



# Commentary

**Title:**

*"Hong Kong's Protests Are About Economic Freedom and Opportunity"*

**Author(s):**

Robert Gmeiner, Visiting Assistant Professor of Economics & Bagwell Center Affiliated Faculty Member

## Hong Kong's Protests Are About Economic Freedom and Opportunity

Hong Kong is known for its laissez-faire economic system and exceptionally high levels of economic freedom. It has less political freedom than economic freedom, but even this is still good compared to mainland China. Since early spring of 2019, protests have roiled Hong Kong over fears that the mainland government is encroaching on the territory's autonomy, which has been guaranteed until 2047 by an agreement preceding the 1997 change of sovereignty. These protests have been reported by the western media as opposition to a feared loss of political freedom. Although this may be true, the protests have an even deeper root in economic freedom and opportunity.

The protests began in opposition to a proposed law that would allow suspects of crimes to be extradited on a case-by-case basis at the discretion of the territory's government to foreign countries without an extradition agreement with Hong Kong. Alarming for the protesters, extradition to mainland China would have been a possibility. There are already suspected instances in which the mainland authorities have secretly renditioned people from Hong Kong to the mainland with political motivation.<sup>1</sup>

The impetus for the proposed law was the case of Chan Tong-kai, a Hong Kong resident who traveled to Taiwan, killed his pregnant girlfriend who was also from Hong Kong, and returned home. He admitted to the murder but could not be extradited without an agreement. Notably, Taiwanese authorities, who wanted to prosecute Chan, also opposed Hong Kong's proposed law and vowed not to seek his extradition if the bill were passed, fearing that Taiwanese citizens could eventually be sent to mainland China via Hong Kong.

<sup>1</sup>he im Crahe tebled ,ich tatve  
caong to4 (s)-1 (i)-2 (de)4 (nt)-2 ( w)2 (h)JTJ-0( t)-hvo

The protesters live in what is regarded as the freest economy in the world by the Heritage Foundation and the Fraser Institute's Economic Freedom of the World Index.

not competitive. It may be easy to start a business in a few sectors, but the noncompetitive sectors (utilities, transportation, many food products, real property) are the things that impact people daily in a very material way.

The protesters claim to want freedom. Although the protests began over an extradition law that may not have had much of an impact, the discontent was deeper than just a feared loss of political freedom. Economic freedom is lacking in Hong Kong in the ways that matter most for the younger generation, who are the overwhelming majority of the protesters. Without the ability to establish themselves financially in life, they may not sense a very bright future. In Hong Kong, the labor market is unregulated, sound money policies prevail, foreign investment is welcomed, international trade is free and open, and the legal system is perceived to be reliable and fair. Despite these favorable laws, the reality on the ground is different for many people. Specific regulations and uncodified government practices, and an all-too-close relationship between the government and a small group of wealthy individuals and families, curtail economic freedom for many.

Fixing cronyism is no easy task and even that will not solve all of Hong Kong's ills. The protesters want the freedom and opportunity that they currently lack. Even when the perceived threat to political freedom (which may have been rather minuscule) was eliminated, the protests continued. Although it cannot be conclusively proven, it seems reasonable that the protesters did not feel that they had much economic freedom or opportunity. Hong Kong's cronyism problem provides a reasonable explanation: Hong Kong is not economically very free. The ability for average people to profitably engage in economic activity is low. Economic freedom is not constrained by laws that make engaging in economic activity difficult, but rather by practices that grant it only to a small wealthy group that is close to the government. Although Hong Kong may eventually lose political freedom, the pressing issue now is the existing lack of economic freedom for many of its people, especially the rising generation.