

**Good-mood Policy Negative Bubble?
Illustration with Housing Shortage in Hong Kong**

*Paper Presented at ECPR Joint Sessions of Workshops
“The Politics of Non-Proportionate Policy Response”
Warsaw, 29 March – 2 April 2015*

Nick Or
PhD Student*
nick.or@soton.ac.uk

University of Southampton
Faculty of Social and Human Sciences
University Road,
Southampton, SO17 1BJ
United Kingdom

Preliminary draft. Please DO NOT cite without author's permission.
Comments are strongly welcome.

Abstract

The idea of policy negative bubble is new and requires more empirical support to enrich its framework. Existing policy negative bubble literature professes negative emotions such as pessimism and lack of confidence as the basic ingredients to grow the bubble. This article, however, proposes the concept of good-mood policy negative bubble and illustrates it with Hong Kong's chronic housing shortage followed by the financial turmoil and epidemic crisis in late 1990s. In the case study, the policy negative bubble is measured and represented by quantitative measure of housing affordability and annual subsidized housing completion in a horizon of 23 years. The myth of free economy golden rule and exaggerating the previous ambitious housing programme as policy disaster induced high intensity valence to start the negative bubble. Executive attention, media attention and public sentiments are also presented as the attentional and emotional data. This article demonstrates how each of these factors interacted and produced good-mood policy negative bubble. Theoretical implication is also discussed.

Keywords: policy underreaction, valence, emotion, political attention, public housing

* The work was supported in part by grant from Economic and Social Research Council Doctoral Training Centre at University of Southampton.

The idea of policy negative bubble, like its “twin sister” policy bubble, emerges as an attempt to fill the literature gap in inadequate policy reaction and/or provision in an extended period of time, and to setup theoretical dialogue between theories in agenda-setting and policy analysis (Maor 2014a; 2014c; Jones, Thomas and Wolfe 2014). Existing literatures on policy bubble and negative bubble are mainly theory-driven in nature with only a handful of empirical evidences and case studies to support some of its claims. To what extent real life example can fulfill the theoretical expectation, and to what extent it deviates from the theory is thus at the centre of the academic debate.

For instance, Maor suggested policy negative bubble as self-reinforcement processes between emotions and the exogenous factors, and involves the “contagion of ideas and negative emotions and with the mobilization of pessimism by elected and unelected policy entrepreneur” (2014a, p.3). Pessimism, or lack of confidence spread among the policymakers and/or the general public in the midst of crisis, and therefore the decision makers fail to act or response to the policy issue. Such argument is supported by example such as Francis’s reflection and evaluation on delayed effort by the US Government during the AIDS outbreak since the 1980s (2012). Negative emotions and government’s inaction are correlated with the life cycle of policy negative bubble (Maor 2014a).

But, does negative bubble only a result of negative emotions, or continuous negative emotions? Is there any alternative path of development? In a policy process, when we see a government refused to act or response to the public demands and environmental changes, is pessimism, lack of confidence or poor mood the only element in the self-reinforcement processes of negative bubble? Instead, could optimism or overconfidence be the driving force of a negative bubble? These puzzles are not yet answered in intellectual discussion and still have no empirical support. Mechanism of policy under-response still requires more cases to enrich the discussion and overall theoretical arguments. To address the deficit, this article

contributes and argues that positive emotions can also cause a form of *good-mood negative policy bubble* in self-reinforcement processes. Hong Kong's chronic housing shortage, particularly for the middle and lower middle class, is documented and analyzed as an evidence to support the claim. I shall explain in details how the case provides alternative pathway for the development of policy negative bubble that is fresh to the current theoretical framework.

This article is structured as the following: The next session will review the conceptualization of policy negative bubble and its formation. The third session provides information about data and method. The case study and concluding remark are at the back.

What is Policy Negative Bubble

Policy bubble is similar to asset bubble in a way that both demonstrate distinctive feedback processes and contagion (Maor 2014b; Jones, Thomas and Wolfe 2014). Understanding how policy bubble works can help us hypothesize its "twin sister" policy negative bubble as examined in earlier work (Maor 2014a, 2014c). Following Maor's definition, a policy negative bubble here refers to "a real and/or perceived policy underreaction or underinvestment which is propelled by self-reinforcing processes over an extended period of time" and underreaction or underinvestment means a "systematically slow and/or insufficient response by policymakers to increased risk or opportunity, or no response at all" (Maor 2014c, p.2). In other words, a policy negative bubble can be observed if there is lack of responsive policy reaction and/or provision for a sustained period of time, no matter if the policy is demanded or not demanded. In this way, the actual policy response is regarded to be below a counterfactual sufficient level.

In some situation, inadequate policy output may be corrected shortly after its implementation, but some do not. Policy negative bubble, like policy bubble (Maor 2014c), should have undergone some self-reinforcing processes in an extended period of time. Self-reinforcing processes are “the key factor that propels the persistence of a policy anti-bubble”, for which “[t]hese processes interact with the contagion of ideas and negative emotions and with the mobilization of pessimism by elected and unelected policy entrepreneur to reinforce the lack of confidence in the policy, thereby leading to the undersupply of policy” (2014a, p.3). Only when a policy under-supply has propelled and persisted for an extended period of time, we label it as policy negative bubble. Those with short-term correction are excluded from the umbrella of policy negative bubble.

This new terminology is useful to connect insufficient policy reaction and undersupply in an extended period of time, which is rarely addressed in existing policy study literature that emphasizes more on success or failure dichotomy (for example Kay and Boxall 2015). It also stimulates theoretical dialogue between theories in agenda-setting and policy analysis and facilitates bridging (Maor 2014a; 2014c; Jones, Thomas and Wolfe 2014). Judging and balancing the allocation of public resource and benefits are never easy tasks and these require sophisticated craftsmanship (Wildavsky 1979). With such complexity and bounded rationality, crafting the perfect policy to fit-in problems seems to be an exception in reality. Excessive or inadequate output – either “too much” or “too little” – with particular policy tool(s) is more common. Therefore, policy negative bubble tries to connect “too little” policy output with policy entrepreneurs’ attention and cognitive attributes, and in turn, to analyze and understand how these attention and attributes trigger the development of negative bubble.

How Negative Bubble Occur and Develop

Current discussion of the emergence of policy negative bubble focuses on behavioral elements and can be divided into two main perspectives – attentional perspective and emotional perspective (Maor 2014c). In theory, in a perfectly rational situation, any policy issues that come to the eyes of the policy makers, they shall allocate adequate attention or resources to solve the problem. However, in reality, it is a different story. The attentional perspective suggests that the negative bubble starts as a consequence of “out of sight, out of mind”, by excluding the floating of the problems either intentionally or unintentionally (Baumgartner and Jones 2015). On the other hand, policymakers or policy entrepreneurs could strategically allocate more or less attention to the policy issues at their discretion, but it is not necessarily proportionate to the severity or intensity of the policy issues for which Jones and Baumgartner labeled it as “disproportionate information processing” (2005). The occurrence of disproportional attention in party manifestos can also be understood as a strategic move by political parties, as a way to boost their electoral supports (Bertelli and John 2012).

The emotional perspective dictates that negative bubble may occur when pessimism or strong negative emotions such as fear and grief pervade in the entire policy system or subsystem. Such a high intensity in emotions, as suggested by Cox and Béland (2013), could help the policymakers or entrepreneurs to have an easier job in preaching their policy ideas or solutions to other stakeholders of the system. For instance, lack of confidence or anxiety towards previously traumatized events could lead the public inclines to a more risk-averse or loss-averse option as default rather than turning to a basket of riskier but potentially more rewarding options (Maor 2014c, 3).

Moreover, we can identify disproportionate information processing as intentional or unintentional. For intentional disproportionate information processing, it suggests that disproportionate information processing to policy problems or issues can be a deliberative

move with strategic target in mind, so that the policy entrepreneurs can magnify or censor certain issues in order to take advantage of the situation (Baumgartner and Jones 2015; Bertelli and John 2012). For unintentional disproportionate information processing, it means “the inability of decision makers, as well as the organizations they inhabit, to respond in proportion to the strength of information indicating the severity of problems in the policymaking environment (Jones, Thomas and Wolfe, 2014, p.147, more in-depth discussion in Jones and Baumgartner 2005). The unintentional act could also be tied with psychological and cognitive weakness of human being such as overconfidence and human herding (Maor 2014c).

Why Chronic Housing Shortage in Hong Kong?

Hong Kong’s chronic housing shortage since the early 2000 provides a valuable example for understanding the formation of good-mood policy negative bubble with an empirical pathway that deviates from the theoretical expectation derived from the pessimism-oriented policy negative bubble (Maor 2014a). Instead, this case demonstrates that a policy negative bubble can also grow in optimism or at least in non-pessimistic norm. In an environment where there is growing optimism, the public or other oppositions may unconsciously approve the existing policy under-response and do not demand for change, and such optimism is the fuel to sustain a policy negative bubble. This case study will uncover this form of good-mood policy negative bubble.

In 2003, the Hong Kong government announced the cessation of Home Ownership Scheme (HOS), as a way to present that the government respect the market, and believe that the market can adjust and stabilize the slumping housing price better than any governmental actions. The policy was welcome by the wider public and the policy status quo was persisted

and consolidated for over 10 years time. A growing optimism and confidence was observed as the negative bubble grew. The cessation of HOS was perceived as a favourable policy and there was no need to update or revise the policy, at least for a while, even though the environment changed.

Abstracting the main components from the discussion, the following five-stage processes of policy negative bubble is proposed: (1) exogenous factors alters the mood of political and business elites as well as the wider public; (2) the policy-maker reframes and reshapes the policy ideas and images in time of mood change, and lead to policy adoption or ideas reinforcement; (3) policy moods reversed as exogenous situation responses to the policy solution as perceived by the public; (4) the growing optimism lead to a re-allocation of political attention and fade out media's attention on a high-profile policy over a sustained period of time; (5) and lastly it leads to an outcome of persisted policy negative bubble.

Echoing the two main perspectives in explaining the development of policy negative bubble, data collection strategy is explained below:

Data Collection

Housing Affordability and Subsidized Housing Completion

A policy negative bubble occurs when the policy provision is far below from the social demand for an extended period of time. In public housing policy, the objective is to provide affordable housing to those who need it. The housing affordability is calculated as a ratio of private home price and nominal wage that are both available from Census and Statistics

Department¹. Data on housing output, be it public, subsidized or private, are available from Census and Statistics Department website as well. In our case, we picked the government subsidized housing because the programme was stopped over 10 years.

Data on Attentions: Executive and Media

Data on attentions refers to how much attention a policy entrepreneur allocates their attention to a specific area. Because attention is scarce, policy entrepreneur must be selective to external stimulation and react only to a handful of them (Jones and Baumgartner 2005). Executive speech data have been frequently used as a measure to the formal political attention or to what extent the political leader address more to a particular policy area (e.g. Jennings, Bevan and John 2011; Dowding et al 2010; Jennings et al 2011; Rutledge and Larsen Price 2014)². For a particular policy area, more coverage in the formal speech means that the executive put more attention to a particular field. For executive's attention, we counted the number of sentences on housing mentioned in the annual policy address from 1996 to 2014³.

Executive or politician's speech on public policy can influence the media's agenda – set what the media to report (Roberts and McCombs 1994). As they uphold political power, for which by nature, acts as the determinant of agenda building (Gans 1979) and/or as the incentive for journalists to build relationship and report (Bennett 1990). Official and elites conflicts, as

¹ For example, The Economist also adopted home price against average income. See <http://www.economist.com/>

² Hong Kong's top official called Governor before the handover and Chief Executive after the handover. For the sake of convenience, we call Executive to represent both of them in this article.

³ Policy Agendas Project (<http://www.Policyagendasproject.com/>) uses quansi-sentence, a sentence with complete meaning but not necessarily a full sentence. Here, due to limited labour, I use full sentence.

Bennett (1990) discovered, is in direct relationship with news coverage. That is to say, in theory, executive can induce conflicts strategically by posing controversial policy or proposal, in order to gain more media coverage.

Conversely, media can also set or build the government agenda. Editors have the power to select what to report and what not to report. Alternatively, media can also bold a certain aspect of a public policy or idea while down play the others, and not necessarily report the “reality” or whole picture (Weaver and Elliot 1985). And this will influence what and how the public or even politicians act or think. Therefore, media’s agenda-setting power does not necessarily insert directly on the politicians, instead, they can influence the voter and public “what to think about”, and in a way who to vote or support (Cohen 1963).

As an influential actor, media’s attention would also be considered in the case study. The media’s attention is measured by counting the number of reports mentioned about public housing in *South China Morning Post*⁴, a newspaper that is highly circulated among the elites (So and Chan 2000). The time frame covers from 1992 to 2014.

Data on Emotions: Hypothetical Vote Share and Satisfaction to Housing Policy

Data on emotions here refers to the emotional quality, as Cox and Béland defined, is the attractiveness (i.e. positive) or averseness (i.e. negative) of a policy idea and labeled as *valence* (2013:308). Valence has intensity and can be either described as high and low (Cox and Béland 2013:311). The basic working principle of the concept is that all policy ideas have different degree of valence, and different degree of valence would determine whether a

⁴ The newspaper search was done using LexisNexis. The search terms are PUB(South China Morning Post) and HLEAD((government or SAR or policy) and (Private Housing or Housing supply or Public Housing or Land Supply or Public Rental or HOS or Home Ownership Scheme)) and GEOGRAPHIC(HONG KONG) and is refined by trial and error. A total of 1,189 articles were found.

certain policy idea would be accepted or rejected. Or in other sense, whether the public wants to stick with a certain policy idea or not. Therefore, valence can explain policy change, and also explain status quo. And here valence is an explanatory variable of a policy negative bubble.

While we have neither systematic and objective indicator to measure valence directly nor a longitudinal survey on people's evaluation on the specific policy on HOS, we adopt two polls as indicators whether the policy is welcome by the wider public or not. This includes a hypothetical vote share on reappointment of the Secretary of Housing from 2002 to 2015⁵ by HKU Public Opinion Poll, and public's satisfaction on how government dealt with general housing problems from 2002 to 2009⁶ that was done by the Hong Kong Institute of Asia Pacific Study at Chinese University of Hong Kong. This helps us to gain some insight about the valence of the cessation of HOS⁷. Table 1 is a summary of the datasets.

⁵ The survey was conducted by HKU Public Opinion Poll and the data is available on <http://www.hkupop.hku.hk/> (accessed on 23 February 2015). In some of the years, the Secretary of Housing is also responsible for transportation.

⁶ The survey was conducted by Hong Kong Institute of Asia Pacific Study at Chinese University of Hong Kong, and the data is available on <http://www.cuhk.edu.hk/hkiaps/> (accessed on 23 February 2015)

⁷ To use these polls to gain insight about valence, an assumption have to be made here that the cessation of HOS played an important role in public's perception over the general housing policy. There are, however, many cofounding factors that would lessen the validity to use these two polls as an evaluation of HOS, which is a limitation of this research.

Dataset	Period	Description	Source
Affordability	1991-2013	Calculated by Private Home Price divided by Nominal Wage Index	Census and Statistics Department http://www.censtatd.gov.hk/
Annual Subsidized Housing Completion	1991-2013	Number of completed government subsidized flats	Census and Statistics Department http://www.censtatd.gov.hk/ and Housing Department
Executive Attention	1996-2015	Number of sentences in paragraphs that related to housing policy.	Online policy agendas online from various years and Legislative Council website http://www.legco.gov.hk
Media Attention	1992-2014	News coverage on public housing from South China Morning Post	South China Morning Post, retrieved from LexisNexis
Hypothetical Vote Share on Reappointment of Secretary of Housing	2002-2015		Public Opinion Programme, University of Hong Kong http://hkupop.hku.hk/
Public Perception of Performance on Housing Issues	2002-2009		Hong Kong Institute of Asia-Pacific Studies. http://www.cuhk.edu.hk/hkiaps/

Table 1. Summary of datasets

Case Study: Chronic Housing Shortage in Hong Kong

The problem

What makes a home unaffordable? We may say price goes up too high or supply is seriously scarce. In the most capitalist region in the world, Hong Kong's housing asset price is among the highest and at the same time brought huge wealth to many because of the speculation opportunity. In contrast, it also becomes hardly affordable to many of the residents particularly the middle class and youngsters living and working in the territory. The root

causes of the affordability problem, according to financial experts, are attributed to the gigantic inflation resulted from the global quantitative easing and the shortage of land and housing supply. However, understanding a housing problem should have thought beyond the simple supply and demand relationship. In policy study, policymaker's ignorance or incapability that leads to inattention to the social demand can result in inaction and therefore insufficient affordable housing.

In our case, Hong Kong government withdrew from the housing market, except for the poorest, and left it all to the private sector in 2002, causing the average annual public and private housing supply dropped tremendously from 38,900 and 21,900 units for the period 1997-2002 to 14,600 and 9,900 units respectively for 2007-2012 (Goodstadt 2014).

One indicator to show whether the home price is affordable is to compare home price against income level. In chart 1, the solid line represented the ratio of private domestic home price over nominal wage every year from 1991 to 2013. It shows that, in the 23 years, housing price was at the most affordable level during the years around 2003 as a consequence of the price slump started from 1997, and a rebound occurred in 2003. Affordability problem reached the pre-1997 level in 2008 and breached the historical high in 2012. The affordability problem did not show any sign of turning well beyond 2012.

The housing policy negative bubble

In response to home affordability problem, one policy tool is to provide public housing, either as a public rental housing or as a subsidized housing to facilitate home ownership. Lee argued that East Asian economies have a common tendency to use housing policy to achieve

development goals (2003) and advocated that subsidized housing is indispensable in Hong Kong as it has a stabilizing effect to family, their savings and security (2003, 2012).

However, Hong Kong government did not show much commitment to subsidized housing programme as a tool to stabilize the society after the cessation (Smart and Lee 2003; Lee 2012, p.180). In contrast, the colonial government after the 1970s was a lot more generous in subsidized housing and public housing as they clearly understood it will reward them with political legitimacy and popular support that they missed (Cheung 2000; Scott 1989, 2007, see Yep and Lui 2010 for a brief account of the golden 1970s). Chart 1 also revealed the annual completion number of government subsidized housing from 1991 to 2013 in dotted line. Completion before 2002 were roughly at 15,000 flats per annum, while from 2002, the number of completed subsidized housing went to almost zero. It shows that even though the home price-to-wage ratio bounced back quickly after 2003, and the affordability problem has a more obvious sign of worsening from 2009, the government failed to provide subsidized housing as a buffer to the potential discontent and disharmony in the society, and remained in its status quo for over 10 years. In government's projection, the next batch of subsidized housing is expected to complete in 2016, but the projection suggests the future completion numbers are only at 2,200, 4,100 and 4,300⁸ in the following three years from 2016. Subsidized housing supply has stagnated for 15 years.

⁸ The projection is provided by Housing Authority, HKSAR and can be found on <https://www.housingauthority.gov.hk/en/> (accessed on 3 February 2015)

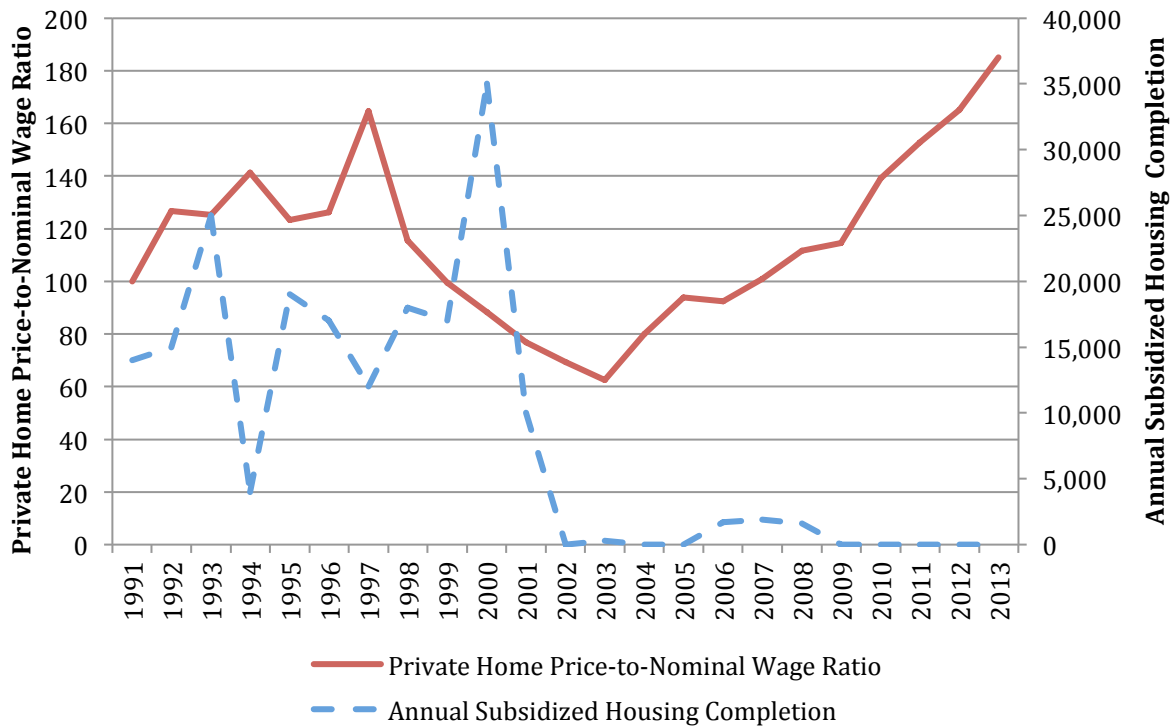


Chart 1: Affordability and Subsidized Housing Completion 1991 – 2013. Source: Census and Statistics Department <http://www.censtatd.gov.hk/> and Housing Department

Chart 2 is a scatterplot with connected smooth lines according to time sequence. It plotted the relationship between the annual subsidized housing completion and nominal wage during 1991 and 2013. By drawing 4-year moving average, we can see a clearer horseshoe pattern in dotted line, which is similar to but an inverse version of the suggested pattern that documented in Jones, Thomas and Wolfe’s analysis on US’s crime rate and incarceration rate (2014). This suggests policy negative bubble should have a similar pattern like policy bubble does.



Chart 2: Smooth Scatterplot of Annual Subsidized Housing Completion and affordability, and its 4-year Moving Average 1991-2013. Source: Census and Statistics Department <http://www.censtatd.gov.hk/>

At this point, we have more confidence that Hong Kong's chronic housing shortage is a policy negative bubble. In the following, I shall extend my claim for the existence of a good-mood policy negative bubble, by focusing on political attention and emotion.

Government Attention

The first chief executive of Hong Kong Special Administrative Region Tung Chee Hwa was very ambitious in extending his housing programme. The main drive for this was that Tung understood and agreed with his colonial predecessors that, dealing with housing provision and other housing problems were important tools to gain political legitimacy (Cheung 2000) that was indispensable for undemocratic leaders to rule (Scott 1989). And thus he tried hard to mimic his colonial predecessors and hope to gain public support. In chart 3, we can see Tung had made an effort to prioritize housing policy high in his policy agenda in 1997. In fact,

Tung announced an annual massive production target of 85,000 flats in his first policy address in 1997 Oct, and pledged to boost the home ownership rate. He said:

I set my Administration three main targets: to build at least 85 000 flats a year in the public and private sectors; to achieve a home ownership rate of 70% in ten years; and to reduce the average waiting time for public rental housing to three years.

Tung Chee Hwa, Policy Address 1997

The number was more than any of his colonial predecessors since 1980⁹, and way beyond the average during Patten's term, the last Governor of Hong Kong¹⁰. Unfortunately, external economic and financial conditions unfavoured Tung and forced him to reconsider his decision and put stabilizing property price as priority instead of public housing provision. In his 1998 speech, he squeezed the provision for the middle-income earners.

As to middle income earners, or the "sandwich" class, as many good-quality flats in the private sector are now affordable to them we have decided to suspend the building of flats under our schemes for this group

Tung Chee Hwa, Policy Address 1998

By looking back, this sent a strong signal to stop the HOS for the lower-middle class in 2002. In fact, executive speech on housing policy became silent from 1999, and it won back government's attention not until 2010-11, as chart 3 showed.

⁹ Figure from Census and Statistic Department and Housing Department.

¹⁰ From 1992 to 1996, the average of total flat completion was 56,923 per year.

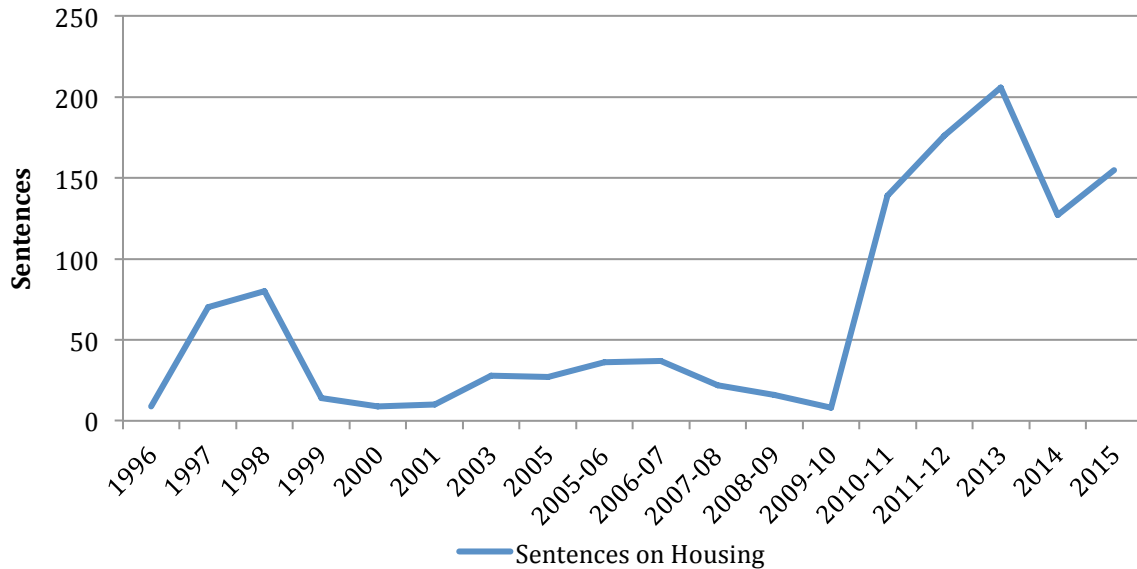


Chart 3: Executive Attention on Housing 1996-2015. Source: Online policy agendas online from various years and Legislative Council website <http://www.legco.gov.hk>

Media Attention:

Although the cessation of HOS started in 2002, Tung government seemed to have avoided mentioning the problem at the highest official venue since 1999. But did he successfully direct the media coverage to favour him?

The answer is partly but not entirely successful. Chart 4 showed that media attention followed executive attention in 1997 and 1998 and topped at about 100 reports in each of the two years. Following Tung’s silence, media attention dropped by one-third in 1999, but then media’s enthusiasm on housing affairs remained and number of report bounced back once again to near 100 reports in 2001. Media attention cooled down not until 2004, a year before Tung stepped down, and it was further down to the bottom at 2009. Tung succeeded immediately after his silence but only managed to downplay the housing issues substantially after the cessation of HOS. At the outburst of this policy negative bubble, politicians failed to index and manipulate the media agenda as intended (Bennett 1990; Roberts and McCombs 1994). Yet, media sustained the housing agenda until the government pledged to stop the

subsidized housing supply, which may be explained by the Agenda-setting theory – the media told the citizens what to think about and exerted pressure on the government (Cohen 1963). But, Hong Kong government’s low profile strategy seemed to have paid the dividend from 2004 and onward and managed to keep the housing agenda low, that can be seen, in turn, as the triumph of indexing (Bennett 1990). The lock-in effect of HOS cessation was also significant.

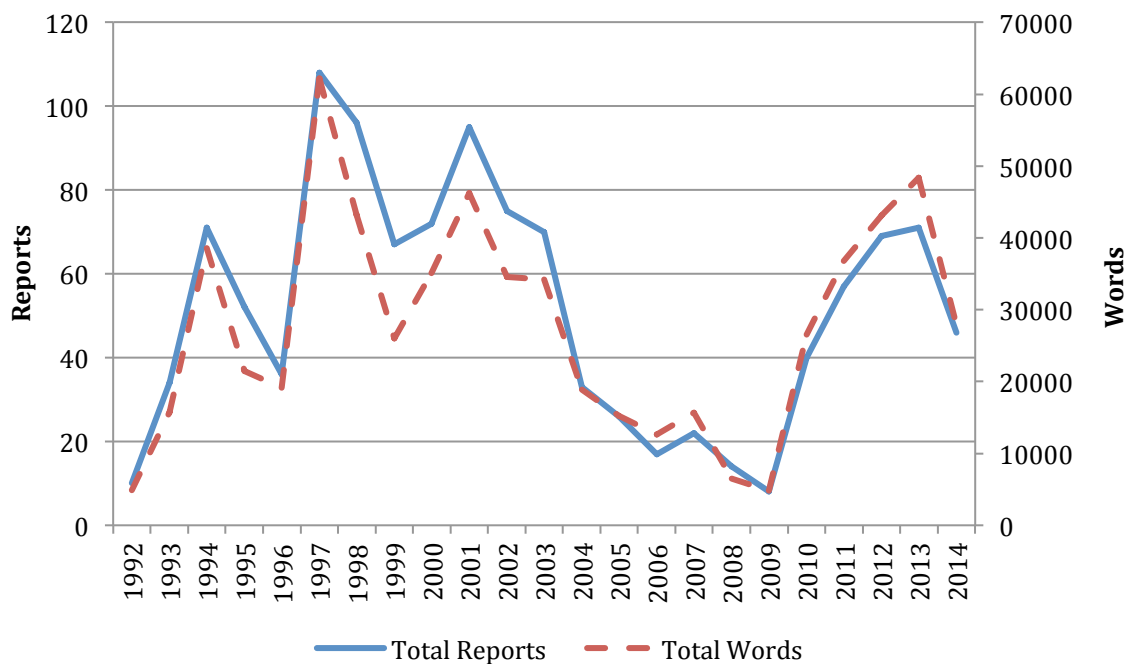


Chart 4: Media Attention on Public Housing 1992-2014. Source: South China Morning Post, retrieved from LexisNexis

Market Narcotism and Valence

In emotional aspect, I shall first elaborate two important ideas that induced high intensity of valence, then move to the mood.

Free Market Golden Rule: Myth or Reality?

Hong Kong is the freest region in the world as hailed by Milton Friedman (1998) and the US-based Heritage Foundation¹¹. The “paradise” is known for the low taxation and business-friendly environment. Indeed, contemporary Hong Kong’s free market gene was probably inherited from Haddon-Cave, former Financial Secretary in the colonial time and the first preacher of “positive non-interventionism” in Hong Kong in the 1980s. The same terminology was long been regarded as holy grail even Tung government adopted (Cheung 2000, p.297; Lee and Yue 2001; Yep and Lui 2010, p.260-262).. The rhetoric was later evolved to its successor “big market, small government” by Tung’s successor Donald Tsang in 2006 (2010, p.48). Free market ideology was deeply embedded for decades.

Whether a free market can really promise a better world is subject to debate, but whether Hong Kong is a genuine free market is questionable. As mentioned earlier, colonial government was keen to use housing, as well as welfare, as legitimation strategies so as to stabilize the society and political environment (Scott 1989; Cheung 2000) and win back popular support (Forrest and Yip 2014). The contemporary public housing programme in Hong Kong was mainly government-driven and was huge compared to many parts of the world (Lee 2003, 2012). In fact, Hong Kong government was the largest land supplier and required huge income from land sale to fund its expenditure. The shadow of government in this so-called freest economy was indeed everywhere.

A free market also requires a competitive market. However, Hong Kong’s land market was dominated by a few big players. The last governor of Hong Kong Chris Patten recalled that “Any convincing attack on the monopoly effectively enjoyed by a few extremely rich property developers in Hong Kong, making grotesquely large profits, could have had a

¹¹ For Hong Kong’s profile in Heritage Foundation’s Index of Economic Freedom, can be found here: <http://www.heritage.org/index/country/hongkong> (accessed on 10 Mar 2015)

serious effect on market confidence at a sensitive time.” (1998, p.51 quoted from Lee 2012, p.178). And indeed, both colonial and post-colonial government saw big businesses as close governing partners (Fong 2013). Particularly, in post-colonial Hong Kong, business elites have brought their concern directly to the Beijing government when the elites believed Hong Kong government might have impaired their interests (Fong 2014). Not just that Hong Kong government’s relative autonomy was seriously threatened, the existence of a genuine competitive market, under such political economy, was in doubt. Thus, the cessation or slow down of HOS, in effect, gave advantage to the hegemonic property developers, as this provided “an exclusive opportunity” to transform Hong Kong as “the world’s most speculative real estate sectors” (Lee 2012, p.182). Free market is a myth rather than a reality.

Exaggerating 85,000 flats production as Policy Disaster

Tung’s ambitious 85,000-flat annual production programme had a good intention with welfarism and tried to boost higher ownership rate, like many of the East Asian states (Lee 2003). But a productivist state like Hong Kong, on the other hand, was reluctant to turn into a welfare state (Forrest and Yip 2014). When the economy was impacted by the financial turmoil in 1997 and the subsequent epidemics, this giant production programme was blamed and the government became the scapegoat of the slump of home price. The aim of moratorium of HOS was to avoid government action, and thus the home ownership market became purely market’s matter.

All in all, the policy of cutting down subsidized housing supply aroused the image of market narcotism and induced high intensity of positive valence – market is welcome, as in the glorified colonial myth. Exaggerating governmental leadership on housing planning and provision as the scapegoat, however, induced high intensity of negative valence – government action should stop to avoid any further lost. The double valences, on one hand,

expelled not just the giant production, but also Home Ownership Scheme of any scale from 2002 and onward, on the other hand, attracted the public to embrace the market as narcosis to the highest level ever.

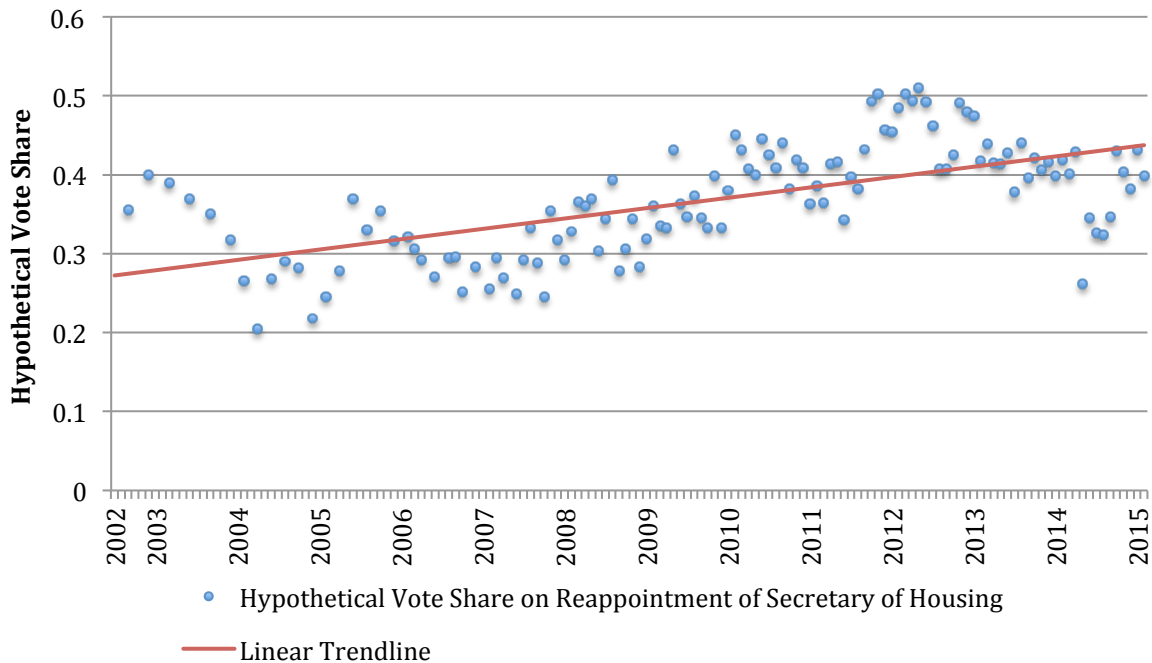


Chart 5: Hypothetical Vote Share on Reappointment of Secretary of Housing 2002-2015. Source: Public Opinion Programme, University of Hong Kong <http://hkupop.hku.hk/>

The Public Sentiment and Valence

As mentioned earlier, a policy under-response with immediate correction is not a policy negative bubble. Another necessary condition is to see if the under-response has further momentum in an extended period of time. Apart from attention-deficit addressed earlier, pessimism and lack of confidence, according to Maor (2014a), are the main drive for a negative bubble. Two polls are included here to assess the emotion change after the moratorium of HOS.

Chart 5 showed whether public prefers to reappoint the Secretary of Housing from 2002 to 2015. The vote share that pro-reappointment had a clear resilience after the trough in 2004

and remained in uptrend until year 2012 and 2013. Chart 6 represented whether the public is satisfied the housing policy. The public became more satisfied and less unsatisfied starting from 2004, a clear reaffirmation to the hypothetical vote poll was found.

The public sentiment in this case did not follow the path of a pessimistic version of policy negative bubble (Maor 2014a). Rather, the public mood had a sharp boost after the cessation of HOS, and turned to be more optimistic.

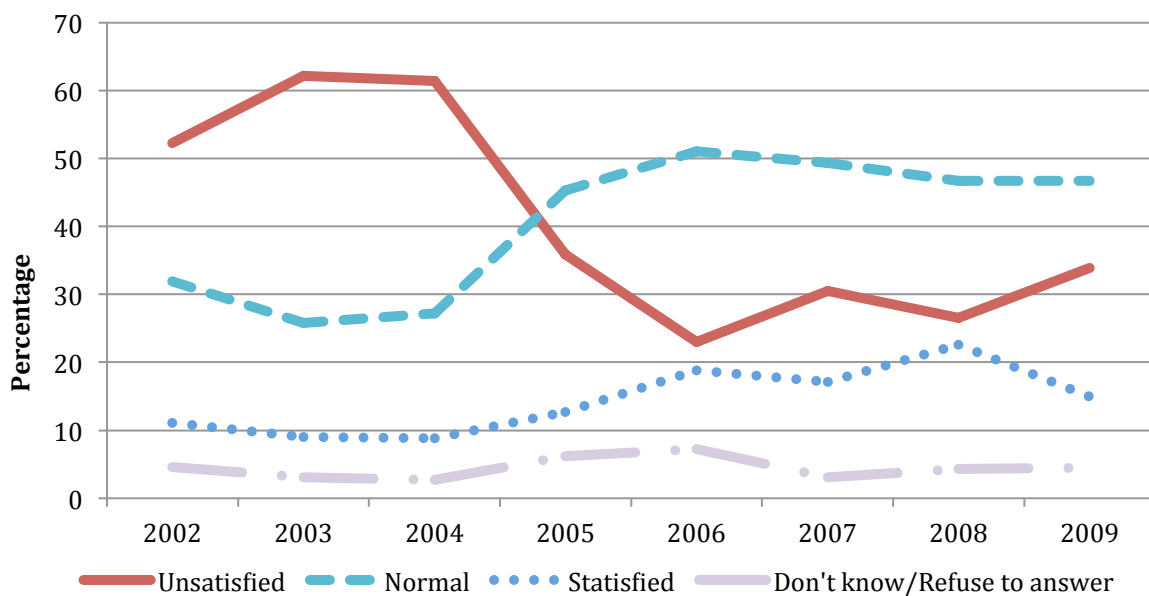


Chart 6: Public Perception of Performance on Housing Issue 2002-2009. Source: Hong Kong Institute of Asia-Pacific Studies. <http://www.cuhk.edu.hk/hkiaps/>

Concluding Remarks

Policy negative bubble is an emerging concept that aims to facilitate deeper theoretical dialogue between theories of agenda setting and theories of policy analysis. As a relatively new idea and is mainly theory-driven, policy negative bubble requires more empirical research to support its claim or to enrich the theoretical framework.

In Hong Kong's housing shortage, a horseshoe pattern, but an inversed one, was observed when comparing the affordability and annual subsidized housing completion, for which a similar pattern was also found in policy bubble literature (Jones, Thomas and Wolfe 2014). In terms of political attention, although the indexing power of the executive was not always as effective as the government wished, the interaction between executive and media attention still demonstrated a fading pattern as the negative bubble grew and by and large matched with the theoretical expectation. But one must note the role of the cessation of HOS and it had lock-in effect, and substantially resulted in lowered media attention and more satisfied public. In my case, the market myth and putting government as the scapegoat with too ambitious housing production had strengthened the intensity of the double valences. Such valences expelled not just the giant production, but also declined a more moderate scale of subsidized housing from 2002 and onward that can have a better stabilizing effect (Lee 2003, 2012). The valences also attracted the public to embrace the market as narcosis to the highest level ever, that in turn suffered the public after long period of undersupply. Public opinion polls, followed by the lock-in effect of HOS cessation, showed the public had had increasing trust and satisfaction to housing policy, an indication of good-mood policy negative bubble.

I also suggested that the mechanism of policy under-response over an extended period of time can be sequenced as the follow five stages processes: (1) exogenous factors alters the mood of political and business elites as well as the wider public; (2) the policy-maker reframes and reshapes the policy ideas and images in time of mood change, and lead to policy adoption or ideas reinforcement; (3) policy moods reversed as exogenous situation responses to the policy solution as perceived by the public; (4) the growing optimism lead to a re-allocation of political attention and fade out media's attention on a high-profile policy over a sustained period of time; (5) and lastly it leads to an outcome of persisted policy negative bubble.

What emotion causes an under-supply in a sustained period of time? Apart from pessimism and lack of confidence, in this article, I documented and argued an alternative pathway of policy negative bubble – the bubble fueled with good mood instead of bad mood. It provides a new possible direction to consolidate the concepts of policy negative bubble, as well as policy bubble. That is to say, could a policy bubble grow up in the pervasion of pessimism? Moreover, the case of good-mood policy negative bubble also raised an important theoretical question to policy bubble scholars – if policy bubble and policy negative bubble, by nature, can both develop through either positive or negative emotion, does it mean that either pessimism or optimism becomes irrelevant and it reduces the explanatory variable to emotional intensity? All these questions require looking for more empirical evidence to answer.

References

- Baumgartner, F. R., & Jones, B. D. (2015). *The Politics of Information: Problem Definition and the Course of Public Policy in America* (p. 264). University of Chicago Press.
- Bertelli, A. M., & John, P. (2012). *Public Policy Investment: Risk and Return in British Politics*. *British Journal of Political Science* (Vol. 43, pp. 741–773).
doi:10.1017/S0007123412000567
- Bennett, W.L. (1990) 'Toward a Theory of Press–State Relations in the United States', *Journal of Communication*, 40(2): 103–125.
- (2003) 'A Semi- independent Press: Government Control and Journalistic Autonomy in the Political Construction of News', *Political Communication*, 20(4): 359–362.
- Bonafont, L. C., & Baumgartner, F. R. (2013). Newspaper attention and policy activities in Spain. *Journal of Public Policy*, 33(01), 65–88. doi:10.1017/S0143814X12000219
- Boydston, A. E. (2013). *Making the News: Politics, the Media, and Agenda Setting*. University of Chicago Press.
- Cheung, A. B. L. (2000). New Interventionism in the Making: Interpreting state interventions in Hong Kong after the change of sovereignty. *Journal of Contemporary China*, 9(24), 291–308. doi:10.1080/713675938
- (2010). In Search of Trust and Legitimacy: The Political Trajectory of Hong Kong as part of China. *International Public Management Review*, 11(2), 38–63.
- Cohen, B. C. (1963). *The Press and Foreign Policy*. Princeton, NJ: Princeton University Press.
- Cox, R. H., & Béland, D. (2013). Valence, Policy Ideas, and the Rise of Sustainability. *Governance*, 26(2), 307–328. doi:10.1111/gove.12003
- Doling, J. (1999). Housing Policies and the Little Tigers: How Do They Compare with Other Industrialised Countries? *Housing Studies*, 14(2), 229–250.
doi:10.1080/02673039982939
- Dowding, K., Hindmoor, A., Iles, R., & John, P. (2010). Policy Agendas in Australian Politics: The Governor-General's Speeches, 1945–2008. *Australian Journal of Political Science*, 45(4), 533–557. doi:10.1080/10361146.2010.517174
- Francis D. P. (2012) Deadly AIDS Policy Failure by the Highest Levels of the US Government: A Personal Look Back 30 Years Later for Lessons to Respond Better to Future Epidemics. *Journal of Public Health Policy*, 33(3): 290-300
- Friedman, M. (1998). The Hong Kong Experiment, Hoover Digest, 1998(3).
<http://www.hoover.org/research/hong-kong-experiment> (accessed on 10 Mar 2015)

- Fong, B. C. H. (2013). State-Society Conflicts under Hong Kong's Hybrid Regime: Governing Coalition Building and Civil Society Challenges. *Asian Survey*, 53(5), 854–882. Retrieved from <http://www.jstor.org/stable/10.1525/as.2013.53.5.854>
- (2014). The Partnership between the Chinese Government and Hong Kong's Capitalist Class: Implications for HKSAR Governance, 1997–2012. *The China Quarterly*, 217, 195–220. doi:10.1017/S0305741014000307
- Forrest, R., & Yip, N. (2014). The Future for Reluctant Intervention : The Prospects for Hong Kong ' s Public Rental Sector, 29(4), 551–565. doi:10.1080/02673037.2013.878020
- Gans, H.J. (1979) *Deciding What's News*, New York: Pantheon Books.
- Goodstadt, L. F. (2014). *Poverty in the Midst of Affluence: How Hong Kong Mismanaged Its Prosperity, Revised Edition* (p. 280). Hong Kong: Hong Kong University Press.
- Jennings, W., Bevan, S., & John, P. (2011). The Agenda of British Government: The Speech from the Throne, 1911-2008. *Political Studies*, 59(1), 74–98. doi:10.1111/j.1467-9248.2010.00859.x
- Jennings, W., Bevan, S., Timmermans, A., Breeman, G., Brouard, S., Chaques-Bonafont, L., Green-Pedersen, C., John, P., Mortensen, P. B. & Palau, a. M. (2011). Effects of the Core Functions of Government on the Diversity of Executive Agendas. *Comparative Political Studies*, 44(8), 1001–1030. doi:10.1177/0010414011405165
- Jones, B. D., & Wolfe, M. (2010). Public policy and the mass media An information processing approach. In S. Koch-Baumgarten & K. Voltmer (Eds.), *Public Policy and Mass Media: The interplay of mass communication and political decision making*. Routledge/ECPR Studies in European Political Science.
- Jones, B. D., Thomas, H. F., & Wolfe, M. (2014). Policy Bubbles. *Policy Studies Journal*, 42(1), 146–171. doi:10.1111/psj.12046
- Kay, A., & Boxall, A. (2015). Success and Failure in Public Policy: Twin Imposters or Avenues for Reform? Selected Evidence from 40 Years of Health-care Reform in Australia*. *Australian Journal of Public Administration*, 74(1), 33–41. doi:10.1111/1467-8500.12135
- Lee, K., & Yue, J. W. (2001). A Prolegomenon to the Study of the Role of Rhetoric in the Garbage-can Policy Process: The Case of Hong Kong's Positive Non-interventionism. *International Journal of Public Administration*, 24(9), 887–907. doi:10.1081/PAD-100104778
- Lee, J. (2003). Is There An East Asian Housing Culture? Contrasting Housing Systems of Hong Kong, Singapore, Taiwan and South Korea. *The Journal of Comparative Asian Development*, 2(March 2015), 3–19. doi:10.1080/15339114.2003.9678369
- (2012). Housing Policy At a Crossword?. In Stephen W. K. Chiu & S. L. Wong (Eds.) *Repositioning the Hong Kong Government: Social Foundations and Political Challenges* (pp. 165-186). Hong Kong University Press. Hong Kong.

- Maor, M. (2012). Policy overreaction. *Journal of Public Policy*, 32(03), 231–259. doi:10.1017/S0143814X1200013X
- (2014a). *Emotion-Driven Negative Policy Bubbles* *.
- (2014b). Policy Bubbles: Policy Overreaction and Positive Feedback. *Governance*, 27(3), 469–487. doi:10.1111/gove.12048
- (2014c). Policy persistence, risk estimation and policy underreaction. *Policy Sciences*, 47(4), 425–443. doi:10.1007/s11077-014-9203-8
- McCombs, M. E., & Shaw, D. L. (1972). The Agenda-Setting Function of Mass MediaThe Agenda-Setting Function of Mass Media. *Public Opinion Quarterly*, 36, 176–187.
- Patten, C (1998). *East and West: The Last Governor of Hong Kong on Power, Freedom and the Future*. London: Macmillan
- Roberts, M. and McCombs, M.E. (1994) ‘Agenda Setting and Political Advertising: Origins of the News Agenda’, *Political Communication* 11: 249–262.
- Rutledge, P. E., & Larsen Price, H. a. (2014). The President as Agenda Setter-in-Chief: The Dynamics of Congressional and Presidential Agenda Setting. *Policy Studies Journal*, 42(3), 443–464. doi:10.1111/psj.12068
- Scott, Ian (1989). *Political Change and the Crisis of Legitimacy in Hong Kong*. Hurst, London.
- (1993) Legitimacy and Its Discontents: Hong Kong and the Reversion to Chinese Sovereignty, *Asian Journal of Political Science* 1(1), 55–75.
- (2007) Legitimacy, Governance and Public Policy in Post-Handover Hong Kong, *The Asia Pacific Journal of Public Administration*, 29(1): 29–49.
- Smart, A. & Lee, J. (2003). Financialization and the Role of Real Estate in Hong Kong ’ s Regime of Accumulation. *Economic Geography*, 79(2), 153–171.
- So, C. Y. K., & Chan, J. M. (1999). Research on press and politics in Hong Kong: An overview. In Clement Y. K. So & Joseph M. Chan (Eds.) *Press and politics in Hong Kong: Case studies from 1967 to 1997* (pp. 1-31). Hong Kong: Hong Kong Institute for Asia-Pacific Studies, Chinese University of Hong Kong.
- Weaver, D.H. and Elliott, S.N. (1985) ‘Who Sets the Agenda for the Media? A Study of Local Agenda Building’, *Journalism Quarterly*, 62(1): 87–94.
- Wildavsky, A. (1979). *Speaking Truth to Power: The Art and Craft of Policy Analysis*. Boston: Little, Brown and Co., 1979.
- Yep, R., & Lui, T. L. (2010). Revisiting the golden era of MacLehose and the dynamics of social reforms. *China Information*, 24(3), 249–272. doi:10.1177/0920203X10379360