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BEYOND FREEPORTS

Revitalising Britain with self-governing cities

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Summary

- The Freeports strategy announced by the previous government attempted to address today's challenges with yesterday's recipes, lacked the necessary deregulatory framework and failed to address key issues such as the housing crisis.
- This paper proposes an alternative: a new generation of 'Hong Kong-style' self-governing cities with broad autonomy to experiment with diverse planning regimes, governance models and investment strategies.
- From the City of London to Canary Wharf, Britain is the cradle of urban self-governance. Across the globe, British institutions continue to create urban miracles – consider Hong Kong or the financial hubs in Dubai and Qatar, which adopted English common law and became magnets for investment.
- The paper explores historical and contemporary examples of such regions, from the Hanseatic League to emerging charter cities, demonstrating how these models contribute to prosperity and economic revitalisation.
- Self-governing regions are on the rise in emerging economies, where they often struggle with the very institutional instability they seek to overcome.
- The UK, with its strong institutions of democracy, property rights and rule of law, is well-positioned to lead a new era

of self-governing urban development, potentially creating multiple new 'Hong Kongs' within its borders.

- Healthy competition between such cities would help identify the most effective solutions, which could then be scaled and replicated nationwide.

Foreword

There should be a word, ideally a long, German-style compound noun, for 'an idea that may sound very radical at first, but which, if you think about it, is really just a logical extension of something that we already do in multiple areas, and have been doing for a long time, with hardly anyone raising an eyebrow.' The idea of privately governed residential and/or business areas, run like commercial enterprises rather than political authorities, very much falls into that category.

To many, it will initially sound like outlandish libertarian student politics at best and as an outright sinister and dystopian plot at worst. There is no shortage of journal articles and even entire books – Quinn Slobodian's *Crack-Up Capitalism: Market Radicals and the Dream of a World without Democracy* is probably the best-known example – denouncing the idea of free cities as a Trojan Horse to undermine democracy.

In this paper, Vera Kichanova clears up some of the common – genuine or deliberate – misunderstandings around the issue. Let's forget about technical distinctions between the various types and degrees of 'free cities', 'charter cities', 'special economic zones' and so on for a moment and go back to the very basics. What are we really talking about here?

The basics are quite simple. In our current system, individual homes and individual businesses are small private islands within a state-owned sea. As soon as we step out of our homes, we exit the private sphere and enter the public one – a sphere managed by political authorities. These authorities provide a range of goods and services, such as infrastructure, communal spaces and policing. They also provide a set of rules and regulations that make it easier for people to live in close proximity peacefully.

But the fact that we currently do things in this way does not mean that it is the only way, let alone the *best* way, of doing things. In fact, we could think of the provision of such a package of communal goods, services and rules as, essentially, a business activity like any other. We could think of local governments as service providers and of ourselves, the residents, as their customers.

If that is so, could there not be a competitive market for the provision of such packages?

There could be, and there already is, in many areas, albeit with limited scope and on a limited scale. The above description of our current system as a system of small private islands within a public sea is not entirely accurate. We already have plenty of examples of private or independent-sector organisations providing a package of communal goods, services, rules and regulations for a cluster of homes and/or a cluster of businesses.

These examples include larger airports, shopping centres, amusement parks and university campuses. Those organisations build and maintain communal spaces and infrastructure, they set internal codes of conduct and they employ security and sometimes medical staff. In addition, there are plenty of property management companies and homeowner associations that manage communal facilities of various kinds, from very basic ones to quite extensive ones. What Kichanova is suggesting is nothing more than a logical extension of these models, in terms of both scale and scope. Why not have entire streets, entire neighbourhoods, even entire cities and industrial regions run on such a basis?

While we cannot simply extrapolate from our local shopping centre to a whole city, there are some real-world examples and plenty of real-world approximations of free cities. How many of them there are depends on how strictly we want to define the concept: we are talking about a spectrum, not a single model. In a sense, any self-governing, self-financing local jurisdiction has features of a free city, and it is also in this sense that what Kichanova describes is not some fantasy from an Ayn Rand novel but an extrapolation from successful models that already exist.

The aforementioned Quinn Slobodian, one of the best-known critics of free cities, often mentions the examples of Hong Kong and Singapore. These are, of course, not private cities, and never were, but Slobodian is nonetheless right to single them out. Hong Kong and Singapore have often been described, by critics and admirers alike, as cities that are run as if they were private businesses. This is, in part, because they had to be, and in part, because they were able to. Singapore is a sovereign city state, and Hong Kong's special status used to make it a quasi-city state (although that status is now being steadily eroded by China). It is not just the public-private distinction that matters here, but also the issue of self-governance, self-reliance and local autonomy.

There is a huge amount of variation in terms of how much autonomy local governments in OECD countries have. The UK is close to the most centralised end of the spectrum, where local governments are not really 'governments' at all, but lower-level administrators. Most of their revenue consists of central government transfers rather than tax contributions from their own local residents, and most of their expenditure is determined by central government guidelines rather than local priorities.

At the opposite end of the spectrum, cantonal and local governments in Switzerland have to raise most of their own revenue and, as a flipside, they enjoy a high degree of autonomy.

A self-financing, self-reliant and autonomous local government will act in a more business-like fashion. It will see itself as a service provider rather than an administrator, and it will see its residents as customers rather than subjects.

Thus, we could also read Kichanova's paper as a plea for a radical decentralisation agenda. This is not, in itself, an unusual position. Plenty of authors, some from the Left, some from the Right, some from other ideological traditions, have criticised the UK's overcentralised governance structures and made the case for moving towards the opposite end of the centralisation-decentralisation spectrum. Where Kichanova differs from most authors in that genre is that for her, the spectrum does not end there. For her, neither Singapore nor the old Hong Kong nor Switzerland represent the end point of the spectrum. She is asking us to look even further. My hope is that readers who are interested in the principles of localism will see value in this paper, even if they do not want to go all the way.

Kichanova walks us through some examples, contemporary and historical, of fully private cities. While she highlights positives, her argument is *not* that these are all brilliant success stories. Some have very clearly failed – and that is a good thing. Far from weakening Kichanova's argument, it strengthens it. Because it shows that the market is working: there would be something suspicious about a market without bankruptcies. The argument for market provision of goods and services is not that every provider in that market will be brilliant. Some private restaurants are horrible – but that is not an argument against the market provision of restaurants. The point is that in a competitive market, the bad ones are more likely to be weeded out and forced to make space for better ones, than under non-market arrangements.

The common criticism that free cities are 'anti-democratic' is misleading for two reasons. Firstly, we cannot know which governance arrangements would emerge if we had a thriving free cities sector, because that would itself be determined by the market discovery process. It is an outcome, not something we can assume in advance. If people value democratic participation, city entrepreneurs would make that part of the package they offer.

Secondly, even if it turned out that most private cities were non-democratic, that would not need to be a problem. The local shopping centre is not a democracy either. Disneyland is not a democracy. Gatwick Airport is not a democracy. But they are certainly responsive to their customers' demands because their economic survival depends on it.

To be sure, if the proposal were to privatise an existing residential area and replace a democratically elected council with a corporate board, that would be a problem. But it is a very different situation if new residential areas could be built from scratch in an empty space. Housing Secretary Angela Rayner has announced a new generation of New Towns; this would be the most obvious starting point for experimenting with free city-like residential models.

Will Britain soon see a mushrooming of private, competing little Singapores and Hong Kongs? Almost certainly not. But the purpose of this paper is not to present a legislative proposal that will become a political reality any time soon. It is to help us sharpen our thinking around issues of urban planning and urban governance. A lot of Britain's major social and economic problems can ultimately be traced back to the way we run our towns and cities. The current system has given us a severe shortage of housing and infrastructure, overstretched local services and in many areas, crime, vandalism and anti-social behaviour.

We can – and no doubt, will – argue about whether free cities are the answer to those problems, but there can be no doubt that the status quo is suffering from major deficiencies and that we need to think seriously about alternatives. The time-honoured IEA approach in such a situation is to ignore what is deemed ‘politically feasible’, ‘sensible’ or ‘realistic’. It is to start from first principles and to ask what should be, regardless of what is or what is likely to be. Vera Kichanova does precisely that in this paper.

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Introduction

Britain is the cradle of urban self-governance. From the Magna Carta, which laid the foundation for legal and political rights of mediaeval towns, to Canary Wharf, which was developed by a semi-independent planning corporation bypassing traditional government structures in the late 20th century, Britain has made a major contribution to the evolution of cities as centres of both civic autonomy and economic prosperity. Across the globe, Britain has also played a pivotal role in creating urban miracles. British-derived institutions, free trade and – despite its colonial status – a relatively high degree of self-governance helped to transform Hong Kong from a modest fishing village into a vibrant global trading hub. To this day, special jurisdictions worldwide that adopt English common law as their legal framework, such as the financial districts of Dubai and Qatar, become magnets for investment.

More recently, the UK government has been exploring the potential of freeports to address mounting economic problems and stimulate growth post-Brexit. And yet, the existing strategy for freeports is overly technocratic and does little to enhance economic freedom. For all the talk about 'levelling up' and 'building back better', the current proposition lacks the ambition reflective of Britain's illustrious past in pioneering self-governance at home and abroad.

This paper explores an unorthodox alternative to traditional freeports: not the conventional special economic zones but a new generation of special administrative regions that encourage private-sector participation and offer unprecedented autonomy for bottom-up innovation. We need our own Hong Kong at home

– or, even better, a series of Hong Kong-style regions to trial diverse planning regimes, governance models and business strategies. We hear multiple proposals on how to move on with the freeport agenda. What we do need is a regulatory framework that empowers private-sector innovators to explore and compete, allowing successful models to scale up and be replicated elsewhere.

The concept of private, self-governing cities has deep historical roots. Recently, a new wave of Special Economic Zones (SEZs) has surfaced. Some of the boldest contemporary experiments in urban self-governance are being conducted in emerging economies; however, these initiatives often grapple with the very institutional instability they seek to overcome. Meanwhile, the UK boasts robust democratic institutions, a strong rule of law and well-protected private property rights, yet it lacks sufficient latitude for experimental governance. Addressing this limitation could unlock immense growth opportunities, leveraging the UK's historical legacy to pioneer economic miracles. The case studies discussed below, both historical and contemporary, offer inspirational examples and practical insights into the functioning of self-governing regions, serving as potential benchmarks for the UK's future direction.

The promise of special jurisdictions

Special and not-so-special economic zones

The time-tested, fundamental principles for stimulating economic growth are well-known: ensuring a stable regulatory environment, promoting free trade and market competition and fostering innovation. That said, implementing profound reforms on a national scale is often a challenge due to systemic inertia, institutional complexities and vested interests. An alternative strategy involves carving out a specific territory, granting it a distinct legal framework – improved business regulations, reduced taxation, minimised bureaucratic hurdles – and reaping the benefits. These designated regions are known as special jurisdictions. In different parts of the world, those are known under different names. In the United States, they are called foreign trade zones; in China, they are known as new areas; in South Korea, these are termed international business districts; in Ghana and Nigeria, they are dubbed prosperity zones; in Saudi Arabia, similar regions are called economic cities, and so on.

The umbrella term used to describe these zones globally is *special economic zones (SEZs)*. The World Bank defines SEZs as 'demarcated geographic areas contained within a country's national boundaries where the rules of business are different from those that prevail in the national territory' (Farole & Akinci 2011). These regions typically offer more favourable conditions regarding investment, international trade and customs, taxation and regulatory environments, aiming to create a business atmosphere that is both more liberal in policy and more efficient in administration than that found in the rest of the host country.

Special economic zones have a remarkable history of rapidly lifting nations out of poverty. Shenzhen is a prime example of this phenomenon – a once modest fishing community that transformed into a global technology and manufacturing powerhouse within a single generation, significantly boosting China's economic fortunes and establishing itself as a model for development worldwide. Currently, Malaysia is collaborating with Singapore to establish the Johor-Singapore Special Economic Zone (JS-SEZ), aiming to create the 'Shenzhen of Southeast Asia.' The Dubai International Financial Centre (DIFC) is another celebrated case. Established to help the emirate diversify away from oil reliance, DIFC has evolved into a major global finance hub. Its unique legal system based on English common law and a favourable tax regime attract top financial institutions from around the world, contributing to the fact that today less than 1% of Dubai's GDP comes from oil sales.

The UK has its own type of SEZs: freeports. Freeports are areas where goods can be imported, manufactured and re-exported without being subject to the usual custom rules, checks and paperwork. The policy was first introduced in the 1980s by Margaret Thatcher's government in order to encourage investment, support the local economy and create jobs (Conservative General Election Manifesto 1983). Several freeports have been in operation across the United Kingdom since, but in 2012, David Cameron's government chose not to renew their licences.

The idea was brought back into the spotlight ten years later when the then-Chancellor Rishi Sunak announced the establishment of eight new freeports as part of the post-Brexit economic strategy. The move came as no surprise: in 2016, Sunak himself, then a backbencher, had argued in favour of freeports in a paper for the Centre of Policy Studies (Sunak 2016). Moreover, he had cited the EU's hostile stance on freeports as the reason he had supported Brexit in the first place. The creation of new freeports – 'successful innovative hubs for global trade' – across the UK became a key component of the Conservative Party's 2019 manifesto (Conservative Party Manifesto 2019).

In this context, it is both perplexing and disappointing that despite the perceived potential of freeports as catalysts for prosperity, the vision put forward by Sunak's team seems to lack ambition and is focused on short-term goals. The proposal not only reflects a disappointing lack of faith in the power of unconstrained innovation, it also attempts to address today's challenges with yesterday's recipes.

The Sunak government's initiative included eight locations across England (including those in Liverpool, Plymouth and London), two in Scotland (those are dubbed Scottish Green Freeports) and two in Wales. By creating these zones, the previous government hoped to stimulate business activity in economically underdeveloped regions or those in need of revitalisation – the so-called 'levelling up' scheme. But this vision for freeports (MHCLG 2024) has little to do with freedom.

From the choice of locations that have 'historically missed out' to the selection of enterprises that constitute 'proud industrial heritage' in these areas, key decisions about freeports are based on political considerations rather than realistic assessments of economic viability. Furthermore, the emphasis on regional industrial heritage too often leads to support for outdated industries instead of fostering innovation. Prioritising physical infrastructure ('hardware') over effective rules and governance ('software') is a shortsighted tactic – infrastructure investments, especially when they require massive upfront costs, should come secondary and be driven by demand.

The objective of 'rebalancing local economies' seems to translate into artificially diverting investment from areas that naturally attract it to those selected for political rather than economic reasons – an approach that risks creating white elephants forever dependent on continued government support. The proposed architecture of overseeing departments, committees and governing bodies adds new layers of bureaucracy, leading to more red tape and social engineering rather than genuine economic freedom. The very concept of a freeport is supposed to be about reducing barriers to business and trade, not creating a patchwork of preferential treatment that could warp market incentives.

In summary, while the intention behind the current freeport agenda may be to stimulate economic growth and rebalance regional disparities, the chosen approach risks undermining the very idea of freeports. We can clearly do better – and exploring recent developments in the field of special jurisdictions is a good starting point.

The next-generation SEZs: private, pleasant and profitable

With greater mobility of talent and capital, it takes more than cutting red tape and lowering customs duties to compete with the already well-established SEZs. The rising economic and political significance of cities (Florida 2005; Frug & Barron 2006; Glaeser 2011), the promise and pressures of globalisation (Sassen 2006) and the growing opportunity of citizens to vote with their feet (Romer 2010) all make competition between jurisdictions fierce. The new generation of SEZs go the extra mile in offering their private and corporate residents additional perks – sometimes even a right to direct the development of the SEZ itself through the tools of self-governance (Frazier 2018). A more appropriate term for this next-generation SEZ would be a Special Administrative Region (SAR). On top of economic freedoms, SARs enjoy a wider political autonomy, such as independent legal systems of their own or immigration policies different from those of the host nation.

The classic example of a SAR is the city state of Hong Kong. The UK played a critical role in shaping modern Hong Kong during its 150 years of colonial rule by establishing a robust legal framework, a free-market economy and a transparent governance system. Those were the British institutions that laid the groundwork for Hong Kong's development from a small fishing village into an economic powerhouse of Asia. These foundational elements were largely retained after the region's handover to China under the 'one country, two systems' framework. As of 2020, Hong Kong's GDP per capita was above $45,000 – more than that of the UK, Canada or Japan, and more than four times as much as that of mainland China (World Bank Group 2024). The fact that the UK has played a vital role in creating this economic miracle suggests that it is not impossible to develop a similar one on British soil.

The new generation of SEZs/SARs acknowledges the importance of self-governance. One promising example of such self-governed territories is charter cities, a term coined by the Nobel-winning economist Paul Romer. Charter cities extend the concept of the SEZ by 'increasing its size to the scale of a city and expanding the scope of its reforms' (Fuller & Romer 2012). Every developing nation, as Romer famously claimed in his TED talk (Romer 2009), needs its own Hong Kong – a semi-autonomous region that would implement prosperity-boosting rules, creating a positive spillover effect on the rest of the country. Charter cities have another feature that distinguishes them from conventional SEZs: they can be developed entirely privately.

Nation states may occasionally decide to outsource a share of their sovereignty to private developers in order to stimulate growth – and indeed, even the World Bank acknowledges that privately run SEZs yield better economic outcomes than their publicly managed counterparts (Akinci & Crittle 2008). The number and influence of private SEZs have noticeably increased in recent decades (Frug & Barron 2006; Moberg 2015; Cao 2019; Bell 2021; Lutter 2021; Li & Rama, 2022). While the chief goal of a 'conventional' SEZ is to attract investment, a private SEZ takes this aim to the next level – by putting investors in charge of the overall development of the zone. If successful, privately run SARs can hit multiple targets: bring economic growth to a certain area, reward innovative investors, create liveable communities and, ultimately, identify new efficient models of urban governance that can be replicated elsewhere across the nation.

Advocates for these next-generation private cities place a strong emphasis on the necessity of voluntary land acquisition (e.g. Fuller & Romer 2012; Lutter 2016; Bell 2018; Brimen, Goff & Dranias 2021; Colindres 2021; Serlet 2022; Gebel 2023). After all, one cannot efficiently address institutional weaknesses while abusing them at the same time. To establish enclaves where property rights are rigorously protected, it is essential to respect those rights in the first place. In some infamous cases, the development of state-promoted new cities involved coercive practices, be it the misuse of eminent domain for land acquisition or the manipulation of political power to alter regulations. The construction of China's New Economic Development Zones, a top-down initiative that required massive relocation and resettlement of populations to new locations arbitrarily chosen by the Communist Party, provides one such example (Bertaud 2018). The issue of coercive practices is not confined to autocratic regimes, though. In flawed democracies, factors such as collective land ownership by indigenous peoples and poorly maintained land title records facilitate land grabs without fair compensation (Edelman & León 2013; Levien 2013) – explaining, if not justifying, the sometimes-vehement opposition to new cities, as we shall see in the examples of India and Honduras. With this in mind, promoters of private cities today go the extra mile to draw a clear line between the dubious practices of the past and the transparent approach necessary to create a genuine market for good governance not distorted by a broken system of checks and balances, political corruption and abuse of power.

This evolution from SEZs to full-scale cities represents a significant shift, moving from purely business or industrial zones to comprehensive, autonomous urban areas where people not only work but also live. This transformation allows for a more integrated approach, where the economic benefits of streamlined commerce and governance extend into the everyday lives of residents, fostering environments that are not just places of work but also true communities with self-governance at their core. In *free private cities* – a model elaborated and popularised by Titus Gebel – residents, not bureaucrats, are the final judges of whether the project is a success or a failure (Gebel 2023). Motivated by profit-and-loss incentives and relatively unconstrained by bureaucratic hurdles, developers are free to test-drive unconventional governance policies, master-planning approaches and collective decision-making tools at pace. Above all, to remain profitable, a city run as a business venture must be a pleasant place to live in. There are several possible sources of revenue for privately run cities – such as land appreciation, government-as-a-service (GaaS) products or residential fees –

but ultimately, all of them depend on the city's ability to attract a critical mass of residents[1].

This model can be seen as a special case of a public-private partnership (PPP), yet on a remarkably larger scale. Governments may delegate infrastructure projects such as highways, airports, railroads and pipelines to private corporations, aiming to alleviate budgetary pressures and accelerate construction speed. However, the development of an entire city by a private entity is a much rarer case. Still, the idea of private SARs is gaining traction globally, across both Western and Eastern hemispheres, in affluent nations as well as emerging economies, and in stable democracies as well as in regions facing political unrest. This is also not an entirely new story: as the next chapter will show, examples of privately developed cities with a significant degree of political, economic and planning autonomy are found throughout history – including British history.

1 Those interested in understanding the operational dynamics and success factors of profit-driven cities might find an in-depth exploration in Titus Gebel's seminal work, *Free Private Cities* (2023). However, just as there is no one-size-fits-all business model, there similarly cannot be a universally perfect model for a privately managed city. In her doctoral dissertation, *Cities as Firms: The Coasian Case for Private Urban Development* (2022), the author of this paper evaluates various real-life instances of private and semi-private cities, analysing how different models perform across diverse political and economic environments.

Private cities and where to find them

Pre-industrial era: mediaeval merchants and cities as corporations

The UK can be considered a birthplace of self-governance. One of the earliest and most significant milestones was the signing of the Magna Carta in 1215, which gave towns and cities across England the right to form a local government, collect local taxes and manage local justice (Angelucci, Meraglia & Voigtländer 2022). As feudalism waned, the military importance of cities diminished while their economic significance grew. Max Weber in *The City* (1966) notes that, in a legal sense, a mediaeval town originated as a corporation, an association of merchants and landowners. Until the 19th century, England and America had no clear distinction between public and private corporations, blurring the lines between businesses and cities. The early urban corporations would establish autonomous communities with their own governance structures, offering privately provided public services such as roads and defence, and a legal framework for self-governance in return for rent payments (Heath 1957; Frug 1980; Berman 1983; Foldvary 1994; Davies 2002).

The City of London, a financial powerhouse of the British economy and a unique entity in the country's political landscape, came into being exactly like that: as a congregation of guilds of tradesmen and craftsmen. Established to regulate trade, maintain control over craftsmanship standards and manage relations between their members, with time these guilds became more organised and influential. Eventually, they gained formal recognition and a range of privileges, which included the right to self-governance, through Royal Charters. Up until today, a local government for the City bears some traces of this ancient arrangement, with responsibilities that extend beyond those typical of a local council. The City of London Corporation itself is funded by its own activities (such as property leases) and not primarily through taxes. It owns and manages public spaces, historic sites and the local infrastructure. The physical space of the 'Square Mile' has been extensively developed by private companies, particularly in sectors such as banking, law and insurance. Famously, the City of London Police is separate from the Metropolitan Police Service, which covers the rest of Greater London.

The Hanseatic League stands as another compelling historical example of how urban centres could harness economic strength and political independence to promote free trade and self-governance throughout Europe. The League was an alliance of merchant guilds and their associated towns across Northern Europe, which adopted Lübeck Law as a common legal framework. The League managed commercial regulations, facilitated mutual defence and conducted foreign diplomacy across a network of cities stretching from the Baltic to the North Atlantic. The success of Hanseatic merchants led rulers across the continent to adopt the principles of free trade, low taxation and autonomous governance, significantly shaping modern Europe. The Hanseatic network eventually expanded to include as many as 170 communities, from London in England to Kraków in Poland. Many English monarchs, including King Edward II in 1317, relied on loans from Hanseatic merchants and granted them exemptions from taxes and restrictions that applied to other foreign traders (Frazier 2018).

With time, nation states emerged as the primary units of governance, and the concept of a city functioning as a profit-driven corporation based on voluntary agreements has been largely forgotten; it is now perceived mainly as an eccentricity. Whenever private agents have to provide services that are traditionally placed within the government's domain – from street cleaning to traffic management to design code enforcement – this is largely perceived as a symptom of the system's failure, as evidenced by the debate surrounding 'gated communities' (e.g. Webster 2001). Yet this model was never entirely abandoned. Throughout history, certain nations at certain periods were more welcoming to these arrangements than others. In the 19th century, the UK and the U.S. were among the more welcoming ones; their legal and economic frameworks enabled the boom of company towns.

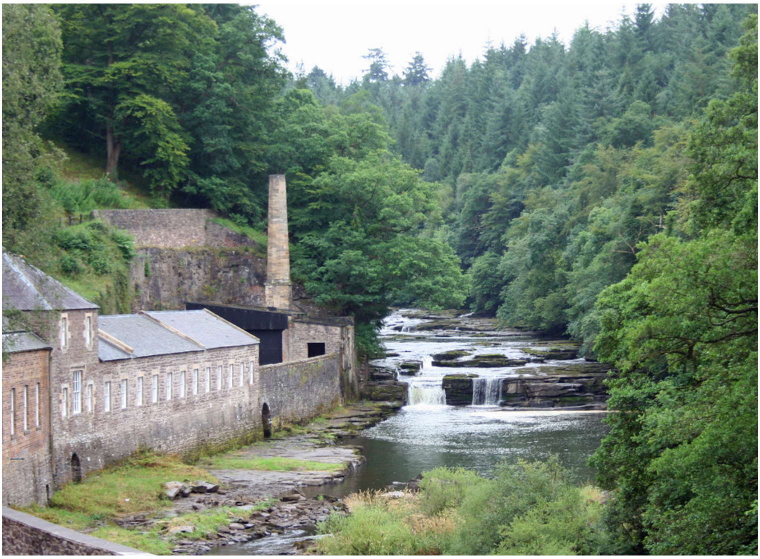
Industrial era: model villages and company towns

During the Industrial Revolution, driven by a mix of financial and philanthropic motives, business magnates would establish factories, mills and coal pits in rural areas and then build housing for their employees right next to these workplaces. Those model villages and towns in Britain and the U.S. were self-contained communities where the single employer provided not only jobs but also homes, educational and recreational facilities and even consumer goods (Crawford 1995).

The portrayal of company towns as exploitative environments where profit was prioritised over employee welfare is a widely held misconception, vividly portrayed in the haunting lyrics of 'Sixteen Tons', where a Kentucky coal miner laments his bondage to economic debt: 'St. Peter, don't you call me 'cause I can't go, I owe my soul to the company store[2].' Yet, the reality within these towns often contrasted sharply with this grim narrative. Although geographically isolated, mining towns were connected to the national labour market, which required that miners' wages remain competitive, frequently surpassing those in sectors such as manufacturing. Moreover, the infamously maligned company stores were incentivised to offer lower prices than independent shops, as this helped the company save on wages. Likewise, company-owned housing facilitated rather than restricted mobility; by renting homes instead of owning them, workers had the freedom to relocate easily in pursuit of better opportunities (Fishback 1992). Last but not least, a number of these model towns were designed by the leading architects of their era.

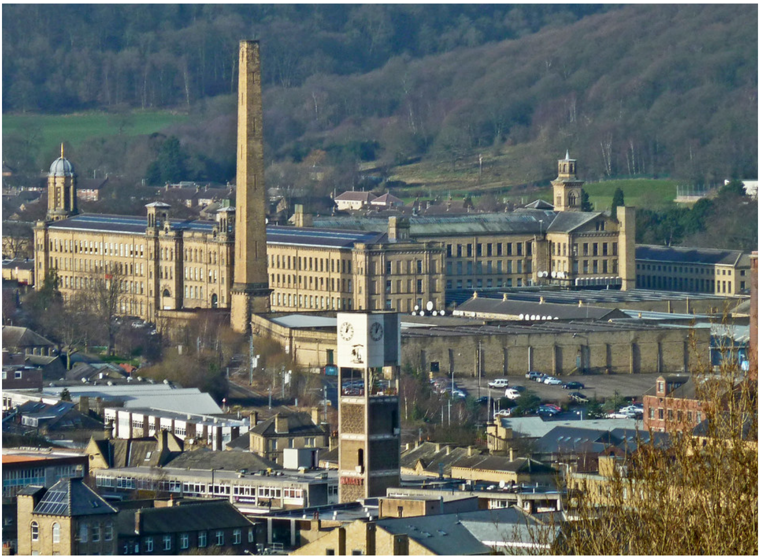
One of the earliest examples of this phenomenon comes from Scotland. Founded by a leading industrialist of the Scottish Enlightenment era, David Dale, and developed by Welsh manufacturer, philanthropist and utopian socialist Robert Owen, the neatly planned village of New Lanark was an early attempt to create a utopian community for workers through thoughtful architectural design coupled with generous welfare programmes.

2 A song written by Merle Travis, based on life in the mines of Muhlenberg County, Kentucky, released in July 1947.



New Lanark, UK. Creative commons: https://www.flickr.com/photos/125391306@N03/48238418671

The experiment was relatively successful both economically and socially, inspiring many future initiatives. In the 1860s, Colonel Edward Akroyd hired the famous architect George Gilbert Scott to design a Gothic-styled model village for mill workers, which he named Akroydon. Similarly, Sir Titus Salt, a wool manufacturer from Yorkshire, created the model village of Saltaire to rehouse over 4,000 of his workers from the slums of Bradford into well-built stone houses, giving them access to washhouses with running water, a hospital and recreational spaces including a library, concert hall, science lab and gymnasium. The village also featured a school for workers' children, almshouses, allotments, a park and a boathouse. The founder's benevolent paternalism would go as far as to establish a brass band for schoolboys – and ban alcohol consumption for their parents (alluding to this peculiar story, a popular bar in Saltaire today bears the quirky name 'Don't Tell Titus').



Saltaire, UK. Creative commons: https://www.flickr.com/photos/atoach/6756824169

Other master-planned industrial communities of the 19th century included Ripley Ville in Bradford, founded by Henry Ripley to accommodate workers from his Bowling Dyeworks; Price's Village, established by Price's Patent Candle Company; and another one, Hartley's Village, by jam manufacturer William Hartley in Aintree, among others. Of the big brand names still around today, the Lever Brothers company – the forerunner of today's Unilever empire – built Port Sunlight, a vernacular-style community inspired by William Morris and the Arts and Crafts Movement, for their soap factory workers. Another prominent name is George Cadbury, owner of the eponymous chocolate factory, who founded the suburb of Bournville near Birmingham to house factory workers in the spirit of the Quaker ideals.

On the other side of the Atlantic Ocean, the rapid rise of industries such as steel and car manufacturing prompted American industrialists to start building company towns, too.

As part of this movement, another chocolate magnate, Milton Hershey, developed the town of Hershey, Pennsylvania, under the commitment to 'no poverty, no nuisances, no evil.' Other examples include Corning, New York, known as Crystal City due to its specialisation in glass production, and Pullman, Illinois, a planned community for the workers of the Pullman Palace Car Company, along with many others.

For many workers from the rural South, who often lacked access to plumbing, electricity or education, the relocation to a company town marked a significant improvement in living standards. The establishment of Lowell, Massachusetts, in the 1820s by Francis Cabot Lowell is a case in point. Struck by the harsh conditions he witnessed in Manchester, England, he was determined to create a better environment for textile workers. And indeed, the quality of life for workers in Lowell far surpassed that of their European peers, further dispelling the myth of company towns as merely exploitative settings (Crawford 1996).

The scale, intent and impact of company towns were even more pronounced in America than in the Old World. At their zenith, 2,500 company towns existed in the U.S., accommodating about 3% of the national population (Green 2010). However, as Western societies transitioned into the post-industrial era, company towns on both sides of the Atlantic had to either go down in history or reinvent themselves. Hershey's factory was transformed into Hershey's Chocolate Park, a popular family attraction. Similarly, visitors to Bournville today are invited to take a tour of the Cadbury World theme park. Meanwhile, New Lanark and Saltaire have become UNESCO World Heritage Sites. Port Sunlight, no longer a soap-producing place, is now a conservation area housing 900 Grade II listed buildings. Its distinctive architectural style made the town a filming location for the *Peaky Blinders* television series. Ultimately, these meticulously planned communities set the stage for the modernist utopias of the 20th century.

Dickens, dignity and the dreams of de-urbanisation

Sceptics may regard a private city as a manifestation of capitalist excess, where profit is prioritised over communal values. Historically, however, profit-driven private cities, while primarily focused on revenue generation, were commonly built with humanitarian objectives in mind, such as enhancing the living standards of the working class or showcasing the viability of an environmentally friendly lifestyle. In the UK, the urbanisation boom that accompanied the Industrial Revolution ignited a spike in demand for housing in big cities such as London and Manchester, putting immense pressure on infrastructure (Davies 2002). As a result, the provision of essential services such as water supply, drainage and street lighting lagged behind population growth, creating cities plagued by pollution and overcrowding. Many humanist thinkers of the era, including Henry George (1879), horrified by the Dickensian picture they observed, regarded city living as inherently detrimental to human dignity. Their proposed solution to alleviate that misery was to 'de-urbanise' city life by incorporating rural elements into it: proximity to nature, vast green spaces, a slower pace of life and more space per resident, countering the dense urban environment.

One author whose vision has outlived himself and inspired a range of other urban utopias was an English author, Ebenezer Howard (1850–1928), the founder of the Garden City movement. His seminal work, *Garden Cities of Tomorrow*, is regarded as the foundational inspiration for many planned cities of the 20th century – including those built under communist regimes in

Eastern Europe and China. But while many progressive planners and social engineers were clearly influenced by his work, Howard himself never argued for the crude, top-down rearrangement of cities and societies. The subtitle of the first edition of Howard's book, 'Peaceful Path to Real Reform,' underscores his preference for evolutionary rather than revolutionary change (Howard 1902).

Living in a capitalist economy, he proposed a model feasible within the only socioeconomic context that he knew and even provided the financial calculations for launching a hypothetical Garden City – essentially an elaborate business plan (albeit a very naive one) for creating a community that would be sustainable not just environmentally but also economically. Furthermore, Howard emphasised the advantages of private land ownership for the freedom of experimentation. During his lifetime, two such cities were constructed in England: Letchworth Garden City and Welwyn Garden City, both in Hertfordshire and within commuting distance from London.

Welwyn Garden City, UK. Creative commons: https://commons.wikimedia.org/wiki/File:Cmglee_Welwyn_Garden_City_borough_council.jpg

Poundbury, a master-planned town in Dorset, developed by none other than King Charles III (while he was still Prince of Wales), can be seen as a contemporary version of a garden city. This development champions traditional architecture, mixed-use spaces and sustainability, aiming to offer 'an attractive and pleasing place where people can live, work, and relax.'[3] The British monarch has been a passionate critic of contemporary architecture for decades, advocating a return to more traditional and human-centric designs in his book *A Vision of Britain* (1989). Designed by architect Léon Krier, Poundbury embodies that vision, featuring high-quality traditional housing and pioneering sustainable features, including an anaerobic digestion plant that generates renewable energy for residents. Properties in Poundbury are valued approximately 30% higher than other new builds in the region, reflecting their desirability. However, the town's uniform aesthetic and stringent design codes have also drawn criticism.

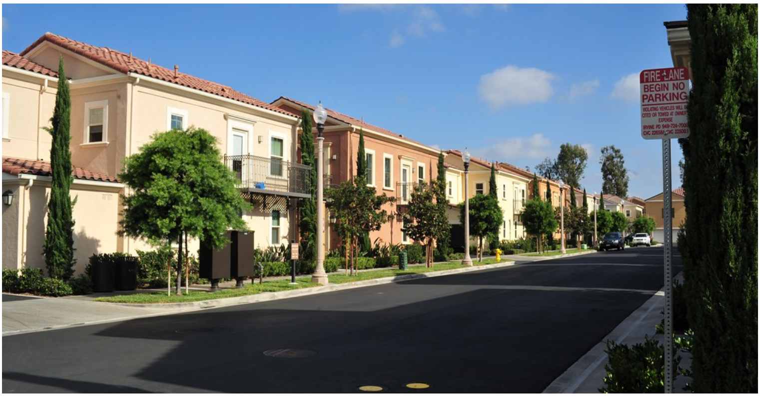
City as a hotel – an all-inclusive utopia

The post-World War II American New Towns movement (also sometimes referred to as the New Communities movement) represents a fusion of Fordist-era company town principles and Ebenezer Howard's vision. Like Garden Cities, these places were designed with a comprehensive master plan that promoted healthy living and community cohesion. Echoing the company towns' model, private developers took on a quasi-governmental role, handling everything from the upkeep of public spaces and recreational programmes to employing locals. Yet the economic meaning of these new communities was profoundly different from that of the company towns.

3 About Poundbury: https://poundbury.co.uk/about/

For the early industrial pioneers, building their own towns was primarily a way to streamline the production of their core commodities, be it oil, coal or iron ore. Just as the introduction of assembly lines revolutionised the mass production of textiles or cars, constructing a town to house workers allowed companies to enhance the efficiency of their primary operations. As long as a harmonious urban environment supported production, companies were motivated to invest in amenities such as street lighting and sporting events, although these were not considered products in their own right, nor were employees seen as customers. While a well-maintained town was a factor in attracting labour, it was ultimately the consumers of cars, petroleum or candies who were the end customers. The post-war economic abundance brought about a new 'American dream': the city itself became the product and residents became the end customers.

This somewhat new business model dubbed 'city as a hotel' (McCallum 1997) provides good governance as part of the same package deal as well-maintained shared spaces and good rules of cohabitation – a package that consumers are willing to pay a premium for. Developers of such cities offer more than just housing; they sell a lifestyle. Their contract-based control over every facet of urban life, from the design of public spaces to the rules of decision-making, allows them to establish and sustain this lifestyle. This 'city as a hotel' model is exemplified by Walt Disney's Celebration in Florida, the Rouse Company's Columbia in Maryland and Lake Havasu City in Arizona (Foldvary 1994; Stringham, Miller & Clark 2010), among others.



Irvine, U.S. Creative commons: https://www.flickr.com/photos/chrishunkeler/10283028425

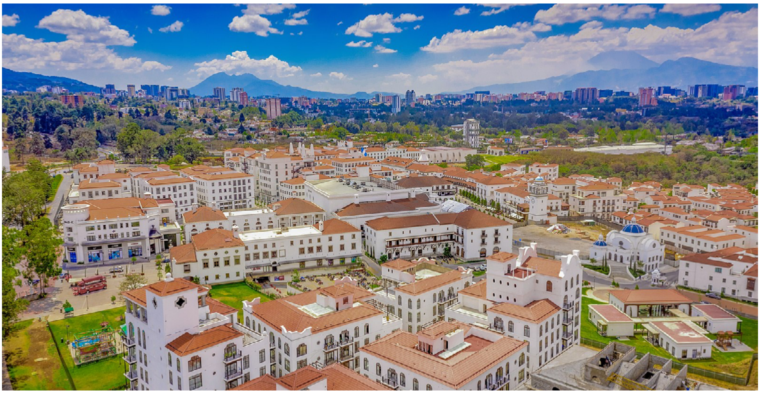
A particularly successful example of this model is Irvine, California. Founded by the eponymous Irvine Company on what was once a vast ranch used for growing oranges and avocados, Irvine eventually transformed into the largest master-planned city in the U.S. (Forsyth 2002). It was built following the Garden City ideal – as a congregation of walkable village-like communities, each with a distinct architectural character. Half a century later, the same Irvine Company still owns a substantial portion of the city's land, profiting from real estate sales and commercial leases[4]. The residents, in turn, have a vested interest in the success of the Irvine Company's business, benefitting from increasing land value.

Initially planned to house only 10,000 citizens, today Irvine supports a population exceeding 300,000 – and still operates largely according to that original corporate master plan. The

4 Irvine, however, is not a private city anymore. In 1971, it was incorporated – a decision voluntarily made and actively pushed by the developer himself – creating a unique mix of top-down and bottom-up urban management. A first-hand history of Irvine is recorded by Raymond Watson (1926–2012), an architect-turned-businessman and the founding father of the city (Lage 2003).

city repeatedly ranks among the top ten safest (Gordon 2024), happiest (McCann 2022), healthiest (Patch et al. 2021) and greenest (Chapman et al. 2021) cities nationwide. Thanks to a favourable regulatory framework and rapid economic growth, Irvine has become a hub for numerous high-tech firms and several higher education institutions. The city is a significant player in Southern California's 'Technology Coast', with major tech companies such as Toshiba America Information Systems, Broadcom, Blizzard Entertainment and Allergan headquartered there. Last but not least, contrary to the popular belief that privatisation of public spaces contributes to segregation (e.g. Blakely & Snyder 1997), Irvine stands out as one of the most ethnically diverse cities in the country.

The principles of creating walkable, sustainable and inclusive communities are as appealing today as they were in the 1960s, when Irvine and other 'new towns' were founded. In 2022, the Walt Disney Company announced plans to construct a series of residential communities across the U.S., building on Disney's prior success with the town of Celebration in Florida. The first one, named Cotino and styled after Disney's theme parks, will be situated in California's Coachella Valley and feature 1,900 housing units. Another noteworthy development is the expansion of 'active adult communities' by Del Webb Construction Company. Leveraging the commercial success of Sun City, a private retirement community established in 1960 that now hosts almost 40,000 residents, the company has replicated this model in Sun City West, Arizona, and subsequently in other U.S. states.



Ciudad Cayalá, Guatemala. Creative commons: https://commons.wikimedia.org/wiki/File:Ciudad_Cayala_-_Guatemala_City.jpg

Small-scale private governance, in other words, is quite common; what makes projects such as Irvine stand out is merely their scale. Private developers worldwide prioritise harmonious design and healthy living as key selling points for their developments – from the hill town of Lavasa in India (see below) to the district of Cayalá in Guatemala (Caceres 2024) to Dubai Sustainable City – not because it is demanded by regulations but simply because it sells. Over half of all newly built homes in the U.S. are part of homeowners' associations (Clarke & Freedman 2019), suggesting a demand for private urban planning, as people are willing to pay a premium for private governance, recognising its benefits over municipal governments.

Into the 21st century: Googleplex, Facebook Village and Apple City

A shift towards knowledge-intensive industries has led to the emergence of a new model of company towns. Historically, large factory owners such as Hershey's, agricultural conglomerates such as the Irvine Company and industrial visionaries such as

Henry Ford had the means and motivation to engage in private town planning. Today, this model is being adopted by titans of the information technology industry, including social media giants, leading software producers and e-commerce platforms. These modern corporate towns, like their historical predecessors, are designed by companies that act as master planners, ensuring that employees' needs are met within the confines of these virtually self-contained tech campuses.

In the times of Henry Ford and George Cadbury, company towns might have looked like Edens to the workers who had seen nothing but slums. Their modern counterparts face a trickier challenge – trying to lure in their highly skilled and increasingly cosmopolitan workforce, the likes of Amazon and Google compete not with the Dickensian slums but with popular cities such as London and New York. This explains all the extravagant features the modern-day tech campuses offer, from sunlight-filled workspaces and lush greenery to organic food stores, yoga classes, sleeping pods and even free haircuts.

For the same reason, the technology leaders also invest in commissioning renowned architects and urban planners to design their private towns. Apple, for instance, hired Foster + Partners, a globally celebrated architecture firm, to design its spaceship-like campus in Cupertino. Frank Gehry designed Facebook's expansion in Menlo Park, which includes the world's largest open-plan office and a rooftop garden. Googleplex eschews traditional cubicles in favour of open workspaces, reflecting the belief that physical layout affects productivity – the same belief that motivated the builders of New Lanark, Akroydon or Saltaire.

The UK has its own high-tech business parks and campuses that embody similar principles by fostering innovation and providing comprehensive amenities to their employees. Located in Suffolk, Adastral Park is primarily managed and developed by BT (British Telecom) and accommodates over a hundred world-class high-technology corporations, including Cisco, Fujitsu and Huawei, serving as a nationwide research and development hub[5]. Other examples, such as Cambridge Science Park, Silicon Fen, Hersham Place Technology Park and Harwell Campus, involve a mix of private companies, academic institutions and sometimes public-sector involvement.

Googleplex, U.S. Creative commons: https://upload.wikimedia.org/wikipedia/commons/4/46/Googleplex_central_courtyard.jpg

As testbeds for 'smart city' technologies, these modern-era company towns may be equipped with features such as autonomous vehicles, dynamic road pricing, drone delivery and digital twins, among others. In the spirit of Garden Cities, they aspire to tackle social issues through thoughtful and comprehensive urban planning (Woetzel et al. 2018). Smart

5 Celebrations to mark 40 years since The Queen opened BT headquarters in Martlesham, 2015 (https://www.eadt.co.uk/news/21622746.celebrations-mark-40-years-since-queen-opened-bt-headquarters-martlesham/)

cities often arise from public-private partnerships, where governments grant conditional support and legal autonomy to private developers, allowing them to explore unconventional urban strategies.

Nowhere has this strategy been implemented on such a grand scale as in Songdo, South Korea. Situated 50 kilometres from Seoul, Songdo is renowned for its advanced, eco-friendly infrastructure, including energy-efficient buildings, smart waste management systems and an integrated public transit network. This city was brought to life through a partnership between Gale International, holding a 61% stake, Korea's largest steel producer POSCO with 30% and Morgan Stanley Real Estate owning 9%, making it one of the largest privately funded urban projects globally (Keeton 2011). The master plan, crafted by Kohn Pedersen Fox, dedicated 40% of Songdo's landscape to green spaces. In 2003, the city became part of Korea's first special economic zone, the Incheon Free Economic Zone, offering its residents tax-related benefits alongside a green lifestyle. Currently, Songdo is home to over 167,000 residents, including Stanley Gale, CEO of Gale International, who refers to himself as the 'Songdo Hawk' and aims to create 'at least twenty Songdos' across Asia.

Songdo, South Korea. Creative Commons: https://www.flickr.com/photos/170522177@N06/40924200623/

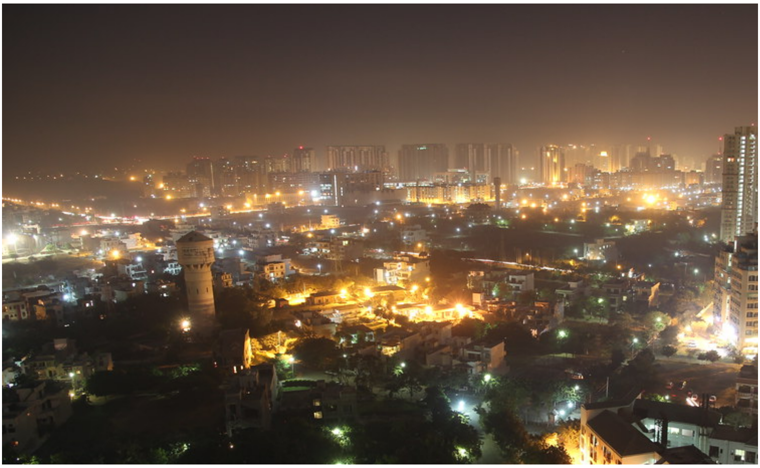
Songdo has attracted numerous leading Korean and international high-tech firms, such as Samsung and Cisco, as well as world-class universities, including George Mason University Korea and a Ghent University branch. Stanford University has established a 'smart city' lab there. North of the dynamic business district, the 40-hectare Central Park, inspired by its namesake in New York, blends designed natural environments with cycling and walking trails, artificial seawater canals and pedestrian bridges. A comprehensive 25-kilometre network of bicycle lanes, along with metro lines, bus services, water taxis and stations for charging hybrid and electric vehicles, provides diverse transport options. Amidst the soaring skyscrapers, urban farms dot the landscape. The city's digital infrastructure allows residents to remotely control their 'smart' home devices via smartphones, while omnipresent sensors monitor external activities, from traffic patterns to energy consumption. Successful implementation of smart technologies in such places could pave the way for broader application in traditional cities, potentially enhancing the lives of millions.

Self-governance in emerging economies

Private self-governing cities are a global phenomenon not limited to the developed world. But while in wealthy countries it is usually for the quality and efficiency of services that people opt to live in private communities, in poorer nations it is often a question of basic safety. When population growth exceeds the state's capacity to provide the necessary infrastructure, the government may, albeit reluctantly, delegate this responsibility to private developers. In Africa, the fastest urbanising continent, more than 15 entirely private cities are currently under development, most of them with SEZ status. These include Nkwashi City in Zambia, Tatu City in Kenya, Itana in Nigeria, Roma Park in Zambia, Kigali Innovation City in Rwanda and Waterfall City in South Africa.

In emerging economies, rapid urbanisation parallels that of 19th-century England, often outstripping the development of urban infrastructure. A striking example is India, another former British colony and now home to over half of the world's urban population. Every minute, 25-30 Indians move from rural areas to cities (Mehta & Hingorani 2021). Without sufficient infrastructure to meet this soaring demand, it results in the emergence of slums, inadequate sanitation, extreme pollution, traffic congestion, poverty and crime. Unsurprisingly, over 32% of households in the top 50 Indian cities have found refuge from the urban chaos behind the gates of proprietary communities (Kumar et al. 2021), but this option is only available to the affluent minority. Government initiatives to speed up urban development, such as the US$12 billion Smart Cities Mission, have so far yielded underwhelming results (Aijaz 2021).

To mitigate the crippling crisis, some Indian municipalities see delegating urban development to the private sector as a viable alternative. Enabled by the 2005 Special Economic Zone Act and various regional reforms, ambitious developers are transitioning from merely building houses to creating entire cities from scratch. Privately built cities are not an alien concept to India – consider the large cities of Jamshedpur, Modinagar and Nepanagar founded by Tata Group, Modi Group and Nepa Mills Ltd., respectively. In Jamshedpur, residents even protested the attempt to establish a municipality that would take over the provision of essential services such as sewage and water supply, which are currently managed by Tata Steel.

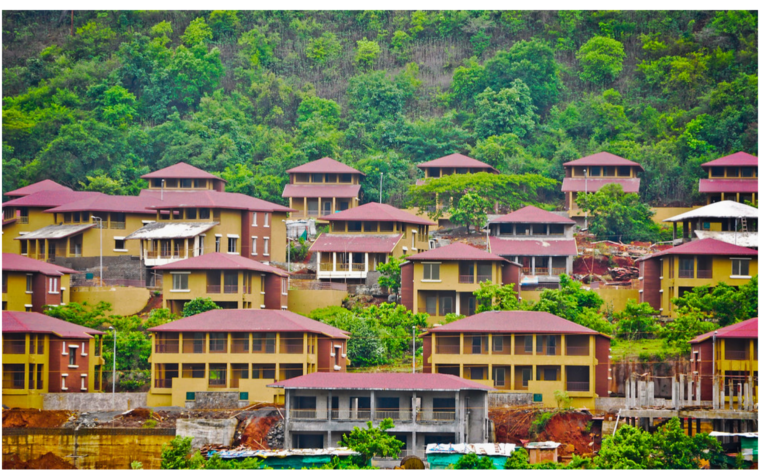


Gurugram, India. Creative commons: https://www.flickr.com/photos/kit-tell/5533296744

A satellite of New Delhi, Gurugram (formerly Gurgaon) is another inspiring story (Rajagopalan & Tabarrok 2014). Eased regulations on land acquisition, coupled with the absence of a municipal authority, enabled multiple corporations, including Maruti Suzuki and General Electric, to collaboratively establish a self-governing city, where roads, drainage and even the Rapid Metro System were developed by competing private companies. Home to over one million residents, Gurgaon has emerged as a significant financial and industrial centre, boasting the third-highest per capita income and the highest Human Development Index in the country.

Having an exceptional administrative status may bring exceptional results, as in the case of Lavasa, a private city enabled by the so-called Hill Station Act. The concept of 'hill stations' dates back to the 19th century, when British colonial administrators would build towns in higher elevation regions to serve as a refuge from the harsh summer heat of the Indian plains. The locations were strategically chosen for their cooler temperatures and scenic views. Building upon the British legacy, the state of Maharashtra passed a Hill Station Act in 1996, which relaxed land-ceiling and zoning laws while offering tax breaks, encouraging private developers to build a new generation of resort towns.

Among them was Ajit Gulabchand, the head of the century-old Hindustan Construction Company. His brainchild, the city of Lavasa – 'independent India's first hill station', as he branded it – was envisioned as a model for future urban development that he hoped would empower millions of Indians 'by allowing them to govern themselves' (Gulabchand 2010). Located 130 miles away from Mumbai, Lavasa was designed by the HOK design bureau, featuring walkable neighbourhoods and extensive green spaces, much in accord with the Garden City principles.



Lavasa, India. Creative commons: https://www.flickr.com/photos/suddhasatwa_bhaumik/5849318947/

The grim reality is that most of the largest state-developed SEZs in India have involved land expropriation (Levien 2013) – unlike Lavasa, whose developers have spent a decade buying land piecemeal from individual farmers selling voluntarily

(Parikh 2015). Lavasa's business model relied on three main sources of income: home sales, service fees and leases for commercial, retail and recreational spaces. However, the city's appeal extended beyond its physical assets. Its unique governance model, facilitated by its Special Planning Authority status, was a key selling point. Lavasa not only maintains public amenities such as parks and roads but also manages utilities and traditionally state-run services, such as schools and hospitals, in a private manner.

Strikingly, many essential services in Lavasa are provided free at the point of use, including potable water, garbage recycling, primary healthcare and education, alongside various professional training programmes. At first, the majority of citizens were former villagers, who were offered homes and jobs in Lavasa on top of the monetary compensation for contributing their land to the development of the city. To kickstart the local economy, Lavasa partnered with educational institutions such as Ecole Hôtelière de Lausanne and Christ University in Bangalore, and with Ashiana Senior Living, attracting retirees. By 2010, the population of the new city had exceeded 10,000 residents – Lavasa had evolved into a viable residential community, a sought-after real estate destination and a popular tourist resort. The development of Lavasa stalled for a while when the city got stuck in regulatory limbo as a result of political battles, but the local population persistently worked to revive the project and eventually won[6].

6 To learn more about Lavasa as a business venture, as well as the political context that surrounded its development and, in many ways, defined its fate, see V. Kichanova (2022). 'A Tale of One City. Lavasa as a Coasian Prototype of a Private Urban Development', a chapter in Candela (2022).

Next-level autonomy: charter cities

Countries suffering from political instability benefit most from the enclaves of stability such as self-governing cities. It is not surprising then that probably the most promising case of a private city under construction today comes from a place like Honduras. Situated on the Caribbean Island of Roatán, another former British colony, the emerging city of Próspera has set an ambitious goal to demonstrate to Honduras a potential pathway out of poverty, generating profit on its way[7]. Although selling homes and attracting tourists are key components of its business strategy, Próspera's main appeal lies in its exceptionally business-friendly regulatory environment – featuring an e-governance system, the ability to conduct transactions in any currency and a blockchain-based land registry, among other innovations. Próspera allows firms to select the regulatory code that best suits their needs, whether it is the Honduran legal system, the regulations of any OECD country or even a custom regulatory framework, provided it receives approval from the Próspera Council (Bell 2021). Besides, the income tax in Próspera is set at 5% compared to 25% in Honduras. In essence, Próspera can be seen as a hybrid between Paul Romer's *charter cities* and Titus Gebel's *free private cities*, since it has both a charter and a resident contract.

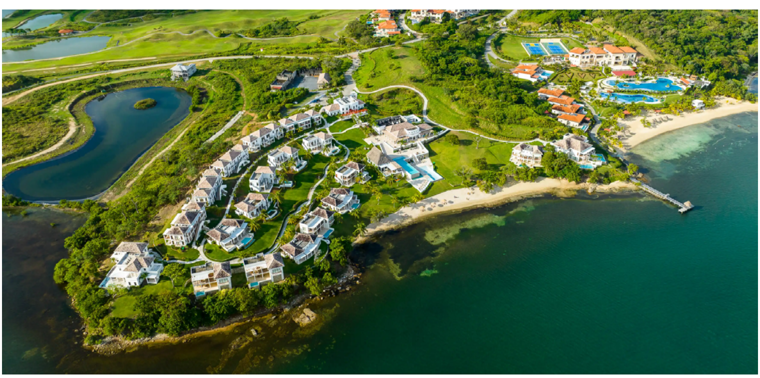
The legal groundwork that allows a private company, Próspera Inc., to exercise its urban vision was laid by the 2013 special legislation enabling the creation of the so-called Zones for Employment and Economic Development, or ZEDEs (from the Spanish 'Zonas de Empleo y Desarrollo Económico') throughout the country. Honduran ZEDEs are autonomous regions that

7 For full disclosure, the author of this paper has worked at Zaha Hadid Architects, the company that designed Próspera residencies.

are permitted to establish their own laws and governance models, outsourcing the majority of public functions, from tax collection to dispute resolution, to private entities. Only nine articles of the Honduran Constitution fully apply within ZEDEs, concerning sovereignty aspects such as territorial integrity and the national flag, plus criminal matters. ZEDEs enjoy the freedom to set their own taxation regime, monetary policies and security systems, to hire foreign judicial officials and to integrate foreign jurisprudence. Although the ZEDE framework regulation directly cites the common law of the Anglo-Saxon tradition, it leaves the door open to other legal traditions, paving the way for legal experimentation and competition for capital and talent.

Charter cities have encountered substantial opposition in Honduras, largely due to the contentious manner in which the original law enabling them was passed. Introduced in 2011, REDs ('Regiones Especiales de Desarrollo': Special Development Regions) were perceived by many as constitutionally dubious, as the legislation was rapidly pushed through without a broad consensus. Criticised for human rights violations, threats to national sovereignty and indigenous property rights issues, REDs also sparked concerns about tax fraud, corruption, labour rights abuses and environmental impacts (e.g., Amavilah 2011; Kroth & Carlos 2014; Cao 2019; Van de Sand 2019), eventually being declared unconstitutional by the Supreme Court after a public outcry. Ironically, the very issues that ZEDEs aim to address – weak institutions – fuel public mistrust, as flawed democratic mechanisms, political corruption and a history of land-grabbing exacerbate scepticism. Consequently, the legacy of past grievances and the initial controversial implementation have left many Hondurans wary of these projects, impacting their reception and progress.

The critics of charter cities are usually suspicious of private developers abusing their powers when they are unconstrained by democratic checks and balances, but Próspera paints an entirely different picture. Practically, as a unique type of municipality, ZEDE Próspera affords its residents broader democratic rights than those typically available to the average Honduran[8]. Moreover, the charter of Próspera stipulates that the influence of its physical residents will gradually expand as the population increases – for instance, once the population reaches 1,000, residents will gain the ability to propose changes to the Próspera charter through a referendum. Labour rights voluntarily introduced by the Próspera ZEDE (that is, not demanded by the Honduran law) ensure that working and living conditions in the city surpass those in the rest of Honduras. The first settlers were low-skilled workers tasked with constructing homes and infrastructure. Among the early corporate residents were academic institutions, fintech startups and software development companies, who chose Próspera for the streamlined business environment.



Próspera, Honduras. Copyright: https://www.prospera.co

8 The Próspera Resident Bill of Rights, for instance, openly states that each resident will enjoy 'at least as much liberty as the corresponding right guaranteed to a citizen of the United States of America under the U.S. Constitution' (https://pzgps.hn/wp-content/uploads/2024/11/Charter-of-Prospera-TS-CAMP-Certified.pdf).

Ciudad Morazán, another ZEDE, is designed to provide employment, safety and a decent quality of life for blue-collar families, welcoming service-sector employees and light manufacturing workers. Morazán's approach reflects a more grassroots strategy, targeting the country's emerging middle class. This makes Morazán a more understated and less controversial project compared to Próspera. Currently, Ciudad Morazán is home to about 200 residents. Several small, resident-owned businesses are now operating there.

The ZEDE law was intentionally designed to shield these market-based enclaves from the political instability plaguing the rest of Honduras (Bell 2021). It certainly helped in 2022, when the newly elected left-wing government repealed the ZEDE law. Given that this scenario was always a possibility, the authors of the ZEDE law had proactively established multiple layers of legal protection to safeguard against such situations[9]. Some of these protections are embedded within the Honduran constitution, while others are reinforced by international investment treaties (Cueto et al. 2022). This is why the fledgling cities of Próspera and Ciudad Morazán are moving on despite challenges, with the hope that job creation will soon provide an economic counterbalance to political populism. However, in a country as politically unstable as Honduras, the government's adherence to investment treaties and its own laws always remains uncertain.

9 The author of this paper has interviewed a number of people involved in the creation of the ZEDE regime, among them a Honduran lawyer, an American legal scholar and a Honduran government representative, as well as a Próspera Inc. team member, all of whom discussed in greater detail how each layer of protection is designed to work in practice should it be necessary.

The catch-22 of self-governing cities

Self-governing city initiatives often arise in countries where governments struggle to enforce the rule of law across their entire territory – Honduran ZEDEs stand as a testament. As long as the state maintains sovereign rights over its territory, there is no definitive guarantee that, after a self-governing city-like project becomes profitable, the host country will not terminate the project and seize the profits, analogous to what the Chinese Communist Party is currently doing in Hong Kong. Alternatively, semi-autonomous cities may emerge in autocracies where rulers are reluctant to implement widespread reforms, opting instead for a controlled liberalisation experiment within a confined area. Consider Masdar City in the UAE or the range of 'smart cities' in Saudi Arabia (Moser 2019), including the much-hyped Neom and The Line. In Gulf countries, where property rights stem from the birthrights of the sheikhs, projects receiving personal endorsement from rulers, such as Masdar City in Abu Dhabi – developed jointly with private partners such as Samsung and Mitsubishi – proceed smoothly, facing minimal transaction costs (Molotch & Ponzini 2019). This support accelerates the development of Middle Eastern 'fast cities', enabling them to transform from concept to completion within a few years (Cugurullo 2016).

However, minimal transaction costs do not equate to minimal risks. Urban developers attracted by the rapid pace and looking to engage in public-private partnerships must be aware that, while populist movements might not disrupt their projects, other risks loom large. For example, the Jeddah Economic City in Saudi Arabia, a semi-private project, was abruptly halted following the arrest of its main developer, Prince Al Waleed bin Talal Al Saud. The project's standstill is epitomised by the unfinished Jeddah Tower, which was intended to be the world's tallest building.

This situation underscores the risks of depending on the favour of an autocrat, which can be withdrawn suddenly. As much as populist movements may be a hurdle in democratic countries, dictators' flirting with the idea of charter cities should be taken with a sizeable pinch of salt.

This dilemma highlights the catch-22 of self-governing cities: the inevitable compromise between stability and flexibility. The lack of stable and predictable regulations creates a market for private governance alternatives, yet this same unpredictability can deter innovators in the private governance sector due to the high risks involved. In countries with weak institutions, such as Honduras, private city promoters find ample room for experimentation but have problems maintaining stability. Conversely, in nations such as the U.S., where the rule of law is robust, investors in large-scale private developments such as Irvine can feel relatively secure about their investments, but the opportunities for radical innovation are limited.

In the UK, strong institutions support democracy, the rule of law and private property rights, yet there remains limited room for experimental governance. As discussions around freeports continue, with the British government unveiling one roadmap after another and establishing a new committee to oversee another committee, the global context has shifted. The next-generation SEZs are characterised by wider self-governing autonomy, enhanced role of the private sector and a mixed-use urban strategy that moves beyond the outdated model of single-industry focus. It would be unwise for the UK to ignore these cutting-edge developments.

Final remarks

This paper has presented an array of intriguing stories and important lessons, offering both practical insights and inspiration from private cities throughout history and into the present. The future remains unwritten, and it is our responsibility to shape it in a way that enhances the UK's prosperity. Britain's track record of fostering self-governance worldwide prompts a compelling question: why can't we establish something akin to Hong Kong on our home soil? While this proposal might seem radical, a range of stories provided in this paper demonstrate that different elements of this model have been successfully implemented throughout history and across various geographies. All we need to do is combine these elements, provided the economic foresight and the political will to allow this to happen are there. The current discussion surrounding freeports has yet to offer a bold vision for their future. The previous government promoted these zones as centres for global trade, investment and innovation while simultaneously declaring that freeports have 'no deregulatory agenda'[10], thus undermining the very idea of freeports. What we need is to look beyond freeports and consider free autonomous self-governing cities as a tool to revitalise our economy.

- There is no need to reinvent the wheel – these strategies have been successfully implemented before, yielding spectacular outcomes. The **UK is fully capable of creating its own Hong Kong** – perhaps even multiple ones – within its borders, even if starting small. Compared to the accomplishments seen

10 Freeports: Trade Unions. Questions for the Treasury, 9 March 2021 (https://questions-statements.parliament.uk/written-questions/detail/2021-03-09/165568).

in other parts of the world, the current model of freeports seems lacklustre. Leveraging our extensive heritage, there is no reason why we cannot develop zones of remarkable economic growth and innovation right here in the UK.

- The current mismatch between where people live and where jobs are situated is exacerbated by a dysfunctional planning system that limits the construction of adequate housing close to employment areas. Instead of prioritising the construction of new industrial facilities, which may quickly become outdated (as the current freeport strategy suggests), we should focus on **improving workforce mobility through more flexible housing policies.** Unfortunately, the current freeport strategy fails to adequately address the housing crisis that is suffocating the British economy. Self-governing cities, while not directly addressing the issue, would unlock opportunities for more regulatory innovation on a local scale.

- The debate over the UK planning reform continues unabated, diving deep into details about affordable housing, safety regulations, green belt preservation and so on. Every new government unrolls a plan to combat the housing crisis, only to U-turn and leave the issue unaddressed (Niemietz 2024: 33-34). Rather than perpetuating these debates, it is time to take action. Self-governing cities are one way of offering the **flexibility to experiment with diverse planning regimes** – many proposals have been put forward by political parties and non-partisan groups aimed at resolving the housing issue; it is time to test these ideas in practice. By applying diverse planning regimes across various autonomous zones, we can directly observe the benefits of constructing new homes – dispelling the fears of NIMBYs and potentially fostering a shift towards more inclusive pro-development attitudes, including in London and the greater Southeast, where the issue is most pressing.

- Against all odds, the UK remains a hotbed of entrepreneurial spirit. Innovation hubs such as Cambridge and financial centres such as Glasgow flourish with little to no government intervention, emerging quietly without the usual fanfare of new committees or extensive reports. Pairing this creativity and potential with an appropriate regulatory framework, we can **foster further organic growth and innovation**.

- The UK continues to attract global talent. According to the UK Home Office, more than 140,000 Hongkongers have recently made the UK their new home, doubling the diaspora's size (Hansard 2024). These new residents can attest to the vital role of self-governance in enhancing economic prosperity and preserving civil liberties. Consider the Victoria Harbour Group **proposal to create a new city** within the UK specifically for Hong Kong immigrants escaping the Chinese authoritarian regime that would double as a business incubator for Hong Kong companies (Midolo 2024) – an excellent example of a grassroots initiative[11].

- We continue to encounter visionary proposals for creating 'radical freeports' in Scotland and Northern Ireland (Radford 2022) along with plans for an extensive 'Freeport East' network (Palmer 2022). Additionally, a few years ago, a grassroots initiative focused on Sark – a tiny self-governing jurisdiction in the English Channel with its own parliament and complete control over its taxation, budget

11 With change comes opportunity: A sustainable and global 21st Century New City designed around communities, innovation and enterprise (https://www.victoriaharbor.group/news/charter-cities-podcast).

and governance – captured the attention of mainstream media. A campaign to attract new residents to the island during the COVID pandemic became a sensation, boosting the local economy and real estate values (Martinson 2022). This initiative even drew interest from King Charles III, who considered developing a long-term strategy for Sark Island (The King's Foundation 2023), highlighting Britain's enduring commitment to fostering autonomous regions.

These are just a few examples. They should inspire us to open the doors wider to innovation, allowing the power of competition to identify and scale the best solutions. A single policy has the potential to catalyse a full-scale market, sparking robust competition among innovators. It is time for Britain to boldly embrace its legacy of pioneering self-governance, providing the right regulatory framework to transform these creative sparks into enduring flames of progress.

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