

Privatize Public Housing
School of Economics and Finance and the Hong Kong Centre for Economic Research, The University of Hong Kong
Conference on Residential Housing in Hong Kong. Co-organized by the Department of Business Studies, Hong Kong
Polytechnic and the Department of Economics, Chinese University of Hong Kong

PRIVATIZE PUBLIC HOUSING

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PRIVATIZE PUBLIC HOUSING

Summary

After health and education, the most important non-market sector in free market Hong Kong is housing. In 1991, 576,313 households or 36.5% of the domestic households live in public and aided rental housing blocks at heavily subsidized rents. The programme has often been hailed as a major social achievement and as evidence of the positive and necessary aspects of government intervention. Nothing can be further from the truth.

In principle, a public housing program should help the poor and permit them to consume more housing than they would have in its absence. Available evidence shows that this is not the case. In 1981, about 52% of the households who live in public housing were consuming less housing than their counterparts in the private sector with similar income and demographic characteristics. The public housing program was not helping the households to obtain better shelter than what would have been available in their absence. Half the households were worse off in housing terms, but chose to stay in the program because of the cheap rent.

The poor were also not the main beneficiaries of the public housing program. In 1986, the income distribution of renters in public housing was not significantly different from that in private housing. Indeed at very low levels of income there were proportionately more poor families who were private renters than public renters. This meant that there would be continuing pressure to expand the public housing program because of pressure from poor private renters. The long queues of people waiting eagerly to get into public housing is clear evidence to this effect.

Attempts were made to encourage the well-off tenants to give up their public housing units through operating Homeownership Schemes and Private Sector Participation Schemes. In a further bid to encourage more well-off tenants to become homeowners, the Housing Authority proposed in 1985 to double public housing rents for tenants who have been in the programme for more than 10 years, if their family income exceed 1.5 times the qualifying income level of new applicants. These schemes were subsidized by the government, but there were severe restrictions that prevented the units from being freely transferred on the market. From the point of view of the public housing tenant, the ownership of a home that entails financial outlays at the outset and cannot be transferred for many years may be inferior to having a permanent claim on public housing tenancy rights. Such claims were almost risk free and whose value may appreciate over time if the government is perceived to be committed to a policy of replacing current buildings with better structures over time.

Nevertheless, the large stock of aspiring homeowners in both the public and private sectors could not be accommodated quickly enough. The competing demands of private renters who could not afford to buy homes and were waiting to join the public housing programme also limited the rate of expansion of homeownership because of the limited resources that were

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available to the Housing Authority had to maintain a balance between the provision of public housing and homeownership units.

The Housing Authority has recently proposed a limited program to sell some of its public housing units to current tenants. This is by far the most interesting initiative of the Housing Authority to date. Various grass root organisations concerned with public housing have reacted negatively to the proposal. They accuse the government of relinquishing its commitment to house the poor. Public housing tenants were more concerned about the price at which government will sell the units. In the end, the tenants refused to accept the offer even when the units were being offered at 43% of the estimated market price. The Housing Authority is now apparently reconsidering its offer with the possibility of giving an even more generous offer.

The real reason why the tenants refused to take up the offer made by the Housing Authority was simple: **there were severe limitations imposed on the resale options.** These limitations were similar to those imposed on the sale of Home Ownership Scheme flats. They reduced enormously the value of the flat as a transferrable asset. Everyone knows that an asset which cannot be transferred on the open market can only be sold at a deep discount to its true market value. It would be logical for most tenants to be unwilling to pay more than the present value of their expected rental expenditures if they are unable to reap any capital gain when they sell the asset.

Indeed it may be more in their interest to remain as a public housing tenant and retain the benefits that accrue from a permanent entitlement. They can at least look forward to lobbying the government to improve housing over time as the economy prospers. The reason why the initial sale of public housing units failed is therefore not that the price was not cheap enough, or that the tenants could not afford it, or that the quality of the units were not good enough, but simply that you are trading a valuable permanent entitlement for an asset whose market value is limited by transfer restrictions.

It is important to recognize that public housing is a transfer-in-kind rather than a cash subsidy. Tenants have little choice with respect to location, size and other housing characteristics when they took up the units. You either accept the offer or go back into the queue and wait for an uncertain period until you are called again. Therefore acceptance of an unit does not imply that you value it at its full market value, but only because the rent is so cheap that you are willing to tolerate all the unpleasant and inconvenient aspects of accepting the offer. For example, the actual perceived benefits of a unit in Tuen Mun will fall short of its market value to a person who works in Central. The market value of a unit is the highest amount someone would be willing to pay for that unit, for example, someone who works in Tuen Mun.

According to two separate estimates obtained for 1981 and 1986, we know that on average the public housing tenant values that unit in which he lives in at only 58.70% and 64.65% of the market value of that unit. In other words for each dollar the taxpayer spent on the public housing programme, only 60 cents worth of benefits were obtained by the tenant. An enormous amount of resources were wasted. The total losses to society as a whole can be

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derived based on the efficiency estimates of the housing program. For 1981 and 1986, they amounted to 1.18 and 0.64 percent of gross domestic product for the respective years. This is a huge amount of wasted resource and they stem from the fact that public housing units are not provided by the market.

The key question for privatisation to succeed is therefore transferability. If the units could be freely transferred after the tenant acquires it, then an initial selling price set at 43% of the market price as originally proposed by the Housing Authority would be attractive. The tenants would have implicitly received a capital gain equal to 57% of the value of the unit. One would be foolish not to accept it. Banks would be willing to offer mortgages of up to 100% of the initial sale price since they would have as security an asset whose value is substantially higher. There would be little need for making an initial downpayment.

With privatisation the ex-tenant could also sell his unit at the market price, but what can he purchase in return? To the typical public housing ex-tenant most existing private housing units are beyond his budget. The ex-tenant who wishes to relocate is compelled to choose from other privatised public housing units. If only a small proportion is privatised then ex-tenants who wish to relocate will have a very limited choice. The full benefits of privatisation is realized only when the vast majority of the public housing units are sold off. Administratively this would of course take time.

While there may be some concern that allowing public housing tenants, who have already benefited from living in subsidized housing for so many years, to further benefit from capital gains through privatization today is unfair to those who have been deprived of both benefits. While the concern appears reasonable, this is not an excuse for not going ahead with privatization. A greater injustice is perpetuated by wasting vast amounts of resources tied down in public housing estates that has no alternative use. Those who live in private housing has little gain and much to lose from refusing to privatize public housing units. Privatization will make available to the Housing Authority vast resources through the sale of public housing units so that private tenants and those in temporary housing can look forward to faster provision of both public housing and homeownership units.

Privatisation will make available to society an enormous amount of resources locked in non-transferrable housing units immediately. The benefits will not limited to those who live in public housing, but spillover to all households. This is a more effective and efficient initiative to help households in the sandwich class. Any attempt to operate a subsidized homeownership program for the sandwich class is not only expensive, but will inevitably lead to massive fraud and social injustice. In 1991, households in the income bracket between HK\$18000-40000 numbered 257,540. Of these there were 156,345 homeowners, 58,002 public housing tenants, and 31,021 private housing tenants. The incentive for some existing homeowners to sell their units in order to qualify for any new program targeted at the sandwich class will be substantial. The cost of distinguishing between the genuine and non-genuine sandwich class will be enormous. If the Housing Authority has failed to screen people effectively for the public housing program, what assurance can we have for doing a better job with the more difficult task involving the sandwich class.

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Alternatively, the privatisation of close to 600,000 public housing units one can look forward to creating a society of genuine homeowners within a realistic time span. What policy can be more genuinely equitable at so little cost. A society of homeowners contributes enormously to social stability. Unlike public housing tenants who lobby incessantly for transfers in their favour by robbing others in the name of social justice, homeowners have a stake to defend and strives to strengthen the integrity of private property rights. The government has nothing to lose by privatising public housing. Land on which these massive estates sit has already been give away, it is merely a matter of allowing them to realize their full market worth. Society on the other hand has much to gain from acquiring such vast amounts of wealth. Indeed at a time of high inflation induced by structural transformation of the economy, privatization would at one stroke create an asset that can hedge against the ill effects of inflation for more than one-third of the population.

PRIVATIZE PUBLIC HOUSING

Introduction

Throughout Hong Kong's post-war history, the government had intervened in the housing market on a massive scale through the provision of public housing and the imposition of rent control without realizing the full consequences. These actions have affected the lives of ordinary citizens and the development of Hong Kong in profound and damaging ways.

In the preceding twelve months, important proposals and measures have been taken that could potentially alter the framework guiding the pattern of post-war housing and land development with important and lasting effects. The Housing Authority's bid to sell a limited number of public housing units to the sitting tenants at a deep discount to their market values ended in failure when the tenants rejected the offer. Four decades of cheap public housing is not an easy habit to kick. So, has privatization of public housing stock been tried and failed? The answer as we shall see is no. The real folly lies with those who unwittingly allowed the public housing program and other related housing schemes to grow into Leviathan-like proportions.

The full implications of these policy initiatives are difficult to evaluate without a comprehensive analysis that goes deep into history. The interaction among evolving circumstances, policy responses, and outcomes must be correctly interpreted if we are to understand the significance of many policy measures. Housing issues are necessarily of huge proportions and extend far into the future. The consequences of decisions made today will take years and decades to work out. The following exposition, using primarily an economic and historical perspective, outlines the key issues that are relevant for public debate.

Rent Control

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At the end of World War II, the government imposed rent control on all pre-war housing. Discrimination against new immigrants was implicit. Between 1945 and 1950, massive immigration from China increased the local population from 600,000 to 2,100,000. Land around the fringes of the urban areas were invaded by the new immigrants. Squatter settlements literally mushroomed overnight.

The process of urban redevelopment was severely complicated by the imposition of rent control on pre-war housing. The Landlord and Tenancy Ordinance provided that rent on these units could not be raised unless a tenant vacated his premises. In actual practice the cost of evicting tenants was made prohibitive by the legal process. It became almost impossible to repossess existing premises for reconstruction purposes. This severely limited the incentive for private developers to undertake housing reconstruction during the immediate post-war years. It is a mistake to conclude that this was a case of market failure in the housing market. A market solution was rendered impossible from the very beginning because of rent control. An interventionist solution in the form of a public housing programme soon appeared as the only feasible alternative.

The situation became critical as the economy grew rapidly and housing demand increased. There was growing pressure on government to either (1) resettle squatters in order to clear the illegally occupied squatter settlements, or (2) relax the conditions for evicting tenants for urban redevelopment purposes. The government did both. The decision to resettle large numbers of squatters into multi-storeyed public housing blocks after the fire in December 1953 was taken before the Landlord and Tenancy Ordinance was amended in August 1955.

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In 1991, 576,313 households or 36.5 percent of all domestic households live in public and aided rental housing blocks at heavily subsidized rents. The programme has often been hailed as a major social achievement and as evidence of the positive and necessary aspects of government intervention. Nothing can be further from the truth.

In principle, a public housing program should help the poor and permit them to consume more housing than they would have in its absence. Available evidence shows that this is not the case. In both 1981 and 1986, about 52 percent of the households who live in public housing were consuming less housing than their counterparts in the private sector with similar incomes and other demographic characteristics. The public housing program failed to help half of its clients to obtain better shelter than what they otherwise would have been able to obtain in the private market. Half the households were worse off in terms of housing consumption, but chose to stay in the program because of the cheap rent.

The poor were not the main beneficiaries of the public housing program as well. In 1986, the income distribution of renters in public housing was not significantly different from that in private housing (see Table 1). Indeed at very low levels of income there were proportionately more poor families who were private renters than public renters. This meant that there would be continuing pressure to expand the public housing program because of pressure from poor private renters. The long queues of people waiting eagerly to get into public housing is clear evidence to this effect.

Table 1
 Household Income Distribution in 1986

Household income (\$)	<u>Private renters</u>		<u>Public renters</u>	
	Percent	Cumulative percent	percent	Cumulative percent
0-999	3.23		1.68	
1,000-1,999	9.64	12.87	4.56	6.24
2,000-2,999	14.81	27.68	10.17	16.41
3,000-3,999	17.08	44.76	18.10	34.51
4,000-4,999	12.39	57.15	16.20	50.71
5,000-5,999	9.09	66.24	12.49	63.20
6,000-6,999	6.85	73.09	9.58	72.78
7,000-7,999	5.02	78.11	6.50	79.28
8,000-8,999	4.36	82.47	5.61	84.89
9,000-9,999	2.57	85.04	4.21	89.10
10,000-11,999	4.44	89.48	4.94	94.04
12,000-14,999	3.15	92.63	3.62	97.66
15,000-19,999	3.23	95.86	1.78	99.44
20,000-	4.14	100.00	0.57	100.00

At the end of 1970, the total stock of public sector housing units was already greater than the total in the private sector. The public housing programme had become very large and expensive, and became even more so under the governorship of Sir Murray MacLehose, during whose tenure we saw the setting up of a new Housing Authority and the introduction of new programmes, including the Home Ownership Scheme (HOS) and the Private Sector Participation Scheme (PSPS) in 1976.

The Housing Authority found itself to be the custodian for the housing needs of half the population. The real dominant voice of this blessed group was not the poor, but the lower middle class whose interest now was in obtaining better housing. They were not willing to give

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up their cheap public housing units for the more needy unless a better bribe was offered. The HOS and PSPS served primarily their interests. At present, two thirds of these units are allocated to public housing tenants and one third to private housing tenants.

In a further bid to encourage more well-off tenants to become home owners, the Housing Authority proposed in 1985 to double public housing rents for tenants who have been in the programme for more than 10 years, if their family income exceeded 1.5 times the qualifying income level of new applicants. Opposition to the proposals was severe, but the policy was put into practice.

Since the HOS and PSPS units were offered at concessionary rates, the government sought to limit profit taking by putting limitations on the resale options available to the home owners. From the point of view of the public housing tenant, the ownership of a home that entails financial outlays at the outset and cannot be transferred for many years may be inferior to having a permanent claim to public housing tenancy rights. Such claims were almost risk free and whose value may appreciate over time if the government is perceived to be committed to a policy of replacing current buildings with better structures over time.

Nevertheless, the large stock of aspiring home owners in both the public and private sectors could not be accommodated quickly enough. The competing demands of private renters who could not afford to buy homes and were waiting to join the public housing programme also limited the rate of expansion of home ownership because of limited resources. The Housing Authority had to maintain a balance between the provision of public housing and home ownership units.

Failure of Sale of Units

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In October 1990, the Housing Authority proposed a limited program to sell some of its public housing units to current tenants. This is by far the most interesting initiative of the Housing Authority to date. Various grass root organisations concerned with public housing have reacted negatively to the proposal. They accuse the government of relinquishing its commitment to house the poor. Public housing tenants were more concerned about the price at which government will sell the units. In the end, the tenants refused to accept the offer even when the units were being offered at 43 percent of the estimated market price. The Housing Authority is now apparently reconsidering its offer with the possibility of giving an even more generous offer.

The real reason why the tenants refused to take up the offer made by the Housing Authority was simple: **there were severe limitations imposed on the resale options.** These limitations were similar to those imposed on the sale of HOS flats. They reduced enormously the value of the flat as a transferrable asset. Everyone knows that an asset which cannot be transferred on the open market can only be sold at a deep discount to its true market value. It would be logical for most tenants to be unwilling to pay more than the present value of their expected rental expenditures if they are unable to reap any capital gain when they sell the asset.

Indeed it may be more in their interest to remain as a public housing tenant and retain the benefits that accrue from a permanent entitlement. They can at least look forward to lobbying the government to improve housing over time as the economy prospers. The reason why the initial sale of public housing units failed is therefore not that the price was not cheap enough, or that the tenants could not afford it, or that the quality of the units were not good enough, but simply that you are trading a valuable permanent entitlement for an asset whose market value is limited by transfer restrictions.

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It is important to recognize that public housing is a transfer-in-kind rather than a cash subsidy. Tenants have little choice with respect to location, size and other housing characteristics when they took up the units. You either accept the offer or go back into the queue and wait for an uncertain period until you are called again. Therefore, acceptance of an unit does not imply that you value it at its full market value, but only because the rent is so cheap that you are willing to tolerate all the unpleasant and inconvenient aspects of accepting the offer. For example, if someone who works in Aberdeen gets a public housing unit in Tuen Mun, he will not value the unit as much as someone who works in Tuen Mun.

Loss of Values to Society

According to two separate estimates obtained for 1981 and 1986, we know that on average the public housing tenant values the unit in which he lives in at only 58.70 percent and 64.65 percent of the market value of the unit.¹ In other words, for each dollar the public spent on the public housing programme, only 60 cents worth of benefits were obtained by the tenant. An enormous amount of resources were wasted. The total losses to society as a whole can be derived from these efficiency estimates of the housing program. For 1981 and 1986, they amounted to 1.18 percent and 0.48 percent of gross domestic product for the respective years. This is a huge amount of wasted resource and they stem from the fact that public housing units are not provided by the market.

¹For 1981 estimates see Yue-Chim Wong and Pak-Wai Liu, "The Distribution of Benefits among Public Housing Tenants in Hong Kong and Related Policy Issues", Journal of Urban Economics, **23** 1-20 (1988). For 1986 estimates see Yue-Chim Richard Wong and Man-Lui Lau, Housing Policy in Hong Kong: Causes, Consequences and Remedies, Chinese University Press, Hong Kong (forthcoming).

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The key question for privatisation to succeed is therefore transferability. If the units could be freely transferred after the tenant acquires it, then an initial selling price set at 43 percent of the market price as originally proposed by the Housing Authority would be attractive. The tenants would have implicitly received a capital gain equal to 57 percent of the value of the unit. One would be foolish not to accept it. Banks would be willing to offer mortgages of up to 100 percent of the initial sale price since they would have as security an asset whose value is substantially higher. There would be little need for making an initial down payment.

With privatisation the ex-tenant could also sell his unit at the market price, but what can he purchase in return? To the typical public housing ex-tenant most existing private housing units are beyond his budget. The ex-tenant who wishes to relocate is compelled to choose from other privatised public housing units. If only a small proportion is privatised then ex-tenants who wish to relocate will have a very limited choice. The full benefits of privatisation is realized only when the vast majority of the public housing units are sold off. Administratively this would of course take time.

While there may be some concern that allowing public housing tenants, who have already benefited from living in subsidized housing for so many years, to further benefit from capital gains through privatization today is unfair to those who have been deprived of both benefits. While the concern appears reasonable, this is not an excuse for not going ahead with privatization. A greater injustice is perpetuated by wasting vast amounts of resources tied down in public housing estates that has no alternative use. Privatization will make available to the Housing Authority vast resources through the sale of public housing units so that private tenants and those in temporary housing can look forward to faster provision of both public housing and home ownership units. The government has nothing to lose by privatising public housing. Land

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on which these massive estates sit has already been give away, it is merely a matter of allowing them to realize their full market worth. Society on the other hand has much to gain from acquiring such vast amounts of wealth.

The Housing Authority is now looking at privatisation as a solution to its problems. It is seeking to partially re-create the market which it had gradually destroyed over four long decades. But to succeed it must go all the way to relax existing restrictions on resale options and implement the program on a large scale. The privatization of public housing is a step in the right direction and should be applauded. To succeed, however, the Housing Authority must take even more bold steps.

Inflation and Housing Relief

Double digit inflation has become a serious concern in Hong Kong. Real savings become eroded rapidly over time. The flight to property as an inflation hedge is a natural response. Households who do not own property will find their lifetime wealth position decline rapidly both in absolute and relative terms. In 1991, domestic property prices surged. Private tenants who were not eligible for subsidized public housing and HOS units, discovered that their hopes of acquiring a unit vanish within the span of a few weeks. They could no longer afford to buy a unit at current prices and probably not in the near future as well because the gap between the value of accumulated savings and property prices will grow.

At the government's urging, banks reduced their mortgage loans in order to curb speculation in property. This made it even more difficult for those without homes to acquire one. Individual legislators have urged government to provide some form of subsidized housing for these households. Others have urged the government to penalize property owners for holding vacant flats. One cannot be optimistic about the feasibility and desirability of further

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interventions into a market which is already heavily dominated by inefficient and inequitable housing programs.

The effect of inflation on real savings can only be addressed by increasing the supply of assets that can serve as a hedge against inflation. In Hong Kong and elsewhere the single most important asset that serves such a purpose for most households is property. If every household were to become a property owner then the problem will be largely resolved. The magnitude of the problem can be estimated on the basis of the number of households who are not home owners.

Figures from Table 2 indicate that 42.6 percent of the households are home owners, 36.3 percent live in public rental housing, and 16.7 percent live in private rental housing. Among private renters 213,092 have incomes below \$18,000, whereas only 31,092 are in the so-called sandwiched income class. Whether government should spend resources to help the top quintile of the income distribution at the expense of the relatively poor in society can be debated, but surely their case cannot be supported on equity grounds.

A staggering 574,249 households live in public rental housing. While these tenants do not have a housing problem they do not own the units they live in. If these public housing units could be sold to the tenants with **full transfer rights** both they and society would be better off. Tenants would obviously welcome the idea if prices for these units were set at a discount to the market value. At a time of high inflation, privatization would at one stroke of the pen create an asset that can serve as a hedge against inflation for more than one-third of the population.

Table 2

Distribution of Households in 1991

Monthly Income	below \$18000	\$18000-\$40000	above \$40000
Owner Occupier	467,539	156,345	49,183
Tenant:	726,197	89,023	22,131
Public housing	513,105	58,002	3,142
Private housing	213,092	31,021	18,989
Employer Provided	32,575	10,849	9,261
Rent Free	15,071	1,323	575
Total	1,241,382 (78.6%)	257,540 (16.3%)	81,150 (5.1%)

What policy can be more genuinely equitable at so little cost. Resources made available to the Housing Authority through the sale of public housing units will also help speed up the provision of HOS units to private tenants, including those in the sandwich class. This is a more effective and efficient way of helping households in the sandwich class.

Any attempt to operate a subsidized home ownership program for the sandwich class is not only expensive, but will inevitably lead to massive fraud and social injustice. In 1991, households in the income bracket between HK\$18000-40000 numbered 257,540. Of these there were 156,345 home owners, 58,002 public housing tenants, and 31,021 private housing tenants. The incentive for some existing home owners to sell their units in order to qualify for any new program targeted at the sandwich class will be substantial. The cost of distinguishing between the genuine and non-genuine sandwich class will be enormous. If the Housing Authority has failed to screen people effectively for the public housing program, what assurance can we have for doing a better job with the more difficult task of screening the sandwich class.

Homeownership and Stability

The large scale privatization of public housing with unrestricted transfer rights provides the best long term solution for society as a whole. With privatization one can look forward to creating a society of genuine home owners within a realistic time span. It is in the interest of the sandwich class to support such a policy for they would like to have their own home but do not wish to pay more taxes. A society of home owners contributes enormously to social stability. Unlike public housing tenants who lobby incessantly for transfers in their favour by robbing others in the name of social justice, home owners have a stake to defend and strive to strengthen the integrity of private property rights.

Privatization would also help shape future debates on the budget in a healthy direction and help preserve the essential features of Hong Kong's successful budgetary policy in an age of political change: low taxes and limited spending. The great advantage of the income tax system is its enormous simplicity, low tax rate, and high predictability. It is popular to view personal income taxes solely in distribution terms and to argue in favour of higher tax rates. But the greatest benefit of low tax rates is that it facilitates economic growth by providing powerful incentives for individuals to improve their situations. For this reason, Hong Kong's tax regime is really the poor man's best friend.

The experience of the welfare states in the industrialized West shows that the only permanent escape from poverty has to come from self help and not hand outs. The state is not a reliable relief agency in the long run. If the economy slows down due to higher taxes then the state will sooner or later run out of funds. The middle class in Hong Kong, more than anybody else, knows this. It would be a serious mistake to believe that they prefer higher taxes as a

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redistributive measure despite its populist appeal, but like everybody else they would like to have free-lunches for themselves but not others.

Conclusion

It has often been alleged that housing markets are characterized by market failures arising from neighbourhood effects. The nature of housing is such that the value of a property depends not only on its own attributes, but also on the characteristics of the neighbourhood it is located in. Since anyone who invests in housing development will generate benefits that would accrue to others, there is a presumption that the free market will not provide adequate housing. Economists call this the problem of negative externalities.

This is the classic justification as to why governments should intervene in housing markets. The case is further strengthened by moral concerns that in a civilized society no one should be deprived of basic shelter. Those who live in a society that fails to house all its population adequately is unlikely to find it a safe place to be in. For this reason, governments all over the world have been heavily involved in the controlling, regulating, and providing housing.

Hong Kong's experience has demonstrated that the failures of government can be just as bad, and often with even more damaging consequences. The enormous waste and injustices of the public housing program is alarming, and is especially so when one considers that it did not even succeed in providing more housing for the Hong Kong population than the free market alternative. Market failures may have been exaggerated, but government failures have not. Let us hope that recent policy initiatives to privatize public housing will benefit from a better understanding of the mistakes of the past.