

Radical Ideas 2 (4/27/2012)

Econ 390-001

Principles

- Charter cities
 - Paul Romer is an economist most known for his work in endogenous growth theory.
 - His current project is advocating charter cities, both intellectually in academia and by personally lobbying countries to try it.
 - Electricity
 - Kids study under lights by the airport because there are no lights in their homes.
 - Why do people have access to cellphones but not electricity in their homes?
 - Electric companies operate under a rule that forces them to charge a low subsidized amount – they lose money (no incentive to provide electricity to more homes).
 - This is a bad rule, but it is hard to change politically.
 - Light
 - North Korea is black hole at night – it has no electricity most places.
 - Contrast with South Korea which started out with the same rules and the same culture.
 - When North Korea and South Korea split up, South Korea adopted better rules which allowed it to grow faster. Electricity is a manifestation of that difference in results.
 - Hong Kong
 - Hong Kong is the best example of a sort of charter city in practice.
 - British colony under British law.
 - Its culture and most of its citizens are Chinese.
 - Hong Kong grew much faster than mainland China.
 - Hong Kong's success was a puzzle to many
 - barren rocky island with no resources
 - but has unilateral free trade and practically no barriers to entrepreneurship
 - China
 - China was the world's technology leader for most of world history.
 - In the year 1000 it had printing, steel, gunpowder, etc.
 - Then for 1000 years it stagnated.
 - Recently its growth has resumed.
 - It will probably regain its place as world leader by the end of the century.
 - Its recipe for success?
 - 4 special zones with good rules (Hong Kong is 1).
 - Then move to the market economy everywhere.
 - You need a place to innovate – to test out new rules and sort out the good from the bad.
 - A village is too small.
 - A country is too big.
 - Cities are just right.
 - A charter specifies all the rules for the city.
 - Charter attracts
 - investors
 - build infrastructure
 - firms
 - hire people
 - families
 - live and work there
 - Pick a plot of uninhabited land that isn't doing much good for existing government that owns it.
 - Sell land when it becomes more valuable to finance infrastructure.

- Possible locations
 - Guantanamo Bay, Cuba (run by Canada). (Romer suggested, but not happening)
 - Africa (administered by a foreign nation). (Romer suggested, but not happening)
 - Honduras is in the process of implementing charter cities.
- Seasteading
 - Forms of government
 - May be better forms of government than democracy we haven't yet thought of yet.
 - We've only tried a tiny number of the possible ways to organize a society.
 - Due to advances in psychology, economics, information technology, and every other science – we have options available today not available 20 years ago or 200 years ago (e.g., the Internet).
 - Changing government
 - We throw out our computers and cellphones every few years.
 - Why is the government industry different?
 - Knowledge progresses through trial and error – the scientific method.
 - Governments are not open to competition.
 - Barriers of entry
 - Barriers of entry are high for government.
 - 3 ways to gain control of a government:
 - Win a war.
 - Win a revolution.
 - Win an election.
 - Entrepreneurs with brilliant ideas of how to organize society can't test their ideas.
 - The cost of switching (immigrating) is also really high:
 - sell your house
 - move your stuff
 - adapt to differences in culture and language
 - The solution is not to complain about politicians or laws, but rather to enable startups.
 - The best way to do this is seasteading because it significantly lowers the barrier of entry.
 - You don't have to win a war, revolution, or election to create a seastead.
 - The ocean is a frontier: it's open and unclaimed.
 - Hundreds of people and tens of millions of dollars could create a floating city.
 - Government under seasteading
 - If a floating city passes a bad law, the residents will move
 - e.g., decouple and reform around another city hall
 - don't have to move to benefit
 - competition will force countries to improve or face brain & capital drain
 - Implementation
 - There are already semi-permanent oil platforms where people live and work.
 - They just need to be made a bit larger & more hospitable.
 - The Seasteading Institute is researching seastead designs.
 - Recently Patri Friedman stepped down as CEO of the Seasteading Institute and started Future Cities Development, Inc. His aim is to establish a for-profit charter city in Honduras.

Definitions

- **charter city** – a city in which the governing system is defined by the city's own charter document rather than by state, provincial, regional or national laws
- **seasteading** – creating permanent dwellings at sea, called seasteads, outside the territories claimed by the governments of any standing nation