STOP THE CHIEF EXECUTIVE
EXECUTING THE FOOT-IN-THE-DOOR TECHNIQUE:
SLAM IT SHUT ON HIM !

The Director of the Office of Management and Budget under US President Jimmy Carter (1977–1981) is credited with the motto: *'If it ain't broke, don't fix it.'*

Director Thomas Bertram Lance was quoted in the US Chamber of Commerce Newsletter of May 1977 as saying that he could save the US Government billions of dollars if he could get his Government to adopt this simple motto.

He said, among other things: *'That's the trouble with Government: Fixing things that aren't broken; and, not fixing things that are broken.'*

It seems to **TARGET** () that the Chief Executive of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), Mr Leung Chun Ying (), has no knowledge of the motto, made renowned by Director Thomas Bertram Lance, or, if he had some knowledge of it, he, certainly, does not understand its meaning, in part or in whole.

The latest threat, emanating directly from Chief Executive Leung Chun Ying, is to warn the people of Hongkong of his plan to impose a new tax on developers of vacant flats if they do not come to the Chief Executive's garden party.

The Chief Executive is under the impression that some, or all, property developers in the territory hold back the sale of certain flats in order to manipulate prices.

He is, of course, correct: It is called, capitalism.

His office estimates that more than 4,000 flats are, today, standing idle. All of these flats are relatively new, having been built in the past few years.

The Chief Executive, also, would have the people of Hongkong believe that the reason that the Government leases land to property developers is due to the altruistic concept of obtaining cooperation with the private sector to build flats for Hongkong residents.

He is, of course, wrong: Nothing could be further from the truth.

The Hongkong Government leases property to the highest bidder at auction in order to bolster its coffers.

The prices of property at land auctions are not manipulated by anybody; and, the highest bidder takes home the bacon, so to speak.

If the prices for Government-auctioned leasehold land rise to record levels due to one reason or another, then, of course, the successful property developers of the territory, being capitalists of the worst kind (or, should that read, *'the best kind?'*) will just add the cost of the leasehold land into their calculations, plus Opportunity Cost Loss as well as interest on the money paid to bankers in order to purchase the land, and these additional costs will be factored into the cost of the finished products, being units in residential, commercial or industrial buildings or whatever the finished products may be.

From the Hongkong Government's point of view, money that it can obtain at land auctions, the more the merrier.

Laissez Faire

The economic philosophy of Hongkong, over many a decade, has, always, been to embrace laissez faire, the principle of no interference in business by government.

This principle, along with the concept of entrepôt – an intermediary centre of trade and transshipment – has served the territory well and Hongkong, under British Colonial rule, was seen as a shining example of free-market,economic system with minimal intervention.

Dr Milton Friedman, the recipient of The Nobel Memorial Prize in Economic Sciences, served as an economic adviser to US President Ronald Reagan. He, certainly, was no slouch.

He visited Hongkong, some years before he died in 2006. He went on record to extoll the admirable quality of the free-market economy of the 416 square miles as a prime example of one of the fastest-growing economies of Asia – with a minimal amount of government interference.

'Let it be done,' he once remarked in one of his many lectures when asked about his most-important pillar of a free-market economy.

The Hongkong Government of today, under Chief Executive Leung Chun Ying, seems to be of the opinion that one of the best methods of controlling, in part or in whole, certain aspects of this free-market economy is to interfere, or even to intervene, with that free-market economy.

Gobbledegook!

If the Hongkong Government is permitted to intervene, even once, with regard to any material aspect of this economy, then, it could well lead to re-opening Pandora's Jar, releasing all the evils of humanity, leaving only Hope, inside the Jar, once it is closed, again.

The Greek myth states that Pandora opened the Jar out of simple curiosity; it was not as a malicious act.

So, with the best intentions in the world – this has to be an assumption of this medium – it is likely that the Administration of Chief Executive Leung Chun Ying could release into this economy some, or all, of the evils of an economic system that could well thwart, or at least retard for a period of time, that which has made this territory what it is, today.

If, as his Administration would have the people of Hongkong believe, that there exists in Hongkong a property price *'bubble'* that is affecting the livelihood of many people, then, perhaps, the Chief Executive would like to study the situation in London, England, where the prices of residential units have risen, in many parts of this Capital City of England, to record levels – while the economy of the United Kingdom is in tsuris.

Yet, the Government of Prime Minister David Cameron has not seen fit to intervene in the workings of the British economy.

No doubt, Prime Minister David Cameron is well aware of the premise that the best controller of a market is the market itself.

The standard definition of a free-market economy goes along the lines that it is based on supply and demand with little or no governmental controls. Buyers and sellers are permitted to enter into transactions freely, based on mutual agreements in respect of price or any other contracted stipulations, without intervention in the form of taxes, subsidies or regulation.

In a free-market economy, eventually, no matter how high the prices of a commodity or service may rise, there must come a time when there is a leveling off of the measure of the market value of products.

And the purchaser will make that leveling-off determination, not the government of the day.

Chief Executive Leung Chun Ying, in his campaign to head the Government of the HKSAR, which kicked off in November of 2011, made statements to the effect that he would solve Hongkong's housing problems.

On the assumption that there exists a dire housing problem (which **TARGET** doubts), the solution seems only too obvious: Build more Low-Cost and Home-Ownership housing estates.

Blaming successful property developers of Hongkong for becoming richer by employing sales' practices that have been in existence since time in memorial, or threatening developers with a new, draconian taxation system for their seeming refusals to sell certain residential units at today's levels, is hardly a solution to what the Chief Executive claims to see as a problem of inadequate housing for the people of the territory.

The coffers of the Hongkong Government may be enriched, somewhat, by the Chief Executive's new taxation system, but that will not build flats for those members of the society that cannot afford to pay today's prices for a residence in a block of flats.

It seems to **TARGET** that one of the byproducts of the Chief Executive's threat to impose this new property tax will be to frighten off a certain category of investors from abroad.

He has, already, introduced a new tax on all properties, purchased by non-residents.

After all, these prospective, foreign investors might well ponder: What other little tricks does the Chief Executive have up his sleeve?

Lastly, it might to interesting to note that many a very wealthy Frenchman, today, is moving out of his beloved country – because the Government of President Francois Hollande has threatened to impose a 75-percent tax on the richest Frenchmen in the country, those within the President's grasp.

According to some of the latest intelligence, obtained from The Banque de France, there had been a decided increase in the outflows of cash from France, during October and November 2012.

The net loss of funds was in the neighborhood of about €53 billion (about $HK530 trillion).

The outflow coincided with President Francois Hollande, announcing new tax rises that include, taxing France's richest at the historic high rate of 75 percent.

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