

The Global Crisis: Why Laisser-faire Hong Kong Prefers Regulation

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Summary

This paper examines the contrast between Hong Kong's reputation for *laissez faire* and its record of extensive state intervention in financial markets. It traces the long process of abandoning the concepts of virtuous markets and moral hazard and the introduction of increasingly comprehensive financial regulation in response to public outrage at depositors' losses rather than the economic disruption caused by bank runs. The discussion also shows that although Hong Kong's flourishing financial centre is a close partner of New York and London, a history of political and commercial disputes with the British and American governments provided additional reasons for resisting the prevailing Anglo-American regulatory 'culture'.