year by HKD272 million, which would have a 'small' deflationary effect.¹¹⁸ In 1966, he had lauded an increase of HKD720 million in Hong Kong's sterling holdings, which would have been far more deflationary.¹¹⁹ It is plain that he understood very well that budgetary stringency was not the right prescription when the economy had lost momentum. At the very least, proper GDP figures would have given him the opportunity to avoid measures which he would have seen to be inappropriate for the real economic circumstances of 1966.

¹¹⁴ (128) Commissioner of Banking letter to Financial Secretary, 4 May 1971, HKRS163-3-12 'Banking Statistics /1. Supply of to S. of S. Policy concerning ...'.

¹¹⁵ *Hong Kong Hansard*, 24 March 1966, p. 215.

¹¹⁶ See the Government's elaborate but confidential exercise in 1965 to prepare its defence against charges by property developers that it had caused the crisis in which the Secretariat for Chinese Affairs which compiled figures on redevelopment plans (in the form of statistics on court exclusion orders) was not consulted. HKRS163-1-3284.

¹¹⁷ *Hong Kong Hansard*, 25 March 1970, p. 490.

¹¹⁸ *Hong Kong Hansard*, 25 February 1970, p. 363.

¹¹⁹ *Hong Kong Hansard*, 27 February 1963, p.57.

Conclusions

Statistics were only one element in the policy-making process, and this paper has shown no more than that more and better data could have helped officials to avoid policy errors and to manage crises more effectively. When statistical information improved, it did not necessarily lead to changes in existing policies. In social services, for example, policy was heavily influenced by the fact that the colonial administration shared the business community's nervousness about expanding the Government's programmes.

- Education officials had complained in the 1950s that without a census they lacked the data needed for proper planning of an expansion programme for schools.¹²⁰ From 1961, a census exercise was conducted every five years. Yet, education did not become free and compulsory at the primary level until 1971 and for the first three years of secondary school not until 1978, and then only in the face of considerable official reluctance.¹²¹
- After central provident funds were proposed for Malaya (now Malaysia), Singapore and other colonial territories in the 1950s, Hong Kong claimed that the lack of census data made it impossible to introduce a similar retirement scheme.¹²² But even after the 1961 and 1966 censuses, the Government collaborated with the business community in 1967 to reject proposals for a modern social security programme, alleging that these were inspired 'by an emotional prejudice against employers in general and profits in particular'.¹²³ Mandatory provident fund legislation was not passed until 1995, and the scheme only began in 2000.

The colonial administration preferred to have fewer statistics as a matter of convenience because restrictions on the flow of data allowed the colonial administration to control the content of political debate. When eventually they were published, however, financial management did not become more vulnerable, and social policies did not come under irresistible pressures for reform. For example,

- On balance of payments estimates, the colonial administration was still insisting in 1970 that their publication would cause 'misunderstanding and embarrassment'. Senior officials were unaware that estimates of Hong Kong's balance of payments had been prepared in London without Hong Kong's help and had appeared regularly in official British publications since 1965. These figures

¹²⁰ M. 15. DCS to DFS(E), 13 May 1957. HKRS22-1-96.

¹²¹ Cowperthwaite fought hard against free education. *Hong Kong Hansard*, 28 February 1962, p. 57; 25 February 1970, pp. 368-9; 24 February 1971, p. 419. The 1978 reform was prompted by growing disquiet overseas about illegal child labour in Hong Kong factories. Kenneth Topley, Director of Education, *Hong Kong Hansard*, 12 April 1978, p. 737.

¹²² *Hong Kong Annual Departmental Report by the Commissioner of Labour ... for the Financial Year 1953-54* (Hong Kong: Government Printer, n.d.), p. 70.

¹²³ Cowperthwaite ensured the defeat of the proposals contained in *A Report by the Inter-Departmental Working Party to Consider Certain Aspects of Social Security* (Hong Kong: Government Printer, 1967). For the details, see HKRS163-9-486, 'Social Security – Implications of Change in HK Status-Quo ...'.

had never attracted any attention locally or abroad, let alone caused any damage or even inconvenience to Hong Kong.¹²⁴

- The regular release of official GDP estimates from 1972 did not make it more difficult for the Government to pursue its own policies. Officials continued to offer little by way of justification for their financial strategies and budgetary criteria for the rest of the century.¹²⁵ Fears ‘that the figures would permit and ultimately foster greater government participation in the economy’ proved groundless.¹²⁶ Nor did the colonial administration have to sacrifice its *laissez-faire* principles in favour of populist social and economic goals.¹²⁷

Official figures were never going to be the raw material of revolution or even of reform. Their publication in increasing quantity in the 1970s was inevitable because the Government now recognised the need for a better-informed dialogue with a community that was becoming more assertive.¹²⁸ Statistics did not, however, empower the general public because it was not the shortage of statistical information but the absence of elected representatives in the legislature until 1985 that shaped the political landscape.

The hostility towards statistics embedded in the traditional bureaucratic culture resulted in greater costs than any political advantages which the colonial administration expected to gain. This paper has pointed, for example, to the way in which past failures to provide comprehensive statistical information aggravated mistrust of the colonial administration among Chinese officials during the final phase of British rule.

The overall conclusion of this paper is that the ‘invisible hand’ could not be relied upon to repair policy errors, even in a *laissez-faire* regime dedicated to small government. Limited statistical information weakened the Government’s capacity to formulate effective policies. The consequences were not confined to the development of housing and social services. This paper has shown how the data deficit also affected the response of the colonial administration to its economic and financial challenges. When adequate statistics became available, the quality of the Government’s performance could improve significantly, as supervision of the banks demonstrated after 1964. In contrast, where the need for statistical information was neglected, notably in the case of DTCs during the 1970s, the financial system remained vulnerable to crisis and scandal. It was fortunate that the growth momentum was so dynamic in the post-war period that Hong Kong was able to meet the costs of its significant data deficit without undermining either social or political stability.

¹²⁴ M. 1 AS(E3) to DES, 20 June 1970; M. 3 Financial Secretary to DES, 24 June 1970; M. 5 and 7 AS(E3) to Financial Secretary, 26 and 29 June 1970; Governor saving despatch to Secretary of State for the Colonies, No. 781, 29 June 1970. HKRS163-9-217.

¹²⁵ Tang Shu-hung, ‘A Critical Review of the 1995-1996 Budget’, in Stephen Y. L. Cheung and Stephen M. H. Sze (eds), *The Other Hong Kong Report 1995* (Hong Kong: Chinese University Press, 1995), p. 171.

¹²⁶ This prediction was recorded in Alvin Rabushka, *The Changing Face of Hong Kong. New departures in public policy* (Washington: American Enterprise Institute, 1973), p. 72.

¹²⁷ Lau Siu-kai and Kuan Hsin-chi, ‘Public Attitudes towards Laissez Faire in Hong Kong’, *Asian Survey*, Vol. 30, No. 8 (1990), pp. 768-80.

¹²⁸ This shift in attitudes was signalled by Haddon-Cave, *Hong Kong Hansard*, 9 March 1972, p. 612.

Table 1. Domestic Exports & Total Exports, 1950-1960 (HKD millions)¹²⁹

Year	Domestic Exports	Re-exports	Total Exports
1950	197	3,518	3,715
1951	312	4,130	4,433
1952	486	2,413	2,899
1953	635	2,099	2,734
1954	682	1,735	2,417
1955	730	1,804	2,534
1956	1,115	2,095	3,210
1957	1,202	1,814	3,016
1958	1,260	1,729	2,989
1959	2,282	966	3,278
1960	2,867	1,070	3,937

¹²⁹ The data for domestic exports for 1950-52 are derived from the unpublished monthly reports in HKRS170-1-554-2 /3 'Report. Department of Commerce & Industry'. The data for 1953-58 are from the serial publication, *Hong Kong Annual Departmental Report by the Director of Commerce and Industry for the Financial Year* (Hong Kong: Government Printer). Figures for subsequent years and for all total exports are from Census and Statistics Department, *Hong Kong Statistics 1947-1967* (Hong Kong: Government Printer, 1969), p. 88. Re-export data before 1959 shown here represent the difference between total exports and estimated domestic exports. The Commerce and Industry Department derived its domestic export data in the period before 1958 on the basis of those items for which exporters had applied for Imperial (later Commonwealth) Preference and Comprehensive Certificates of Origin. The former category covered the Sterling Area but not the growing markets in Western Europe. The latter covered exports to the United States but not to other dollar countries which did not ban trade with the People's Republic of China. Domestic export figures before 1959 were thus underestimated, while the residual re-export figures were over-estimated.

Table 2. Gross Domestic Product, 1963-69 (percentage changes)¹³⁰

Year	Nominal growth	Real growth
1963	20.1	15.7
1964	14.0	8.6
1965	17.4	14.5
1966	2.3	1.7
1967	8.4	1.7
1968	6.8	3.3
1969	17.5	11.3

Table 3. Index of Urban Redevelopment Plans for Financial Years 1953-54 to 1970-71¹³¹

Financial Year	Index
1959-60 (base)	100
1962-63	326
1964-65	155
1965-66	16
1966-67	11

¹³⁰ 2003 *Gross Domestic Product* (Hong Kong: Census and Statistics Department, 2004), pp. 16, 20.

¹³¹ The index is calculated from applications for court exclusion orders to redevelop existing urban tenement buildings. It is derived from Roderick O'Brien, 'Rent and Tenure Controls for Pre-War Buildings', *Hong Kong Law Journal*, Vol. 7, No. 1 (1977), 'Table 3 Exclusion Orders', p. 41. It measures the initial commitment of a developer to a project. It excludes 'greenfield' projects, which were not of great significance in this period.