FROM INTERVENTION TO PRIVATISATION: THE CHANGING PUBLIC HOUSING POLICY IN HONG KONG

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Abstract
There has always been debates among academics and politicians on the role the government should play in the provision of housing. The conventional welfare economy paradigm has brought along an expansion of public sector housing in most countries since the Second World War. In the past decades, the housing needs of the mass population in many countries have been met by huge government expenditure on public housing development. By the late 1970s, a global privatisation of the housing trend characterised by a shift of responsibility for housing provision from the state to the market has been evident. Such a trend is largely a response to the need to reduce national financial burdens. It is believed that privatisation can induce competition so as to maximise consumer benefits, enhance resources allocation efficiency and improve the quality of goods and services. In Hong Kong, a massive public housing programme has been developed since the early 1950s. In 1997, more than half of the population was housed in subsidised housing. In December 1997, the Hong Kong SAR Government introduced a Tenants Purchase Scheme under which existing public rental housing tenants were given the right to purchase their flats at a substantial discount price. This paper discusses the global privatisation trend in government subsidised housing and examines the problems associated with privatisation initiatives with particular reference to the Tenants Purchase Scheme in Hong Kong.

Keywords
Privatisation, Tenants Purchase Scheme, Public Housing, Hong Kong

THEORETICAL DEVELOPMENT:
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Housing in many countries is one of the social considerations involving government intervention. There have, however, always been debates among academics and politicians on whether the free market or government should provide what people want and also to what extent the government should be involved (Duff, 1997). This is particularly the case in Hong Kong following the hand-over of sovereignty. The territory has adopted the philosophy of “laissez-faire” in running its economy in general, but contrary to that policy, it is operating one of the most extensive public housing programmes in the world. In practice, the government now plays a much wider economic role in the housing sector, while keeping most other economic aspects in a free market economy context. The public sector involvement in Hong Kong is similar to that of Singapore in terms of government initiatives and policies.

For over a century, welfare economics has been the conventional wisdom that has guided our thinking on the question of what governments should do. This wisdom goes back a long way, stemming from the Cambridge economist Arthur C. Pigou. Government intervention has been justified by Pigovian welfare economics theses of market failure, notably ‘externalities’ (Samuelson, 1955) and, by extension, ‘public goods’ (Samuelson, 1958). This Pigovian