Reviewer #1: This paper studies whether the handover of Hong Kong from UK to mainland China in 1997 had any economic impact to its economy. It employs the synthetic control method (SCM), with Singapore, Japan, South Korea, and Taiwan as the four economies in the donor pool and 1989-2008 as the main study period. In order to justify the proper use of SCM, the author(s) also conducts simple differences-in-difference and principal component analysis in the paper. Jointly, the author(s) concludes that the results suggest the existence of a negative "China effect" on Hong Kong's economy, and it even started before 1997.

In general, I think this paper is trying to answer an interesting and important research question. However, I do not think the empirical analysis, especially the synthetic control method part, is conducted properly. Therefore, I do not think the evidence in this paper supports its conclusion. Below I detail my comments.

Major Comments
1. The structure of the paper. I appreciate that the author(s) details the simple differences-in-difference and principal component analysis in sections 2 and 3, in order to justify why the synthetic control method is used. However, I think the analysis is too simple thus does not bring too much value (e.g. simply comparing two countries in one regression as in Table 1), is not necessary and a bit redundant. Justifying the benefits of synthetic control method and focusing on the synthetic control method and its analysis.

2. The selection of donor pool. Even though the author(s) states that the synthetic control method helps avoid apple-to-orange comparison. However, with only four economies in the donor pool, it does not help address the issues fundamentally. Picking the regions for the donor pool is an art: you want to pick sufficient number of regions with similar characteristics, you do not want to pick too many so to avoid overfitting (Abadie et al. 2015, Grier and Maynard 2016). However, it is my understanding that 4 regions as in the donor pool is not sufficient. In the end, as the author(s) stated, the synthetic Hong Kong is mainly composed of Singapore and Japan. To me, it is still an "apple-to-orange" comparison.

More importantly, in my understanding, Hong Kong is one of the regions having the most negative impacts from the 1997 Asian financial crisis. Singapore, Japan, and Taiwan were much less influenced than Hong Kong. How can you compare Hong Kong, which is heavily influenced by the 1997 Asian financial crisis, to a synthetic Hong Kong, which is mainly of less influenced economies? Thailand is one of the regions heavily influenced by the financial crisis too, and Panel F in Figure 7 shows that when including those Southeast Asian countries there is not any significant difference between Hong Kong and the synthetic Hong Kong (although the predictor variable is only GDP, which is not sufficient). More proper countries being included in the donor pool is necessary.

3. The selection of pre-treat period and post-treat period. 1989-1996 is not a long enough period to investigate the economic effects of regime change. Especially, as the author(s) suggested, the negotiation started in 1980s, and the Sino-British Joint Declaration was made in 1984. People's expectations started changing since then. It is not appropriate to just use 1989-1996 as the pre-treatment period. I suggest the author(s) to use the years before 1982 and 1984 as the pre-treatment period, to see whether it has any effect on the economy; then based on that, use the 1984-1996 as the pre-treatment period, to see whether the hand-over had real effects conditional on the signed
Declaration. But, it is a difficult task, since the 1982-1996 period is already under the expectation of Hong Kong being back to China, thus the 1997 hand-over is not an exogenous shock. This undermines the reliability of SCM results.

It is more appropriate to use the year of Declaration as the treatment year to see the expected handover effect, which is a more exogenous shock. As in Hall et al. (forthcoming), the referendum year is the treatment year, rather than the real consolidation year, which is years after the voting.

Meanwhile, as the author(s) suggested in the Introduction of the paper, the handover still has effects nowadays, e.g. the recent ongoing protests. It is important to see the long term-economic impacts, especially when the data are available. China joining WTO in 2001 and Beijing hosting the Olympics in 2008 are not strong reasons for us to stop investigating the most recent years. I would suggest the author(s) to show more analysis with more years (pre-, and post-treatment).

4. This comment is related to the major comment 2. As the author(s) explained in the paper, the Asian 1997 financial crisis started on July 02, 1997. The analysis, regardless of the method or the control group, cannot separate the effects from the crisis and the handover. Hong Kong's stock and housing markets are heavily influenced by the crisis, which might be the ultimate reason for Hong Kong's short-term economic decline in the main analysis. Meanwhile, the mainland China government assisted Hong Kong a lot to address the crisis. The situation is too convoluted for separating out the exact effect of the "hand-over" from others, as the author(s) suggested in Section 7 "Possible Mechanism".

Therefore, jointly, I do not think the results in this paper can reach the conclusion of the negative handover effect by the author(s). No matter how many different weights being tried in the models, if the donor pool is of only the four economies, the results rely too heavily on these specific economies thus cannot give convincing implications.

Minor Comments
1. In the first paragraph of the article, what are the sources of the data?

2. Based on the major comments, the results from Equation (5) are not giving convincing implications.

3. What are the economies in the donor pools when conducting the placebo tests? The other economies among the Hong Kong, Singapore, Taiwan, Japan, and South Korea? Is Hong Kong in the donor pool for placebo tests? Again, I am deeply concerned with the size of donor pool.

4. In Figure 5, percentage change can help show a better comparison.

References