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A CHINESE OPINION

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Adam Smith twisted to serve greed

AN AMERICAN writer, analysing the economic liberalism of Adam Smith that gave England its free enterprise system, once commented:

"Many radical and liberal thinkers have censured Smith, probably unfairly, for the excesses of laissez faire perpetrated by businessmen and industrialists, who have twisted Smith's doctrines to mean unbridled licence for themselves, free of all government control or interference."

In the context of Hongkong, censuring Smith in regard to the ordinary businessmen and industrialists would be manifestly unfair, but it would be preeminently fair to censure him in regard to the colony's property giants and their retinue of individual landlords.

Adam Smith's doctrines, formulated to enrich the economy of nations, have in Hongkong been arrogated and prostituted by men, capitalising on the feudal belief in the wealth-producing value of land, to enrich themselves.

The ordinary businessmen and industrialists, once benefitting from the free enterprise system, are falling victim to the same system as it is being dominated and manipulated by their more powerful property counterparts in capitalism.

Hit by skyrocketing land prices and rentals, they are tottering in insecurity, watched by a government deterred from extending a helping hand by its own policy of "positive non-interventionism".

Their enterprises are not yet falling like dominoes, but enough of them have closed down in the last year so as to create serious social and economic problems.

The closures have at least created, for the first time, an unemployment problem for Hongkong.

As a case in point, the closures of stores in the gigantic Meifoo-sunchuen residential complex can be cited as a particularly sad commentary on the economic permissiveness allowed by the government on principles that are now obviously being "twisted" by property owners.

Recently, I felt a sense of personal loss when the "evil face of capitalism" — in the words of Governor Sir Murray MacLehose — caught up with the little businessman who operates my favourite barbershop.

His shop has been serving the Prince Edward Road and Waterloo Road area for the last three decades or so. It is not in a prime site, being as far away as three miles from Hongkong's "Golden Mile". It is hidden by a flyover, hardly the kind of shop space that anyone would compete for.

Yet, his rent was quadrupled recently, from \$4,000 to \$16,000 a month. He has to cut about 50 men's hair a day just to pay his rent, and 50 haircuts are his maximum in most days. He is still trying to stay alive, but his chances of survival are no better than the stores in Meifoo-sunchuen.

If what has befallen this man is not stopped, pretty soon the little neighbourhood stores where people buy their daily bread and milk will likely be similarly threatened. These stores are mostly family enterprises, run by husband-and-wife teams, helped sometimes by their grown-up children, to eke out a living. They don't make anyone rich.

The stores in Meifoo-sunchuen, the barbershop and the little neighbourhood stores — when their turn comes — do not have the resources to diversify as are possessed by the factories which are also forced to close down by skyrocketing rent. But when they are threatened, the grassroot fabric of Hongkong's economy is threatened. The little men who have the least have the most to lose under the Government's present policy. This fact alone should suffice to persuade the Government of the importance of placing some curb on landlordism.

When the French economist Vincent de Gournay, the precursor of Adam Smith in advocating free enterprise, shouted "laissez faire, laissez passer", he didn't mean that, in letting the enterprises alone, the government should let them die.

In formulating his free enterprise doctrines, Adam Smith could not have intended that they be used as a licence for exploitative capitalism. He intended, it can be safely assumed, that they be used to establish "enlightened capitalism", as one of his commentators said.

When capitalism turns ravaging and predatory, society needs to be protected and the Government is beholden to provide such protection. The Government cannot shrink its responsibility with the argument — which has become a cliché in Hongkong — that prices and rents must be left to be determined by market forces.

The argument could be valid if market forces are spontaneous forces. There are no spontaneous market forces — hardly any, anyway — in Hongkong these days. They are more likely — as previously discussed in this column — to be forces manipulated by human greed.