

Tyler Coburn
Charter Citizen

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In October 2012, the Supreme Court of Honduras forced closure on a recent chapter of neoliberal expansionism, ruling against the constitutionality of autonomous cities within its borders.

The ill-fated enterprise dates back to the 2009 TED conference, when liberal economist Paul Romer took the floor to pitch “charter cities,” built on the territory of host countries and subject to the market-friendly jurisdiction of credible guarantor nations. At the 2011 TED conference, Romer returned to announce that his initial speech had directly impacted the Honduran congress’s passage of a constitutional amendment and statute (Decree No. 123-2011), which enabled the creation of such cities in “Special Development Regions.”



Charter Cities proponent, Paul Romer, speaks on television.

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Private interests soon followed, overseen by Milton Friedman’s grandson, Patri, and Michael Strong, cofounder of Conscious Capitalism, Inc. Their respective city models had more anarcho-capitalist and libertarian tilts than Romer’s. (Strong’s, for example, made third-party guarantorship a voluntary provision). Notwithstanding these differences, all three plans promoted minimal legal apparatuses to lure foreign investment.

Laissez-faire utopias are not new to the developing world, which has periodically served as a sketchpad for the capitalist dreamer. What Romer’s, Strong’s, and Friedman’s theories contribute is the marketization of government. Neoliberalism, Wendy Brown writes, demotes “the political sovereign to managerial status”: a weak monitor of the transnational flows that perforate its bounds.¹ If the nation-state’s alignment of sovereignty and territory increasingly founders against globalized competitors, as the city planners reason, then the state itself must be abandoned in favor of workable alternatives – “designed in the same way as entrepreneurial business models from Silicon Valley,” Strong proposes, or conceived as

an operating system and service provider, tailoring user experience to produce what Patri Friedman calls “a city that’s as fun to use as an iPad.”²

At a 2012 conference for his other city-building endeavor, the Seasteading Institute, Friedman went so far as to term government an obsolete technology, arguing that “surely the scientific and technical progress of the last two centuries have unlocked new forms of government that people today have never even dreamed of.”³ Whether floating in international waters or sprouting on foreign territory, these proposed cities are the proving grounds for the technolibertarians’ foray into governance. In fact, they already demonstrate a concrete link between technology and geopolitics: venture capitalist Peter Thiel donated the same amount of startup funds to the Seasteading Institute as to Facebook. John Perry Barlow’s 1996 manifesto, “A Declaration of the Independence of Cyberspace,” retrenched the frontierist rhetoric of libertopias past. Internet capital is fueling its real-world return.

The city, Romer notes, provides a convenient scale for a governmental “skunkworks,”⁴ though for each planner, form follows ideology.⁵ From a libertarian perspective,

the outmoding of the nation-state emancipates individuals from its alleged predation and forced taxation. Citizenship as determined by the state – conventionally through *jus soli*,⁶ *jus sanguinis*,⁷ or some combination thereof – gives way to models of selfhood predicated foremost on voluntarism.

This scenario fits hand-in-glove with neoliberalism’s extreme horizon: when government is run as a private service, even the citizen can be put into circulation. Henceforth, the consent to be ruled will be set by flexible contracts, and civic obligations need extend only as far as their terms and conditions. Yet if ideology inheres in the very architecture of greenfield urbanism, the question arises as to *who* and *what* are being modeled in these new material interfaces.

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Charter cities build on Paul Romer’s theory that “rules” are the true linchpins of a growing economy: the higher their quality, the more favorable the circumstances for investment, innovation, and economic growth. Good laws and customs must account for why Taiwan, as Romer argues, could develop with a scarcity of natural resources and capital goods. Introducing these

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This Seasteading Institute flash drive was given to the author at the 2012 Seasteading Conference in San Francisco. Courtesy of the author.



The model shown here was developed by SESU Seasteed – Marko Järvela for the Seasteed Design competition, 2009.

good rules into a country with weaker ones – in a government-approved charter city/zone – would thus incentivize “privately held ideas to be put to use within its borders,” as long as those rules benefit free market practices, such as direct investment, the protection of property rights, and the curbing of regulations.⁸ The implementation of good rules, of course, first requires identifying nations with conspicuously weak ones. By so doing, Romer implicitly performs a pervasive logic whereby the naming of a “failed” or “failing” state gives justification for various scales of international and private intervention. Charter cities may eschew interventionism in favor of territorial partitioning, though provide similar grounds for action.

Theoretically, anyone in the world can migrate to a charter city. It remains the sovereign territory of a host country, but is privately held – as with a case like Singapore, infrastructural and administrative costs are drawn from the revenues of land leasing and value gains. A given charter city sources its rules from a guarantor nation, in the manner that Hong Kong recruits judges from common law jurisdictions, or Mauritius appeals cases to the United Kingdom’s Privy Council. In optimal circumstances, a legal arrangement with a guarantor nation would spur the interest of both national and foreign investors, who could even sign on to help build the city.

Despite the economic incentives, there is questionable business demand for charter cities. Multinationals already habitually consign arbitration to third-party courts; in the case of Honduras, this long-standing practice was finally formalized with CAFTA-DR’s allowance for dispute settlement at the World Bank.⁹ These existing provisions must suffice to offset the poor accountability of certain developing countries, which have seen little diminishment in business with wealthy nations. The novelty of charter cities, then, may lie in their streamlined template for arbitration, which can scale to a multinational network without ever requiring foreign investors to directly engage with territorial hosts. Certainly, a weak-ruled country could profit through the sale of land and, potentially, from spillover effects of the autonomous zones, but its consent renders explicit the operations of global capital: the host acknowledges that it, too, can be remade as a frontier.

Defense – like arbitration – can be contracted out. In a 2012 report, Romer and his colleague Brandon Fuller offered the Royal Canadian Mounted Police and the Carabineros de Chile as two organizations that could train officers and provide borrowed accountability to charter city police, while also serving “as a model

for reform in the rest of Honduras.”¹⁰ Such recommendations risk inflating perceptions of the country’s lack of legitimacy, making the potential authoritarianism of a charter city seem comparably desirable. Indeed, the 2011 Latinobarómetro poll found that less than half of the residents of Honduras – the murder capital of the world – “presently believe democracy is preferable to any other type of government, while more than a quarter admit an authoritarian regime is occasionally preferable.”¹¹ This quarter may someday live in the safety of paranoid consent, with a wait-list of would-bes forming temporary encampments on the charter city perimeter.

Migration / Voluntarism

Romer’s nonprofit think tank, Charter Cities, maintains a strict conflict-of-interest policy in the city zones. His advisory capacity, if anything, skews against extant – and, in his opinion, ineffectual – forms of foreign aid, favoring the “mutually beneficial exchange” to be found between charter citizens, charter courts, and charter investors.¹² Pairing “rising tide” faith with an outspoken concern about the imminent urbanization crisis, the economist has made a range of critics wonder if new experiments with city building aren’t better than none.

Reflecting on this crisis at TED2009, Romer outlined the role charter cities could play for the “many hundreds of millions – if not billions – of people who will move to cities in the coming centuries”: the 270 million expected to move to Indian cities by 2030, for example, and the 700 million that a 2009 Gallup poll reported want to migrate permanently. The economist then redistributed the world’s available arable land into a dotted grid, noting that the addition of cities for a billion new people will only add 1 percent to the 3 percent we’ve already taken.¹³

Less discussed are those for whom migration is a habitual state – who, in a very different way than the citystead innovators, also experience precaritization as a naturalized mode of work. Charter cities thus settle into a familiar paradox for ethico-humanitarian entrepreneurship, as the application of business models to ameliorate inequitable conditions ends up yielding contract-based, globalized networks coextensive with those conditions. Moreover, the charter cities’ supposed alleviation of traditional immigration restrictions could conceivably supplement, not diminish, existing circuits of migratory labor.

Compounding this question is that of the political rights of charter cities’ early adopters. As stipulated in the constitutional statute, an independent “Transparency Commission” would mediate relations between the Honduran

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The Chinese city of Ordos, built over the last twenty years to support a local coal mining boom, is largely uninhabited today. It is often cited as a beacon of the imminent bust of the Chinese housing bubble.

government and guarantor nations. In seeming confirmation of neoliberalism's preference for technocratic governance, the commission's *pro tempore* members included the former senior executive of Singapore Power, a Nobel Laureate economist, and the Director Emeritus of Bain & Company. "It is easier to create a board of trustees than to give control of part of your territory to a foreign nation," the presidential chief of staff remarked.¹⁴ As *The Economist* reported in December 2011, among the commission's more controversial decisions was to delay the introduction of democratic institutions into the charter cities: only when it "deems that the time is ripe will citizens be able to elect the members of the 'normative councils' – in effect, local parliaments."¹⁵

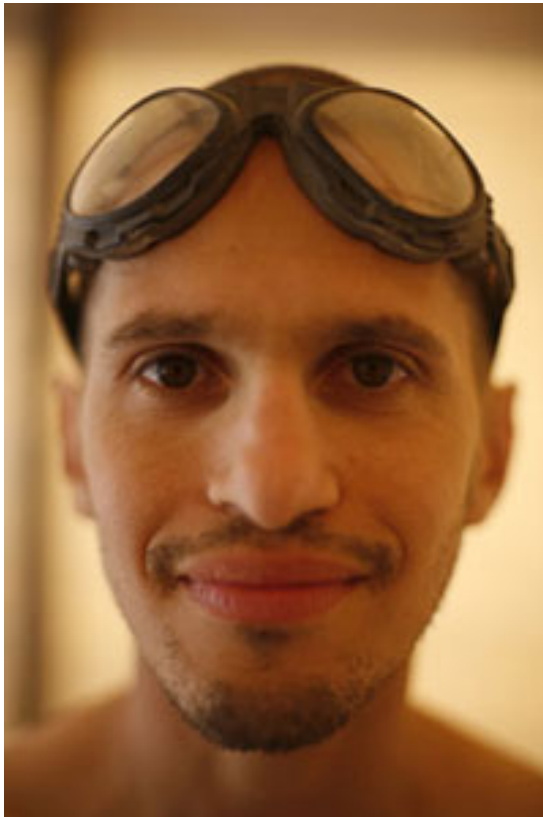
Such provisions have made Romer's critics cry *neocolonial*. The accusation, he replied at TED2009, is an "emotional" one, as colonialism ruled by coercion, whereas charter cities allow people to opt-in and out. Situating charter cities within voluntaryist theory, then, may help explain why democracy plays a conditional (not constitutional) role: the capacity to enter and leave is taken as a sacrosanct liberty that renders secondary a given city's system of governance, thus prioritizing extrinsic contracts

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over civic engagement. Michael Strong has presented this capacity as a democratization of choice, though it clearly owes less to democratic governance than to the libertarianism of figures like Murray Rothbard, whose advocacy of voluntary transactions for national defense and courts can be seen to presage these city models.

"Voting' with boots, not ballots," as political philosopher David Ellerman wryly puts it, figures into the voluntaryist emphasis on exit over voice, and on the beneficent effects of the private individual's free agency in the market.¹⁶ This universalist framework homologizes self-interest and economic gain, assuming an equal, natural agency in its private contractees to seek the one through the other, regardless of how existing inequities may impact their pursuit.

In the case of the charter cities, overwhelming demand may outpace construction, creating population overflows that necessitate the adoption of legal strictures, as Adam Davidson writes, to "tactically dissuade some from coming."¹⁷ Singapore is one of Romer's templates, as its draconian penalties broadcast strict moral and labor standards for exactly these purposes. The limits of voluntaryism here become starkly apparent: even as charter cities attempt to create global



Patri Friedman at the Burning Man festival. Photo: Christopher Rasch.

migrations unbundled from nation-states, the “practical” needs of population control may require similarly discriminating measures.

“Walls built around political entities cannot block out without shutting in, cannot secure without making securitization a way of life,” Wendy Brown theorizes in *Walled States, Waning Sovereignty*. “If they are among the new technologies of power responding to the limitations or even breakdown of the rule of law and order in sovereign nations,” she continues elsewhere, “they are in this regard continuous with the extrajudicial practices springing up everywhere.”¹⁸ Charter cities, in this light, are the extrajudicial enclaves that wall themselves off from their weak-ruled, sovereign hosts.

Instant Cities / Disaster Capitalism

While these proposed cities draw on Silicon Valley business models – at a time when the Bay Area itself seems poised to transform into a high-tech city-state – they also figure into recent trends in greenfield urbanism that, Ellerman notes, fulfill “the classic planners’ fantasy of short-circuiting all those messy problems of development.”¹⁹ Immediately after the constitutional amendment’s passage, for example, a delegation of Hondurans visited South Korea and Singapore: “the two places in the world,” Romer claims, “most interested in getting into the city-building business.”²⁰ The former’s Songdo International Business District is the largest private real estate venture in history, and the latter’s 2007 agreement with China yielded the framework for a scalable, replicable eco-city, the first of which is under construction in Tianjin.²¹ These projects attempt to demonstrate the financial feasibility of “instant” cities, as part of a general “denationalization” of globalized economic space that, Saskia Sassen theorizes, elaborates a network atop the Westphalian map.²² A reterritorializing maxim seeks to become the cosmopolitan rule – even if, for every Hong Kong, there’s at least one Ordos.

Romer’s seeming disregard for the “messy problems” marks a surprising departure from his teacher, Robert Lucas, whose theory of the “external effects of human capital” explicitly drew upon Jane Jacobs’s *The Economy of Cities* (1969). Laying the groundwork for Romer’s theory, Lucas suggested that these effects emerge from the intellection and interaction of groups, which, in the high concentrations of a city, can account for aggregative growth.²³ The technocratic city planning against which Jacobs wrote, in other words, has been twisted into a terminus for her work.²⁴

Nor, for that matter, are the cities wholly commensurate with libertarian thought. The

movement’s Austrian precursor, Friedrich Hayek, frequently critiqued the application of “engineering technique to the solution of social problems,” citing a “misuse of science ... in fields where [a scientist] is not competent.” “From the earlier utopias to modern socialism,” Hayek writes, we can observe “the distinct mark of this influence.”²⁵ When asked whether the Honduran city models tempt constructivism, American advisor Mark Klugmann replied that Hayek’s objections run against planned and directed economic interactions, not the legal systems that facilitate market relations.²⁶ Hayek supports this distinction, in his 1973 book *Law, Legislation, and Liberty*: “we can preserve an order of such complexity not by the method of directing the members, but only indirectly by enforcing and improving the rules conducive to the formation of a spontaneous order.”²⁷

Yet Klugmann would do well to parse theory from action, as the aforementioned ideas have had all too consequent geopolitical effects. Greg Lindsay reads the Honduran project, for example, as an epilogue to Naomi Klein’s *The Shock Doctrine*, which plotted neoliberal reforms in Chile, Russia, and Iraq within the matrix of “disaster capitalism.”²⁸ The economic policies of Hayek and Patri’s grandfather, Milton Friedman, have not swept the globe “on the backs of freedom and democracy,” Klein contends. “They have needed shocks, crises, states of emergencies.”²⁹

In Honduras, such a shock came with democratically elected president Manuel Zelaya’s 2009 ouster. The military claimed to have prevented a referendum that would extend the maximum number of terms a president could serve. Critics, however, suspected the real agents to be the Honduran elite, and the true prompt Zelaya’s reforms, which increased social welfare funding and the minimum wage, while slowing the sale of state-owned utilities.

The military coup has since given way to a “second coup” with the privatization of utilities, the ports, and municipal education. Nonetheless, foreign investment and aid have dropped since 2009, as Lobo’s questionably “democratic” post-coup election – and subsequent allegations of corruption and human rights violations – have stoked international concern. In March 2012, ninety-four members of the US House of Representatives sent a letter to Secretary of State Hilary Clinton asking for the suspension of assistance to the Honduran military and police, whereas Obama’s proposed 2013 budget more than doubled key funding.³⁰ The US continues to be the country’s biggest trading partner, and moral indignation has remained merely implicit in the rhetoric of the city builders.

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Honduran locals and members of the Black Fraternal Organization of Honduras (OFRANEH) protest Charter Cities.

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The paradox of an endeavor like Romer’s is that while his strong-ruled cities seek exceptional status in weak-ruled countries, they can only come into being by means of those weak rules. A “failing state,” in short, must operate with enough legitimacy to allow its extraterritorial guests to take root. This lesson was learned on September 4, 2012, roughly nine months after Lobo appointed Romer’s Transparency Commission. On that date, Honduras signed a memorandum of understanding with Michael Strong’s fledgling private company, Grupo MGK, to construct three “free city” zones throughout the country. Despite media coverage at the time of the Transparency Commission’s appointment, Lobo’s administration never completed the process of publishing the decree in the official gazette and, as such, does not formally recognize its existence. Whatever the circumstances of the surprise deal, the administration felt compelled to bring Romer’s charter cities project to an unceremonious end.

Free Cities / Grupo MGK

Despite boasting more flexibility and national concessions than charter cities, Grupo MGK’s “free cities” masquerade a pointed, ideological agenda. Strong borrows the company’s rhetoric from his other organization, Conscious Capitalism, Inc., which professes an unflinching optimism that “positive entrepreneurial activity, within appropriate legal boundaries, can solve all the world’s problems.”³¹ MGK’s free cities offer test sites for this activity, serving the larger effort to steer the libertarian brand away from its Randian associations. In a controversial speech at FreedomFest 2004, Whole Foods CEO and Conscious Capitalism cofounder John Mackey even remarked, “I believe that Rand has ... harmed the movement.” Mackey went on to describe how Rand’s valorization of self-interest need not be incommensurate with social responsibility; the “flow of ideas, people, capital, technology” through free markets, he argued, yield both personal and societal benefits.³²

Presumably, Strong’s free cities would toe this ethico-entrepreneurial line, excepting the fact that his organization’s maneuverings have done little to inspire confidence. The LLC of Strong and Kevin Lyons’s previous Honduran interest was revoked by the state of Nevada for failure to pay associated legal fees, and MGK’s parent company only registered in Nevada on the very day of the memorandum’s signing.³³ Furthermore, Grupo MGK’s skeletal website went live more than a week later – primarily, Strong told *Diario La Prensa*, to quell speculation about the nature of the organization, given that the memorandum had not yet been released to the

public.³⁴ And then there’s the matter of the footage from a 2011 lecture, in which Strong set his cities’ eventual goal as the realization of an “anarcho-capitalist paradise.”³⁵

In practical terms, Grupo MGK shifts focus from Romer’s global community, stipulating that Hondurans must hold 90 percent of its free cities’ jobs and charging a given governor to establish immigration criteria. The cities do not require their citizens to adopt the law of a guarantor country, but also allow for a governance structure designed by a Transparency Commission and administered by the governor. “Our model preserves Honduran sovereignty,” the Grupo MGK website announced, by making guarantorship a voluntary provision. Nonetheless, MGK will recommend third party legal systems; Strong floated Texas state law, for instance, on account of its minimal taxes and familiarity to American investors.



Venn diagram found on the Conscious Capitalism, Inc. website.

Even before signing the memorandum, the company had entered discussions with interests in clothing, pharmaceuticals, nanotechnology, and organic food processing. The goal, MGK’s website stated, “is to build on the existing success of Honduran free zones.” Indeed, one of MGK’s initial affiliates, Robert Haywood, drafted the 1986 proposal to create the first economic processing zones in Honduras. Free-trade zones have a longer history in the country, from their 1976 authorizing legislation (effectively jump-starting the nation’s *maquila* industry) to a 1998 law that turned the entire country into a zone – an exemplary case of Keller Easterling’s theory

that a zone can serve as a “patriotic doppelgänger or double of the national capital from which it is exempt, allowing state and non-state to use each other as brand, proxy and camouflage.”³⁶

MGK’s website took pains to differentiate its “Next Generation” zones: “Haywood acknowledges that the first generation of free zones were flawed – precisely because they were only industrial parks that did NOT take community into account.” Even the prospective free city zones, however, have their Caribbean and Latin American precedents: the walled and guarded “*Zonas Americanas*” originally built for higher-ups in the United Fruit Company and since occupied (rather appropriately) by the foreign owners of the *maquiladora* zones.³⁷ These were “your classic company towns,” Greg Lindsay notes, and their owners retained their privileges, in part, by backing military governments.³⁸ The opponents of the city projects have drawn the obvious parallels.

Civic Response

Charter and free cities needed available land in a country of sufficient want and the demand of a global populous of sufficient need – generic conditions undone, in countless ways, by the resilience of context, of history (corruption, too). Saskia Sassen has characterized similar tendencies as a “set of processes that does not necessarily scale at the global level as such,” but which “is a part of globalization.” These “noncosmopolitan forms of global politics ... remain deeply attached to or focused on localized issues and struggles.”³⁹ The civic response in Honduras exemplifies these forms.

In September 2012, representatives of the Black Fraternal Organization of Honduras (OFRANEH), the LGBT community, the Colectiva de Mujeres Hondureñas (Collective of Honduran Women), and others filed over seventy challenges to the model cities. The Constitutional Law branch of the Supreme Court finally voted, on October 3, against the constitutionality of the cities, arguing that “foreign investment ... implies transferring national territory.”⁴⁰ Lacking unanimity, the court reconvened in full on October 18 and reiterated the first ruling. “History will judge who sought jobs for Honduras,” congress president Juan Orlando Hernández remarked, “and who did not.”⁴¹

Patri Friedman’s company, Future Cities Development, declared its dissolution the very next day, and MGK’s Honduran representative, Guillermo Peña, announced that the company had already moved on to talks with Jamaica, as well as several countries in the Caribbean and Eastern Europe. Peña even considered MGK’s

relevance for Greece, unintentionally echoing a German MP’s past recommendation of selling off the country in monument- and island-sized parcels. The company’s website gave a more telling account: after two redesigns, the home page comprised a truncated history of the free cities project, concluding with a broken link to its final update. It has since disappeared entirely.

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This stock image appears on Grupo MGK’s website with the accompanying title: “Clean Slate: A Better Future for All Hondurans.”

Crucial to the Honduran case is that the challengers’ defense of sovereignty and territory took shape not in nationalistic rhetoric, but through the ethics of a “post-sovereign condition,” which, according to Michael J. Shapiro, resorts to neither strictly universalizing nor ethnic, tribal, and identitarian claims.⁴² The 2009 coup “revived the specter of military dictatorships,” Tirza Flores Lanza commented, destroying “the incipient democracy that, with great effort, we were constructing.”⁴³ Its possible repercussions were not lost on regional leaders of democratic nations: Argentine President Cristina Fernández, for example, anticipated the 2013 Paraguayan coup.⁴⁴

The rejection of the city projects involves more than retaliation against past and ongoing foreign incursions; at issue is the premise that individuals can assume their greatest liberty when the ethical and the political are bent to facilitate the exercise of economic agency. A proprietary notion of natural liberty, in other words, has been passed over by Hondurans for those other forms represented within and protected by the state, suggesting its role, via Brown, as “the only meaningful site ... of political citizenship and rights guarantees.”⁴⁵

This is not to ignore how the Lobo regime’s parceling of services, territory, and rights crippled its political legitimacy, or that the state’s capaciousness, under any administration, must be cleaved from nationalism’s cohesions and exclusions to make room for other

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correspondences of sovereignty and peoples. But it is to suggest that the cities have negatively demarcated what exists, *in potentia*, as a political sphere.

The Honduran response will scarcely slow the spread of greenfield urbanism: if cities are now designed to operate like skunkworks, and technological gains reinforce neoliberal master narratives, then the failure of one experimental wing need not foreclose the operations of the others. Nonetheless, what happened in Honduras provides a cautionary tale about the role we resign – of *who* we lose – when the citizen turns private.

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Translation assistance by Arden Decker

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