Spatial liminality as moral hazard and boat squatter toleration in post-World War Two Hong Kong

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ABSTRACT

This research critiques the concept of moral hazard to explain boat squatter toleration by the post-World War II Hong Kong colonial government. The normative nature of moral hazard discourse in neoliberal policy and practice is examined through the use of archived colonial administrative memoranda as a form of ethnography. Perceiving spatial mobility of boat squatters occupying the liminal space of typhoon shelters over which the government did not possess complete jurisdictional control evoked a host of situational moral hazard truth claims to exclude them from public housing. Conflicting narratives of government actors in administrative memoranda provide evidence of the dubious use of moral hazard logic to justify neoliberal government indifference to the housing needs of a marginalized population.

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Introduction

"I realize the very great difficulties involved and the possibility that, when all is said and done, a certain amount of rough justice (and injustice) is inevitable in the course of a forceful and magnificent programme of resettlement as we have on hand here in Hong Kong."(HKRS 163-3-230)

"It must be admitted that the living conditions of the boat people are deplorable and the measures suggested by the various departments at best are only palliative, and the ultimate solution to the problem is to rehouse them ashore. Even though it is fair that no preference should be given to the boat people, but certainly we do not want to reach such a state that all the squatter boats in our shelters sink one by one before we rehouse them." (HKRS 413-4-17a)

The first quote from a 1963 memo to the Assistant Colonial Secretary provides a narrative of a seemingly impartial, but simultaneously qualified policy-making process of resettling squatters into public housing in a city viewed as possessing one of the most successful public housing programs in the world. In contrast, the second quote from a City District Office memo 16 years later is far less equivocal when describing the endemic frustration of some colonial government officials with the long standing 'safety net' policy of excluding boat squatters from public housing unless

their water space is reclaimed for development purposes or households become homeless because their boats are sinking. Together, these quotes from colonial administrative memoranda speak to contesting narratives of government actors engaged in squatter resettlement policy formulation and practice in post-World War Two Hong Kong. Boat squatter toleration, despite a larger squatter resettlement program, produced one of the most ubiquitous landscape images of Hong Kong during the four decades following World War Two as these water communities occupied centrally located typhoon shelters in the built up urban area of Victoria Harbor and Kowloon.

As part of a larger colonial archives-based research project examining the multi-decade process of fisher folk transition to shore based residential employment, I was left trying to understand why the claims of many government officials toward resettling boat squatters seemed so apathetic despite their sometimes empathetic view toward their appalling living conditions. As a result, the colonial government tolerated boat squatters despite their occupying critically important urban typhoon shelters. Explaining the toleration of boat squatters is in part constituent of an anti-welfare ideology that social insurance programs such as the provisioning of public housing for boat squatters produces moral hazard, an economic concept that describes the increased risk or liability to the government while simultaneously producing unwanted outcomes for the insured in the form of social and economic dependency.

I primarily use archived colonial administrative memoranda to uncover colonial administration moral hazard logic and discourse during the 1960s, 1970s and early 1980s. As Smart (2013, 2002) and Smart and Chui (2006) describe, deconstructing the narratives of

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colonial administrative memoranda is a form of ethnographic research in that written discussions between a variety of administrators occupying different levels of administrative power and departments reveal relatively unencumbered opinions of administrative policies and practices not accessible through either documents for public consumption or interviews with public officials. In addition, administrative memoranda sometimes reveal deep epistemological cleavages concerning the management of boat squatters especially in the context of numerous Working Party documents when a wide array of actors participate in policy discussions. As such we are able to examine archives not just as sites for knowledge extraction, but as contested sites in the production of knowledge (Stoler, 2002, 2009). It is important to point out, however, that while the term moral hazard is not used by government administrators in colonial memoranda, the hidden and normative nature of moral hazard in neoliberal discourse (Hale, 2009; Young, 2010) is conspicuous in the relatively open environment of policy discussions. In other words, the commonly used terms of 'imposters' to describe boat squatters or 'open ended commitment' to characterize the government's perceived public housing obligations to boat squatters are simply code for moral hazard.

This research contributes to the growing moral hazard literature in numerous respects. The lion's share of the moral hazard literature comes from the disciplines or insurance, finance, economics, and especially law (Baker, 2000; Ericson, Barry, & Doyle, 2000; McCluskey, 2003; Stone, 2002). While these contributions rightly question the conceptually dubious nature of moral hazard especially in the neoliberal context, few empirically apply the concept to specific marginalized populations from a social science or humanities perspective (Hale, 2009; Pollack, 2010; Smart, 2013; Young, 2010). Moreover, this research is noteworthy because it uses archival primary source material to empirically interrogate the common sense nature of moral hazard in neoliberal government policy and practice. Harnessing moral hazard discourse to examine government tolerance of boat squatters is borrowed from Smart (2013) who applies the concept to explain the ineligibility of land squatter fire victims in 1950s Hong Kong for resettlement in public housing; eligibility would entice squatters to engage in arson to gain access to resettlement estates. Because the social construction of moral hazard is situational (Baker, 2000) and is often based on the presumed natural attributes of marginalized populations (Young, 2010), this research specifically identifies the government's perceived spatial mobility of boat squatters as inviting moral hazard through providing incentives to 'imposters' not deserving of public housing. This perceived natural attribute of spatial mobility is compounded by typhoon shelters functioning as liminal space or spaces of moral hazard not fully controlled by the government, engendering the fabrication of never ending and insidious moral hazards by government to deny boat squatters access to public housing. Lastly, and of a more general nature, this research contributes both theoretically and empirically to our understanding of squatter governance, rights, and citizenship (Lalloo, 1998; Leckie, 1989; Weinstein & Ren, 2009).

I open with a conceptual introduction to the concept of risk and moral hazard, particularly in the context of neoliberal social policy that maligns the welfare state. This is followed by a description of the minimalist nature of colonial governance in Hong Kong and the bureaucratic institutional actors that managed both the moral hazard discourse and the physical spaces of boat squatters. Next, I examine how fisher folk became boat squatters in typhoon shelters through the process of creative destruction. In turn, it was the spatially liminal nature of typhoon shelters upon which government institutions and actors constructed moral hazard logic to deny access to housing ashore. The theoretically informed empirical

portion of this research that critiques the moral hazard-based bureaucratic logic and practices is divided into two parts. First, I identify the foundational or essentialized moral hazard logic of perceived boat squatter spatial mobility that anchored the government's decades long discourse against housing them ashore. Second, I describe bureaucratic techniques that failed to reduce the potential for moral hazard based on legal constraints, but also because of the perception that these same techniques would create unintended moral hazard consequences. In each part, the dissenting narratives of lower level government administrators are offered as evidence for the dubious and perverse use of moral hazard logic to justify government inaction.

Conceptualizing risk and moral hazard

The concept of moral hazard is fundamentally linked to conditions of risk which itself takes many forms based on economic and political structural transformations over the past 150 years (Beck, 1995). Whether risks are associated with objective threats, uncertainties, and probabilities linked to potential future outcomes, they are, unlike natural hazards, manufactured in the sense that they are subjectively constructed and managed by individuals, firms and governments (Mythen, 2004). Private insurance then reduces risk for the insured whether it be for individuals or firms while social insurance is provided by governments in the form social security, health care, unemployment insurance, or welfare programs to meet the safety and security needs of citizens under rapidly changing social, economic and technological conditions (Mythen, 2004).

While notions of risk and morals reach back centuries, it was not until the mid-1800s that the idiom and concept of moral hazard became institutionalized in the insurance industry (Rowell & Connelly, 2012), and particularly the fire insurance industry (Baker, 1996). Centered on the "interrelated dynamics of character and temptation" (Baker, 2000: 563), moral hazard refers to both people and situations (Rowell & Connelly, 2012). From the insurer's perspective, the risk of fraudulent behavior is anchored in the calculation of the moral character of the insured, but more importantly, the insuring institution contract might also produce moral hazard if it increases the temptation of an otherwise moral person to engage in immoral behavior because of being overinsured (Baker, 2000).

Once functionally confined to the insurance industry, the concept of moral hazard was ideologically harnessed by neoliberal standard bearers in the 1960s to attack the welfare state (Arrow, 1963; Pauly, 1968). Anchored in moral obligations associated with the redistribution of risk, inequality and civil rights in a larger community of belonging and citizenship (Stone, 2002), the welfare state socializes risk through making individuals part of a greater whole and underpinning the legitimacy of governments by meeting a variety of safety and security needs of populations in what Foucault refers to as the "apparatuses of security" (Garland, 2003: 60). Within the context of a 'paradigm of precaution' (Ewald, 1999) constitutive of neoliberal ideology, the retreat of government institutions from risk and liability directly reduces moral hazard opportunities by placing welfare responsibilities on the individual (Ericson et al., 2000).

Adopting a model of 'governance beyond the state' and the attendant moral language shift from 'welfare' to 'safety net' (Ericson et al., 2000), neoliberalism uses moral hazard to "demand sacrifice, self-reliance, and tough choices" (McCluskey, 2002: 156) from individuals and households. This moral hazard assertion inherently devalues social insurance in what Hirschman (1991) refers to the 'perversity thesis' because while conservative and pro-market advocates claim that policy changes will ameliorate