



## An Aspirational Society to Emulate

BY RICHARD W. RAHN

*THE CURRENCY OF HONG KONG IS EFFORT,  
RATHER THAN ENVY*

HONG KONG | Why is Hong Kong succeeding while New York City is receding? They are both world-class cities with about the same per-capita income and great natural harbors. New York is about 15 percent larger in population, while Hong Kong is about one-third larger in area (but unbuildable because of the steep terrain). Both have large immigrant populations who are seeking better lives.

In my column last week, I explained how much of Hong Kong's success was a result of it having the freest economy in the world, with low levels of government spending, low tax rates, a minimum of government regulation and the rule of law. There is more.

Hong Kong has a murder rate one-fourteenth that of New York (and New York is one of the safest cities in the world) and one-forty-second that of Chicago. There were only 27 murders in Hong Kong last year, while New York had slightly more than 400. Hong Kong is much cleaner than New York and virtually free of graffiti. Unlike in New York, most of the infrastructure is attractive and in good repair. By most measures of human development, Hong Kong scores higher than New York, notably

life span, which is a good proxy for the quality of the health care system. Hong Kong ranks at the top for life expectancy, while the United States is well down the list.

Hong Kong, like Singapore, South Korea, Chile and Switzerland are aspirational societies, rather than societies consumed with envy, like France. Work, saving and investment are not punished in aspirational societies, and there tend to be less social conflict and a higher level of civility. The United States used to be an aspirational society, but has increasingly become an envious society. (It was U.S. venture capitalist Terry Anker who first used the term "aspirational society" to describe Hong Kong during our meetings in this glorious city this past week. It is a more inclusive term than "opportunity society" that Newt Gingrich and Jack Kemp frequently used to describe their vision for the United States.)

Per-capita spending on government in Hong Kong is less than one half of what the average New Yorker spends to support the various levels of government. If you make it big in New York, the government is going to claim about half of your income. If you make it big in Hong Kong, the government will only claim 15 percent of your income. Entrepreneurs, business risk-takers and skilled business people are not punished by the tax-and-regulatory system in Hong Kong the way they are in New York. Despite minimal economic regulation, people in Hong Kong are no more likely to suffer from dangerous or bad products than those in New York, and their financial markets arguably work better. Hong Kong is also both more functional and attractive than New York — but housing costs are higher.

Critics point out that there is much inequality in income in Hong Kong, and that is true. However, it's also true of New York, where the politicians seem to think the solution is to punish the rich. In Hong Kong, most people appear to think the solution is for the poor to get rich — because it is an aspirational society, not an envious society. The government in Hong Kong does not impede it citizens from getting rich. It helps them by providing

the legal, structural and institutional framework so they can succeed.

According to the leftist orthodox model, Hong Kong should have higher unemployment, more homeless and more people on the streets begging than New York because, in their view, the government is too small to provide. Yet, again, the opposite is true. Hong Kong has full employment; in fact, there is a labor shortage, and few are begging.

The world has been amazed by the rate of economic growth in China over the past 35 years. What is often overlooked is that back in 1949, when the communists conquered China, both China and Hong Kong were equally poor, but Hong Kong was free. Despite China's success, those in Hong Kong today enjoy an average income four to five times higher than those next door in China. China has gone from an economic system based on envy to an increasingly aspirational one, in large part because it had the example of Hong Kong's aspirational social and economic system, which was clearly superior.

The peaceful demonstrations this past week in Hong Kong against China's insistence of approving the candidates for the first direct elections for head of the Hong Kong government made news around the globe. This dictum was in violation of the basic law agreed to when the United Kingdom turned over Hong Kong to China in 1997 — one country, two systems. The leaders of China understand that aspirational societies work and those based on envy do not — but an aspirational society requires both economic freedom and individual liberty. Those who seek to control the lives of others, whether they are in Beijing, Paris or Washington, fear aspirational societies and thus, seek to regulate them — out of existence.

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