Making a happier Hong Kong

Lok Sang HO
Lingnan University, Hong Kong

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Recommended Citation
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Lok Sang Ho is Professor of Economics and Director of the Centre for Public Policy Studies at Lingnan University.

Achieving greater happiness in a big city like Hong Kong is a challenge. The fact that it is one of the world’s safest and most peaceful cities, despite its population of more than seven million—who are densely packed into tight living spaces while also feeling the effects of the herculean forces of globalisation, swept by the cross currents of different cultures—is already a miracle in itself. Conflicts, contradictions, contentions and confusion are all to be expected. Yet Hong Kong’s happiness index has held up very well. Indeed it had risen from its trough of 67.2 in 2007 to 69.3 in 2008—much to our surprise, since the 2008 survey was conducted after the global financial tsunami had already taken place. The index has since then hovered between 70 and 71 out of 100, not at all a bad reading. As it happens, Macau’s happiness index, which was based on a questionnaire modified from the Lingnan survey, was found to be very close to that of Hong Kong.

The Lingnan annual happiness index survey summary result is based on the response to one question: ‘Taking everything together, if 5 is neutral, 0 is most unhappy, and 10 is most happy, how would you rate your own happiness?’ The territory-wide index is calculated as the average score of all respondents multiplied by 10.

The 11-point scale of subjective well-being used in our questionnaire follows the Cantril ladder and is also used in a well-known Gallup survey. Because the scale 0 to 10 is familiar to people, and 5 provides a mid-point, thus not forcing people to make an unintended non-neutral report of subjective well-being, and because it potentially provides far more variation in the number reported than, say, a 5-point scale or a 7-point scale, this scale is preferred. Regression analyses using the reported measures have turned up interesting and consistent results, lending credence to the measure.

In ‘Hong Kong’s Happiness Indices: What they tell us about LIFE’ (2011), I attribute the resilience of Hong Kong’s happiness index to the transformation of values and priorities among Hong Kong’s population. The ‘LIFE’ scores (love, insight, fortitude and engagement) of Hong Kong’s inhabitants indicate that since 2008 they have become more caring, wiser, more resilient and more active. LIFE scores have been found to be very significant in explaining the reported happiness of people.

While the mind-set of people is crucial in determining their happiness, government policy and circumstances also play a role. Hong Kong’s population is very keen on maintaining the rule of law. The city’s inhabitants are worried about whether they can sustain their living standards after retirement, and about the cost and availability of health care. Some are concerned about the cost of their children’s education; while others are anxious that their offspring may fall in with the wrong crowd. Many have reported financial pressure, a factor which has been found to undermine happiness. Such pressure is also related to the kind of housing in which respondents are accommodated. Thus effectively providing public housing and a reliable and affordable health care system will significantly boost happiness.

Interestingly, and perhaps surprisingly, Hong Kong’s land policy has not only contributed to the city’s high housing cost but also led to higher income disparity, and a more narrowly based—a more diversified—economy.

Consider the fact that only 7 per cent of Hong Kong’s 1,068 square kilometres (412 square miles) is devoted to housing, while only 2.7 per cent of Hong Kong’s land is currently devoted to commercial and industrial uses. Hong Kong is known as a financial and commercial centre, but it devotes far more land to agriculture (6.1 per cent) than to finance and commerce (a mere 0.4 per cent!) The paucity of land devoted to economic activities implies very high land rent, and the high cost of land effectively prices many activities out of the economy. In other words, if the
cost of land had been lower, Hong Kong’s economy would probably have been more diversified. Many more home-grown and smaller enterprises could have existed, providing more employment opportunities to Hong Kong’s labour force, and potentially boosting wage levels. Lower land costs would also have reduced the fortunes of the land-rich class, thus narrowing the income gap between the rich and the poor.

To suggest releasing more land is easy, but from where would such land be obtained? Logically, land that is ripe for economic development must be accessible, and thanks to the construction of the West Rail, and the extension of railways in other parts of the territory, many possibilities have now opened up. Much of the land around Kam Sheung Road and Yuen Long, for example, is eminently developable.

It is a pity that the SAR Government has chosen to house its headquarters in a prime, harbour-side site in Tamar in Central. It is a massive building and even though some government functions probably need to be so centrally located, many other departments do not. The SAR Government really should have taken the lead in locating more of its offices in other parts of the city.

Given the rising concern over preservation and conservation, releasing more land for development is bound to meet with resistance. The Country Park Ordinance, for example, still preserves the same area of Hong Kong’s countryside today as it did in 1976, while the city’s population had grown from little more than four million to more than seven million in that time. We certainly need to be concerned about preservation and conservation, but we must also consider Hong Kong’s needs in housing, in commerce and in community uses. In principle, at the margin, the benefit of a hectare of land preserved should be equal to the benefit of a hectare of land developed. In short, policy-makers must understand that only a comparison of overall social costs and social benefits should determine how much land is to be devoted for one purpose as opposed to another.

By the same token, the government must use the same cost-benefit metrics to determine if it should increase any item of government expenditure. That is why stating that government expenditures must be no more than 20 per cent of the GDP under the dictum of ‘big market, small government’ really does not make sense. But clearly the presumption that fiscal policy should be sustainable is entirely correct. Hong Kong must not take the route of many democratic countries, which cater to voters’ short-term benefits at the expense of fiscal sustainability.

Policies that aim at promoting happiness must further the ‘public interest’. In Public Policy and the Public Interest (forthcoming) I define the public interest as ‘the ex-ante welfare of the representative individual facing a public policy choice’. The ‘representative individual’ is a hypothetical person who has no memory of his own identity and who ponders over what would happen to him under a proposed policy, assuming that he could be anyone in society and therefore could both benefit from and be damaged by it. Thus the representative individual has no vested interest in the impending decision. He is completely impartial. He puts himself into the shoes of every person in considering a policy. If, in taking such an impartial position, we conclude that a policy is good, then the policy is said to promote the public interest.

This may sound a little abstract, but it will be a lot clearer if we consider a numerical example. Suppose a serious disease befalls one Hong Kong citizen once a year. Suppose it takes HK$ 7 million (US$ 900,150) to treat it, and that the treatment is entirely successful. The representative individual approach would allow us to conclude that, beyond doubt, the treatment should be publicly funded. If each of us has the probability of 1/7 million in each year to contract the disease, and the government decides that it will not fund the treatment, we will be living in fear. If the government chooses to fund it, the cost is a mere HK$1 (US 12 cents) per year for each of its citizens. The cost is next to nothing, but the benefit, in terms of the peace of mind generated, is certainly much greater.

Some might argue that the private insurance market should take care of this, but this is just one well-defined misfortune. In practice, there are so many kinds of misfortunes that could happen, we really cannot expect the private insurance market to take care of all of them. While private insurance is certainly to be encouraged, a social safety net that takes care of people hit by different kinds of misfortunes, while featuring designs that guard against the more obvious forms of moral hazard, will give all of us a greater peace of mind and thus more happiness.

Readers will realise that this approach is related to John Rawls, who, in his Theory of Justice (1971), proposed the ‘veil of ignorance’ thought experiment. Actually the ex-ante approach can be traced to John Stuart Mill in the eighteenth century. Interestingly,
and remarkably, Laozi, more than 2,000 years ago, implored the decision-makers for society to consider the situation of everyone in society. Verse 49 from the Daodejing reads: ‘The Sages do not have a fixed mind different from that of others. They take the mind of any of their peoples as their own mind.’

Rawls is associated with the maximin principle: maximising the welfare of the person with minimum welfare. I agree with Professor Yew-Kwang Ng of Monash University that this position is probably too extreme, even though the Rawlsian concern about the plight of the most unfortunate is well justified, not so much exclusively but along with consideration about the benefits and costs that may go to others. The best preferred policy ex ante does not have to be the maximin, but should certainly reflect the weight of discomfort experienced by those who are most adversely affected.

Hong Kong is one of the safest cities on earth, and has the potential to be one of the happiest. A better understanding of the meaning of public interest will go a long way to resolving some of its conflicts, such as finding the sites for ‘not in my backyard’ or ‘locally unwanted land use’ facilities. If we are considerate, we would offer to compensate those in those localities who might be adversely affected and go the extra mile by reducing the undesirable side-effects of such facilities. Hong Kong needs that extra consideration to build more trust, and in building more trust we will have stronger social capital to build a happier Hong Kong. Diener et al. have argued that information and analyses on subjective well-being should inform public policy. With such awareness and an awareness of the meaning of the public interest, policy-makers will have a better chance to promote happiness.