

## A conversation with Mark Lutter, June 15, 2018

### Participants

- Mark Lutter – Executive Director, Center for Innovative Governance Research
- James Snowden – Research Consultant, GiveWell

**Note:** These notes were compiled by GiveWell and give an overview of the major points made by Mark Lutter.

### Summary

GiveWell spoke with Mr. Lutter of the Center for Innovative Governance Research about charter cities. Conversation topics included an overview of charter cities, the Center for Innovative Governance Research's work on charter cities, its strategic vision, its room for more funding, and other organizations working on charter cities.

### Overview of charter cities

A charter city is a city with substantial or complete legal autonomy. Benefits of charter cities may include:

- **Economic gain** – Charter cities are able to institute economic reforms that incentivize investment in the area.
- **Innovation** – Charter cities have more independence to experiment with various governance structures and policies, without the risk that a national-level experiment might have.

Although legal autonomy may enable charter cities to develop innovative governance structures, an unintended effect could be the elimination of social welfare programs for vulnerable populations.

### Examples of charter cities

#### *Successful charter cities*

Examples of successful charter cities include:

- **Hong Kong** – Hong Kong, a former colony of the British Empire, is currently designated as a special administrative region of China, which includes a significant degree of legal autonomy.
- **Shenzhen** – Shenzhen was China's first special economic zone, a type of designation that enabled the city to independently establish economic policies. Although many special economic zones function solely as open marketplaces with lower taxes and duty-free customs, Shenzhen was unique due to its size, special labor law, and policies that incentivized foreign direct investment. Shenzhen is a strong example of special economic zones' ability to catalyze urbanization and poverty alleviation.
- **Singapore**

- **Dubai**

### *Unsuccessful charter cities*

Paul Romer, an economist and prominent advocate of charter cities, had opportunities to establish charter cities in Madagascar and Honduras. However, both ventures were unsuccessful due to political obstacles, leading to a decline in public interest for charter cities.

Many projects attempting to create new cities do not succeed, although these new cities are often not provided with significant legal autonomy.

### **Tractability of creating charter cities**

As the United States and Europe withdraw from positions of global dominance and power, other nations are experiencing more freedom to explore new governance structures, such as charter cities. For example, in recent years, Kazakhstan granted a city autonomy in commercial law, China permitted an independent company to manage its Belt and Road Initiative, and notable politicians such as Gordon Brown and Viktor Orbán expressed support for refugee cities (semi-autonomous settlements that provide displaced peoples with meaningful work and reduce the incentive to migrate). The Center for Innovative Governance Research is working with an African country to pass charter city legislation.

## **The Center for Innovative Governance Research's work on charter cities**

### **Organizational background**

In October to November of 2017, Mark Lutter began working as a full-time employee of the Center for Innovative Governance Research, which was formally launched in March of 2018. The organization's goal is to develop the economies of low-income and middle-income countries by advocating for the creation of charter cities and special economic zones. Mr. Lutter believes that projects granting cities increased autonomy are likely to occur but that his organization could accelerate the process by approximately five years.

### **Core activities**

#### *Research*

The Center for Innovative Governance Research will conduct foundational research that provides economic, legal, and philosophical support for the creation of charter cities. It is also interested in research with a larger short-term impact. For example, it may wish to conduct research that establishes a positive correlation between land value and ranking on the World Bank's ease of doing business index, which could encourage charter city projects to focus more on improving governance. If these projects are successful, they may also have a broader influence on the creation of new charter cities.

In addition to publishing both academic papers and publicly accessible content, the Center for Innovative Governance Research hopes to broaden the network of scholars interested in charter cities by providing mentorship and training to promising economics researchers.

### *Events*

One of the core goals of the Center for Innovative Governance Research is to build a conducive environment for creating charter cities. It plans to achieve this goal by hosting regional conferences during which various stakeholders are able to discuss the concept and practical implementation of charter cities. Stakeholders might include:

- **Professionals from the technology industry** – A significant portion of startup founders are interested in the idea of autonomous cities.
- **Development economists** – Discussing charter cities is not particularly advantageous for the careers of development economists, although they are generally receptive to the idea.
- **Humanitarians** – Humanitarians in Europe are considering strategies to address the large influx of refugees in the continent, one of which could be the creation of refugee cities in North Africa or the Middle East.
- **Real estate developers** – There are dozens of new city projects around the world that can benefit from governance improvements in their territory.
- **Investors** – Charter cities require substantial investments, so it is necessary to include investing institutions in the charter cities discussion.

### *Collaboration*

The Center for Innovative Governance Research is working with one new city project and the host country to pass charter city legislation. It has two projects in the pipeline that Mr. Lutter thinks are promising. Its model is to first identify promising collaborators (new city projects, entrepreneurs, or governments) and work with them to overcome the relevant obstacles for charter cities.

## **Strategic vision**

### **Immediate plans**

Mr. Lutter will be visiting Africa in December to meet with the Vice President and Minister of Trade and Commerce of a country to initiate a discussion about charter city legislation.

### **Short-term goals**

Within one year, the Center for Innovative Governance Research hopes to sign memoranda of understanding with three countries and to host conferences in Africa and the United States. It estimates the likelihood of a head of state attending the

Africa conference at 50%. Hosting a conference in Latin America or Europe may require closer to two years.

The organization also hopes to begin hiring researchers shortly. It plans to make a public job listing in January for the position.

### **Long-term goals**

Within three to four years, the Center for Innovative Governance Research hopes to be hosting conferences in every continent, with heads of state as keynote speakers. It would also like to have been involved in incubating five to ten projects by this time. Projects would likely be large real estate initiatives, such as the building of satellite cities, and could be incubated through various methods, including:

- **Private investment** – Private investors could write letters of intent promising funding to large real estate projects, contingent on an agreement with government that the project have legal autonomy. Depending on how land ownership is structured in the targeted country, a letter of intent may also request land for the project.
- **Government-based funding** – Individual governments or a coalition of national governments could actively develop and fund autonomous city projects. Examples of this type of project include Dubai, Singapore, and the currently ongoing NEOM project—a \$500 billion initiative to create a charter city in Saudi Arabia. Government-based funding might also be used for projects such as refugee cities.

Projects could also include influencing existing real estate projects to feature stronger governance policy.

### *Potential areas for new charter cities*

Areas that the Center for Innovative Governance Research would be potentially interested in for projects include:

- **Sub-Saharan Africa** – Projects in sub-Saharan Africa would likely focus on increasing manufacturing jobs.
- **North Africa** – Projects in North Africa could include refugee cities or economic incentives that increase service sector jobs.
- **Latin America** – Mr. Lutter is currently determining what types of projects could benefit Latin America, a region mostly composed of middle-income countries.
- **Asia** – Asia is a large and diverse region with many types of opportunities for projects.

### **Room for more funding**

Many organizations working on charter cities have failed due to lack of funding. Mr. Lutter believes charter cities are substantially underfunded compared to other focus areas of effective altruism. One advantage of charter cities as a poverty alleviation

mechanism is that once established, they are self-financing due to the increase in property values. In three to five years, the Center for Innovative Governance Research hopes to be raising \$4-5 million annually, allocated equally between research and events. After the organization is more established, conferences may become fully funded by sponsors.

## **Other organizations focused on charter cities**

Past organizations that have worked on topics related to charter cities include:

- **Charter Cities:** Founded by Paul Romer; folded several years ago
- **Free Cities Institute:** Founded by Zachary Caceres out of Universidad Francisco Marroquin; later rebranded to Startup Cities Institute; currently inactive
- **Enterprise Cities:** Founded by Shanker Singham out of Babson College; currently inactive

Organizations currently working on topics related to charter cities include:

- **The Innovation and Planning Agency** – The Innovation and Planning Agency is a consulting group managed by Kilian Kleinschmidt, who is on the board of advisors for the Center for Innovative Governance Research and formerly managed the Zaatari refugee camp in Jordan.
- **The Seasteading Institute** – The Seasteading Institute advocates for floating cities.
- **Refugee Cities** – A nonprofit focusing on charter cities and special economic zones for refugees.
- **Startup Societies Foundation** – A nonprofit focusing on popularizing ideas related to charter cities
- **Politas Consulting** – A consulting firm providing technical expertise.

The organizations working on charter cities are currently underfunded and approach the issue from varying perspectives.

*All GiveWell conversations are available at <http://www.givewell.org/conversations>*