

Should the government have any control over the housing market?

The housing problem in HK has been a dilemma recently. The housing prices have been dropping and the street sleepers have been increasing at a drastic rate. According to the legislation council there was a drastic increase of 22% of street sleepers due to the covid 19 pandemic. The situation of the market has been worsening. This leads to the question— should the government have any control over the housing market? My answer is yes. The government should have a bit of access to the housing market but not control it completely.

To start, the safety risks will increase if the government does not interfere with the housing market. As the government does not have any control, there are no laws to restrict constructions. Real estate developers will dominate the market and can do whatever they want because of less restrictions and the increasing need for housing of the citizens. For example using low quality materials when building a building, leading to safety risks as this can cause it to have a reduction of load-bearing compared to regular buildings and collapse easily, leading to casualties and more homeless population, aggravating the situation in HK.

Furthermore, as there are no restrictions, property developers may build houses with smaller flats and sell it at a high price. Due to the need for housing by the citizens, they do not need to worry that no one would buy their flats. Since the land is extortionate and the developers don't want to hurt their profits, they may choose to build the flats higher and higher, adding load to the building and increasing the risk of the building to crumble down leading to safety risks for residents.

Secondly, without the interference of the government, it can lead to a vicious cycle of poverty. Some citizens could not afford to buy a house and because of the isolation of the government with the housing market, there will not be any public housing provided. Unfortunately, according to the law in Hong Kong, citizens must have a valid address in order to acquire a job. However there is no public housing and people could not afford to buy a house. They could not apply for a job. Cutting them away from access to money. This leads to a vicious cycle of no address leading to no job leading to no money then finally back to no house. It is extremely hard to break through this cycle and under it, the poor will only be even poorer. Since the rich can acquire money stably, the wealth gap between the poor and the rich may widen. This causes social and political unrest because of a large population facing unjust. For example, the poor could only live in a damp little room, relying on low paying jobs to survive such as being a cleaner or housekeeper. Some even can't apply for a job while the rich live in mansions and move around using expensive cars. This may make the poor population thinking that it is unfair and should not be happening planting a seed of destruction. To give you an idea 2 South Africa has been rocking with violence due to economic inequality and poverty. Many people have died due to the protests of new systems. Driven by poverty and politics the people have looted malls and caused a massive lockdown to the country damaging the country's GDP

By the way, the cycle could damage Hong Kong's economy as it creates a large unemployed population. The situation greatly wastes manpower and resources. These populations get to enjoy the social welfare distributed every year. For the above mentioned the social welfare for supporting the homeless has increased to 30 million a year and it still hasn't stopped. The money could be used to develop new technologies for example investigation of new types of medicine. Since they were all unemployed and it isn't even a small population it greatly wastes manpower that can be used in boosting the economy by

generating more money as they can make a company more efficient in production. In the long run the waste of manpower and resources may become a huge burden on the Hong Kong economy.

Someone may say that the government disturbs the free market. When the pricing goes to the bottom it will eventually go back up just as an ordinary market would. However what this argument overlooks is that they assumed that the prices will go back up after a drastic fall. The market may continue to drop and never come back up. For example, in the perspective of economy, people always assume that when the price has dropped to a point that people could afford, more people could buy it and the price will go back up again. Yet this is not always the case. Sometimes factors such as a declining economy leading to a reducing rate of money can greatly damage the market making it drop further. These factors usually vary from a few years to a few decades to solve. The market will not rebound in a short time. Fortunately the thing changes when the government interferes. It can adopt new policies, provide subsidies etc to help save the market from dropping too fast. For example when the housing market is dropping drastically the government can adopt policies such as restricting the housing prices, slowly stopping the drop of the market.

Although the government should have control over the housing market, it should not dominate it. Dominating the market would lead to unemployment of real estate agents and property developers, increasing the unemployment rate. As the stocks of property developer companies and real estate drop because of unemployment, the whole housing market will undergo a drastic change. Leading to a risk of failure of the whole economy. Imagine that one of the biggest property developer company has gone bankrupt, the stocks of the whole housing market may drop rapidly as the people are scared that they will lose all their money

invested. The drop in the whole housing market may cause a large number of companies to go bankrupt. Since most of the company's money are borrowed from banks, the bankruptcy of many companies at once may cause the banks to lose a huge chunk of money, causing the failure of the banking system. As mentioned above, most companies' money comes from banks. Due to the failure of the banking system, many companies lost their source of capital causing them to go bankrupt. Leading to the destruction of Hong Kong's economy.

Having complete control over the housing market means that the government has to provide housing for the residents as the original property developer's system is not working anymore. Building these buildings may load a huge burden on the government as it is pricey to build this many houses or even to buy the houses from the residents.

In conclusion the government should have some control over the housing market but not complete control. If the government does not have control, the domination of property developers may cause a bad living environment for citizens. If the government has complete control, the burden is not easy to carry. Therefore the government should only have some control over the housing market.

1 <https://www.legco.gov.hk/research-publications/english/2022iss15-street-sleepers-in-hong-kong-20220407-e.pdf>(By resarch office of legislative council)

2 <https://www.aljazeera.com/news/2021/7/14/little-to-lose-poverty-and-despair-fuel-south-africas-unrest>(By Nicklaus Bauer Reporter 14 Jul 2021 in aljazeera.com)