

## Cosmopolitanism Within Borders: On Behalf of Charter Cities

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Christopher Freiman  
College of William & Mary  
Department of Philosophy

Thomas Nagel suggests that the least controversial claim one could make in political theory is that we do not live in a just world.<sup>1</sup> This paper examines a new strategy for advancing global justice in our unjust world: *charter cities*.

As proposed by economist Paul Romer, charter cities would resemble special economic zones, that is, small regions that experiment with economic rules that differ from those governing their larger ‘host’ countries. Yet unlike a special economic zone, a charter city would also experiment with its own legal and political rules. The rules, in turn, can be enforced by a third-party coalition of representatives of foreign countries that enforce these rules at home. Host countries that face problems of economic stagnation or political instability can thus leverage the experience and credibility of ‘guarantor’ countries to gradually reform their own institutions.

Efforts to establish charter cities are underway. The government of Honduras, for example, has passed a constitutional statute to create a special reform zone known as *la Región Especial de Desarrollo* (RED).<sup>2</sup> The courts in the RED will function independently of the courts in Honduras. The RED government can utilize judicial nominees from across the world, subject to the approval of the Honduras National Congress. The RED is also empowered to anchor their courts in the judicial system of a partner country. The Mauritian Supreme Court has reached an agreement to serve as an appeal court for the RED’s judicial system.<sup>3</sup>

Given the novelty of the idea, a philosophical account of charter cities has yet to be provided.<sup>4</sup> However, charter cities raise significant moral and political questions. There is good reason to undertake a preemptive moral appraisal of charter cities just as there is good reason to undertake a preemptive moral appraisal of emerging technologies such as human cloning that have not yet been realized in practice. We should explore whether these possibilities *should* be pursued, and, if so, how to pursue them in a morally responsible way.

I conclude in favor of permitting the establishment of charter cities. They are not the optimal solution to problems of global injustice. Yet I believe the optimal solutions are currently infeasible. Thus we must turn to what economists call the *theory of the second best*.<sup>5</sup> The theory of the second best states that when one or more of the jointly necessary conditions for the best outcome cannot be satisfied, the second-best outcome need not require the satisfaction of those remaining necessary conditions that *can* be satisfied. Moreover, it is possible that none of the necessary conditions for the second-best outcome are necessary conditions for the best outcome.

Some of the necessary conditions for the best global political arrangements cannot be satisfied. Many countries suffer politically and economically from dysfunctional domestic institutions. In an ideal world, these institutions would be reformed. Many of the world's poor are prohibited from working in countries where their labor would be significantly more productive.<sup>6</sup> In an ideal world, their labor mobility would be greater. Trade barriers protect wealthy and politically favored domestic interests at the expense of workers in the developing world.<sup>7</sup> In an ideal world, poor farmers in Latin America would not be further impoverished to enrich a small cartel of millionaire U.S. sugar growers.<sup>8</sup> Yet factors such as special interest politics and collective action problems keep the optimal solutions to global

injustice out of reach. I will argue that the next-best solution to global injustice involves charter cities, a kind of institution for which a perfectly just world would have no need.

Of course, not all will agree that global justice requires open immigration and the absence of international trade restrictions. My own view is that a roughly *cosmopolitan* conception of global justice is correct: the principles of justice apply equally to all persons regardless of nationality.<sup>9</sup> Further, I believe that the international institutional structure that best satisfies this conception of justice would permit ideas, goods, labor, and people to move freely across borders. However I will not provide a general defense of a cosmopolitan conception of global justice here. For one, space constraints preclude such a task. My main interest is to defend charter cities as an instrument of cosmopolitan justice in *nonideal* global conditions—that is, conditions characterized by at least some injustice.<sup>10</sup> Even those who do not accept a cosmopolitan framework might nevertheless be curious about how to proceed *if* we accept such a framework.

I also intend for my argument to be ecumenical. I will argue that charter cities can advance important cosmopolitan aims while sidestepping standard nationalist objections to cosmopolitanism. Moreover, even those who claim that the scope of justice is confined to sovereign nation-states tend to believe that these states nevertheless have humanitarian obligations to foreign countries and people suffering from severe poverty and oppression.<sup>11</sup> Aiding efforts to establish charter cities can help states fulfill these obligations.

I begin (§1) by outlining the basics of the charter city proposal. Then (§2) I argue that contributing to efforts to establish charter cities is, in many cases, a more efficient use of a country's scarce resources than foreign aid or attempts to facilitate institutional change abroad. Next (§3) I explore a moral reason for establishing charter cities. Mobility restrictions due to border closures that decrease returns to workers' labor are *prima facie*

unjust even if aid compensates for workers' loss in consumption. The reason is because these restrictions deprive people of the opportunity to realize their capacities not merely as consumers of goods but as providers of goods to themselves and others. Charter cities can help ameliorate this injustice by loosening restrictions on labor mobility. I then (§4) address moral objections to charter cities, including the charge of colonialism and the concern that they will engender exploitation. I conclude (§5) that cosmopolitans and nationalists can find common ground in their reasons to support the establishment of charter cities.

## §1

Although charter cities offer promising solutions to a variety of problems of global justice, I will focus specifically on problems of distributive justice and economic opportunity. There is broad agreement that severe, preventable global poverty is a moral problem. Some theorists regard it as a violation of justice, others as a humanitarian crisis. What's important for present purposes is the consensus that well-off countries and their citizens have some moral reason to contribute to efforts to alleviate this problem.

The primary aim of establishing charter cities is to provide the world's poor with new opportunities to migrate to territories with comparatively stable, fair, and efficient institutions. Such migration offers the hope of escaping, among other things, extreme poverty. In his exposition of the charter city idea, economist Paul Romer stresses the role of institutional rules in fostering economic development and effective governance.<sup>12</sup> Effective institutions enforce clear and stable rules governing property acquisition, contracts, the protection of civil rights, regulatory structures, torts, taxation, and so on. Furthermore, they provide services like sanitation, water, transportation, hospital care, and police. These institutional factors have a significant impact on economic growth rates and political stability.<sup>13</sup> Here we must be careful not to oversimplify. While formal rules are an important

part of economic development, they are only one part. For now, I will discuss the role of formal institutions and address concerns about informal norms in the next section.

The World Bank estimates that 80 percent of the world's wealth is intangible.<sup>14</sup> It defines *intangible wealth* as the proportion of a country's income due to factors other than natural capital (e.g., nonrenewable natural resources, cropland) and produced capital (e.g., machinery, urban land). Intangible wealth can include a state's commitment to the rule of law, an efficient judicial system, democratic political procedures, and so on. On average, a citizen of the world's 30 richest countries enjoys about \$500,000 of this intangible wealth while those living in the poorest countries enjoy about \$4,000 of intangible wealth per capita.<sup>15</sup>

Although a complete review of the economic literature on the importance of institutional rules is beyond the scope of this paper, consider a particularly vivid example: the economic prospects of the average Haitian worker. Holding workers' traits fixed—e.g., their education, health, skillset, and so on—a Haitian worker who moves to and works in the United States will earn at least *seven times more* than she would earn in Haiti.<sup>16</sup> Development economists argue that the marginal productivity of workers in developing countries is less than those in developed countries in large part because of the differential quality of the countries' economic and political institutions.<sup>17</sup>

Economist Lant Pritchett says that gaps in unskilled wages 'create pressure for migration because they are *not* primarily explained by differences in the characteristics of *people*. Wage rates are predominately characteristics of *places*: People who move tend to have earnings much nearer the average wage of the country they move to than they are from, even in the short run'.<sup>18</sup> However our world lacks enough immigrant-receiving countries to meet the demand for migration, especially among unskilled workers.

Here we come to the role of charter cities. Charter cities are, in effect, means for countries rich in intangible wealth to export that wealth. Thus, they can provide foreign labor with the opportunities made possible by intangible capital without further opening their own borders to immigration.

Romer specifies three roles for countries participating in a charter city program: *host*, *source*, and *guarantor*. The host nation supplies land; a source nation supplies residents, and a guarantor nation implements and enforces the city's charter. Participation in any capacity is strictly voluntary.

The three roles can be fulfilled by a single country or multiple countries working in tandem. For example, one nation could act as source, host, and guarantor, as China did in establishing a special economic zone in the city of Shenzhen. Or, a single country could act as host and guarantor, with other countries serving as sources of incoming residents. A nation could create a city within its own borders to provide foreigners with an option for exit should they elect to leave worsening conditions at home.

Alternatively, and perhaps most controversially, a country could act as both host and source, with a group of partner countries serving as guarantors. A developing country seeking to induce higher levels of investment and employment might avail itself of this option. As Romer sees it, countries with a history of political instability or ineffective governance cannot make the credible binding commitment to the rule of law needed to assure the security and protection of prospective investors and residents. Thus, the host government could partner with another country or group of countries willing to serve as a third-party guarantor, and effectively leverage the credibility of the guarantor countries' institutions. The guarantors can implement and enforce the rules of the charter, arbitrate contractual disputes, assist on administrative tasks, and so on. Residents themselves would

have the opportunity to work as part of the administrative apparatus designed to guarantee the charter.

Furthermore, governmental institutions could finance public services like police, firefighters, and so on in a novel way. Romer suggests that charter cities make 'long-term leases to private developers. The leases would contain mechanisms that adjusted rent upward as land values rose. This arrangement wouldn't merely provide income for the city government; it would also give that government a strong incentive to keep the city an attractive place to live and work because its revenues would depend directly on the value of the land'.<sup>19</sup> Eventually, residents of the city could, if they choose, vote to return control of the city to the host government.

Romer proposes that all charter cities abide by four basic principles.<sup>20</sup> First, they must be built on a tract of uninhabited land suitable for a multi-million-person scale city. Second, the city's charter specifies in advance the institutional rules governing the city. Third, all residents enjoy complete freedom of entry and exit.<sup>21</sup> Fourth, all institutional rules apply equally to all residents.

The preceding is merely a sketch of how charter cities might function. My aim here is not to give a comprehensive account but only to provide enough information to fix ideas for the sake of a philosophical discussion. In what follows I'll discuss the practical and moral reasons that speak in favor of supporting charter cities as a host or guarantor country.

## §2

I believe that an ideally just global society that exhibits full compliance with the principles of justice would contain national borders that are as porous as practically feasible. This society would have no need for charter cities. Yet we are not in an ideal global society, and I believe

that there is a strong practical and moral case to be made for experimenting with charter cities in our nonideal world.

Let me begin by sketching the efficiency advantages of directing reform efforts toward the establishment of charter cities rather than immigration liberalization or conventional foreign aid. I'll argue that wealthy countries and their citizens can do the most good for the global poor with their limited resources by contributing to the development of charter cities.

First, it's plausible that assistance provided to charter cities is more likely to win popular support than open immigration or the large-scale foreign aid packages sometimes advocated by cosmopolitan political philosophers.<sup>22</sup> Many of the reasons for popular opposition to immigration liberalization or foreign aid are simply inapplicable to charter cities. These reasons often appeal to national economic interests. For example, some worry that an influx of immigrants can debilitate domestic welfare programs by introducing a new class of net tax consumers, and foreign aid requires domestic tax increases. Yet a country that serves as a host or guarantor nation could support a charter city at zero cost or even a net profit. The expenditures of host and guarantor countries can be financed by rents rather than taxation of citizens. If charter cities were financed by leases to private developers that adjusted rent upward as land values rose, host and guarantor countries could recoup their investments from the profits on the leases.

Perhaps in an ideal world benevolent motives would suffice to induce people to advance global justice. Yet we are searching for a theory of the second best. We live in a nonideal world in which people's sense of moral impartiality is limited—especially as it extends beyond borders.<sup>23</sup> Effective solutions to global political and economic problems will not strain this sense of impartiality. The liberal tradition from Hume and Smith to Nagel and Rawls emphasizes the need for political institutions to economize on altruism. Rawls says

that institutional ‘rules should be set up so that men are lead by their predominant interests to act in ways which further socially desirable ends. The conduct of individuals guided by their rational plans should be coordinated as far as possible to achieve results which although not intended or perhaps even foreseen by them are nevertheless the best ones from the standpoint of social justice’.<sup>24</sup> It is a virtue of charter cities that they can operate to parties’ mutual benefit. Host countries can expect economic benefits like expanded employment and investment; guarantor countries will receive revenue from rents on land.

There are also reasons to think that charter cities can relieve poverty more effectively than aid. As Romer emphasizes, rules that facilitate stability and growth are engines of prosperity. Some economists allege that where aid has failed, it is often because its potential benefits have been mitigated by the dysfunctional rules that are responsible for much poverty in the first place.<sup>25</sup> If this criticism is fair—and I lack the space to assess that claim—it highlights a further advantage of charter cities. Charter cities import rules that have successfully facilitated stability and growth elsewhere. Perhaps the rules will not be as successful the second time around. Yet residents’ freedom of entry and exit allows them to experiment with different cities with different rules. Indeed, charter cities have an incentive to devise and administer rules wisely precisely because they must compete for residents and investors.

The possibility of experimentation speaks to a further advantage of charter cities. A first-best solution to global poverty is national-scale domestic reform of struggling economies. Yet it is significantly easier to create a new city with new rules than to change an entire country’s basic institutional framework. Charter cities do not require the mass political mobilization needed to enact national-scale reforms. By establishing charter cities, countries can take a step toward domestic reform while sidestepping many of the collective action

problems that beset efforts for national level change. It takes far fewer investors, administrators, and residents to create a charter city than the number of people needed to enact countrywide political change.

Let's now consider a practical objection to charter cities: formal rules are not sufficient for economic growth. Many development economists stress that we cannot discount the contribution of *informal* norms and customs to a society's stability, efficiency, and cohesion.<sup>26</sup> The context within which formal rules are implemented plays a key role in the success of those rules. Consider social trust. As trade expands beyond local exchange, the possibilities for specialization and gains from trade expand as well. But to stabilize large-scale cooperation among strangers, countries need some degree of generalized social trust.<sup>27</sup>

The indispensability of informal norms should temper our enthusiasm about the ability of charter cities' formal institutions to bring about prosperity by themselves. However, I do not believe this concern undercuts the argument for charter cities for two reasons. First, it does not diminish the case for charter cities relative to many other forms of foreign support. The efficacy of standard aid packages or even military intervention also depends in part on the informal norms of the receiving country. The problem of informal rules is not a problem exclusive to charter cities.

Furthermore, evidence indicates not only that informal rules influence formal rules but that formal rules influence informal rules. For example, institutions that control corruption, secure personal property, and stabilize expectations can enhance social trust.<sup>28</sup> By enlisting impartial and experienced third parties to implement the relevant formal rules, charter cities can have ameliorating effects on informal customs. There is of course no guarantee that charter cities will work. However, lack of certainty is not in itself a reason for not

experimenting. The key question is whether the expected benefits exceed the expected costs and there is at least *prima facie* reason to believe that they do.

§3

Thus far I have proposed pragmatic reasons for establishing charter cities. This section offers a moral reason.

Some arguments for cosmopolitanism are offered in the spirit of luck egalitarianism.<sup>29</sup> Being born into a rich country rather than a poor country is as much a matter of luck as being born into a rich family rather than a poor family.<sup>30</sup> Just as luck egalitarians argue that distributive justice requires the equalization of luck-based economic inequalities within states, some theorists of global justice argue that luck-based economic inequality across states has egalitarian redistributive implications. Charles Beitz argues that the distribution of natural resources across countries is as morally arbitrary as the distribution of natural talents across persons. Thus, egalitarian justice requires some redistribution of the world's natural resources and the wealth generated therefrom.<sup>31</sup> Thomas Pogge similarly argues for a global resource dividend: roughly, a tax on natural resources that would transfer wealth from well off to poorly off countries.<sup>32</sup>

I would like to suggest that even if global redistribution of resources or income is necessary for global justice, it is not sufficient. This is not to deny that many of those theorists who argue for some global redistribution also propose additional measures: aid is often aimed at enhancing human capital, improving credit, or reforming institutions. Here I want to argue for the place of charter cities among the measures designed to supplement redistribution.

As discussed in section 1, access to intangible capital is by far the greatest social determinant of a worker's productivity. Labor mobility restrictions resulting from border

closure in the developed world diminish access to that capital and result in lower returns to workers' labor along with decreased occupational and entrepreneurial opportunities. I contend that these restrictions are unjust even if aid compensates for workers' loss of consumption.

Restrictions on labor mobility not only harm people by diminishing their income and thus their ability to consume, they also diminish people's ability to *contribute* to their own economic well-being and the economic well-being of others. Aid that only improves recipients' stock of consumption goods cannot fully ameliorate this injustice.<sup>33</sup> John Rawls speaks of our moral powers as involving 'the desire to engage in fair cooperation as such'.<sup>34</sup> Our theories of distributive justice should not neglect the desire to be a benefactor and provider, not just a recipient and consumer.

Consider an analogy inspired by Pogge's comment that 'nationality is just one further deep contingency (like genetic endowment, race, gender, and social class), one more potential basis of institutional inequalities that are inescapable and present from birth'.<sup>35</sup> Suppose the United States government begins enforcing sex or race-based wage and hiring discrimination. For example, it coercively enforces caps on the number of women that firms can hire in a given year. This policy would clearly be unjust even if the government provided wage subsidies to compensate for women's loss of income. The reason why this policy would be unjust cannot be because it deprives women of opportunities to *consume*. It doesn't. Rather, it deprives them of occupational opportunities and returns to their labor due to a morally arbitrary, unchosen factor: their sex.

Let's fill out the analogy. The United States government (among others) enforces caps on the number of foreigners who can live and work in the country. The enforcement is coercive—armed patrol guards are empowered to handcuff or imprison those who attempt

to transgress the borders. The state coercively deprives would-be immigrants of the opportunity to realize their capacities as providers of goods and services to themselves and others. Here, as in the case of sex or race-based discrimination, people are deprived of occupational opportunities and returns to their labor due to a morally arbitrary, unchosen factor: their birthplace. Indeed, location-based wage discrimination might be the *largest* form of wage discrimination in the world.<sup>36</sup>

For the same reason that wage subsidies would not erase the injustice of wage or hiring discrimination, aid that enriches foreigners' stock of consumption goods does not erase the injustice of labor mobility restrictions. This package of policies fails to fully respect them as contributors—as active participants in mutually beneficial economic cooperation—even if it addresses their needs as consumers. Only fully open immigration would fully eliminate the injustice of labor mobility restrictions by opening access to intangible wealth. Charter cities are a second-best solution. They do not eliminate mobility restrictions, but they soften them. They improve people's chances of living or working in places where their labor is more productive and they have greater occupational and entrepreneurial opportunities.

Of course, the preceding analogy is controversial because many will simply reject its cosmopolitan premise.<sup>37</sup> (I should note that my argument is not wedded to global *egalitarianism*—it applies even if justice requires that, for example, the world's poor receive adequate opportunities.) One might object that sex-based wage discrimination is worse than wage discrimination arising from immigration restrictions because it is arbitrary in a way that immigration restrictions are not. According to this objection, location-based wage inequalities are simply an unfortunate secondary effect of border policies undertaken with good reason—for example, to restrict access to public institutions or to preserve a common

sense of culture.<sup>38</sup> These considerations might outweigh foreigners' interests in realizing their capacities for economic cooperation.

Although I lack the space to argue for my cosmopolitan premises here, let me note that the preceding conclusion is consistent with the *prima facie* wrongness of imposing coercive barriers that curtail returns to labor on the basis of unchosen characteristics. Perhaps the wrong is outweighed, but being outweighed is different from weighing nothing.

Furthermore, even if location-based wage discrimination is merely a *prima facie* wrong, my argument has at least some force against nationalists who believe that states can have overriding reasons to close their borders. Even if states have special duties to their own citizens, they surely have general duties to everyone. Perhaps these are strictly negative duties, e.g., they ought not to invade a foreign country and plunder their resources. Yet immigration restrictions seem to violate a negative duty to not coercively harm others.<sup>39</sup> As I have suggested above and a number of philosophers have observed, states with closed borders *coerce* would-be immigrants.<sup>40</sup> States do not ask immigrants to remain outside of their borders; they use coercion to restrict access. Moreover, the coercion affiliated with mobility restriction is very costly. Recalling the earlier statistic, a citizen of the world's poorest countries loses nearly half a million dollars in intangible wealth when one of the world's 30 richest countries coercively restricts her access to its territory.<sup>41</sup>

One might reasonably expect these countries to have an obligation to justify the losses their coercive interference imposes on the coerced. It's a common liberal theme that the burden of justification is on those who exercise coercion rather than those who would exercise their freedom—to move, for example.<sup>42</sup> In particular, coercion must be justified to the coerced in terms of standards that they have reason to accept.<sup>43</sup> On such a view, even if states have compelling reasons derived from their national interests to close their borders, an

obligation to compensate those harmed by their coercion remains. In the absence of immigration reform, providing support for charter city projects would be a natural way for states to compensate for the damage their coercively enforced borders does to blocked immigrants' economic productivity. Thus, wealthy nations have a reason, grounded in justice, to contribute to charter cities.

#### §4

Having sketched a moral defense of charter cities, let's consider some objections. First, I'll address the clearest moral concern about charter cities: they raise the prospect of colonialism. While charter cities may resemble colonial regimes at first blush, the resemblance fades upon further inspection.

Charter cities differ from colonial regimes because they do not coerce any party into participating. Charter cities are products of voluntary agreements between host, source, and guarantor countries. All residents would enter voluntarily and possess freedom of exit.

One might object to charter cities on the grounds that residents may not receive full citizenship in the host country—at least initially.<sup>44</sup> However, under existing international arrangements, foreigners can choose to participate in guest worker programs that do not grant them the benefits of full citizenship in their host country. These programs are generally regarded as morally permissible.

Yet guest worker programs are not perfectly analogous to charter cities. Charter cities involve representatives from an outside country helping administer rules within another country. To address this difference, let's draw a new analogy to another familiar type of organization: private firms that outsource work to laborers and suppliers outside of their home country. These firms, like charter cities, administer their own institutional rules within a host nation—yet they do not undermine that nation's sovereignty. Moreover, residents of

charter cities, like foreign employees of firms engaged in outsourcing, would enter the organization voluntarily and enjoy freedom of exit.

The claim of voluntariness suggests a new objection. Presumably many of those who move to charter cities will move to escape poverty. Charter cities will likely attract business precisely because they supply low-wage labor. Firms outsource labor to developing countries for the same reason. Thus, we can raise an objection against charter cities that is raised against outsourcing: they enable exploitation. Charter cities and their economic partners would take advantage of residents' vulnerability.

In addressing this objection, we must keep our target in mind: a *second-best* solution to the problem of global poverty. I have already noted that I believe the first-best solution involves, among other things, domestic institutional reform for struggling economies and significantly liberalized immigration policies in the developed world. But the first-best solution is not a feasible option at present. We must find the least imperfect of our imperfect alternatives.

So the question before us is this: all things equal, are the interests of the global poor better served in a world with charter cities than in a world without them? To see why they would be better served in a world with charter cities, let us begin by refining our understanding of economic vulnerability. Amartya Sen notes that economic vulnerability consists partly in option deprivation. Discussing what he calls 'sweated labour factories' of the sort that can result from outsourcing, Sen writes that 'in the vast majority of cases the employees are there in those terrible jobs because they have very few options—none that are particularly good. The failure of the state and the society to create opportunities for decent employment is the main culprit here, which makes it possible to recruit labour to do terrible jobs, for the alternative may be unemployment and starvation'.<sup>45</sup>

One part of alleviating the condition of these workers is expanding their option set. The problem with restricting their access to outsourced jobs or charter cities is that the restriction *removes* an option from their set. Worse still, the removed option is not simply an option selected at random but rather the *highest* ranked option of those who choose to work in the low-wage jobs or reside in a charter city.<sup>46</sup> Sen argues that we do not improve the situation of the global poor by removing options without simultaneously adding better ones: ‘closing down sweated-labour factories without giving the victims alternative opportunities for employment or education [...] is not an adequate solution to the problems and predicaments of the precarious poor’.<sup>47</sup> Laborers who are denied access to low-wage jobs or charter cities with no further institutional improvements remain in economic duress.<sup>48</sup> Thus, they will remain vulnerable to economic exploitation by other people and institutions—indeed, more vulnerable given that enjoy one fewer option.

In sum, institutions should not impede people’s access to options on the grounds that it only helps them *a little* compared to a baseline of fewer options when no other, more helpful option is made available. We wouldn’t deny a starving person a slice of bread on the grounds that they need a loaf to get enough calories—even though no loaf is available. Restricting labor mobility for the sake of the economic welfare of those whose mobility is restricted is a doubtful strategy because it addresses the problem of an impoverished option set by further impoverishing that option set.

Of course, we should not be complacent about low wages. Yet even if the wages of unskilled workers in charter cities were initially low, they would likely increase rapidly as the productivity of labor increases due to increased capital investment. Charter cities would be structured in a way that creates strong incentives to grow human capital through investments in health and education—e.g., by financing government services out of increases in the value

of the city's land, governments would be encouraged to grow human capital to increase the value of the land. Moreover, should a given city's economy stagnate, residents could leave for another city where wages are higher.<sup>49</sup>

§5

In closing, let me suggest that both cosmopolitans and nationalists should agree that we have reason to establish charter cities. Charter cities can advance important cosmopolitan aims such as liberalizing trade and labor mobility while evading standard nationalist objections. For example, theorists sometimes argue that we have special duties of distributive justice to fellow citizens.<sup>50</sup> Yet a country can support charter cities as a host or guarantor while nevertheless distributing economic aid preferentially to its own citizens. Charter cities can operate at zero net cost or even a net gain to supporting countries and thus need not drain resources from domestic social programs.

Some argue that citizens' interest in preserving their national culture and a sense of solidarity can justify immigration restriction.<sup>51</sup> On this view, participation in our country's communal life is a crucial part of forming our identities.<sup>52</sup> Immigrants can allegedly disrupt domestic culture by speaking a foreign language, practicing a heterodox religion, or failing to abide by common customs. Yet governments that serve as guarantors of charter cities would export their rules rather than import new residents and thereby ensure little disruption of domestic culture.

Lastly, charter cities would not depend on global redistributive institutions, or even global cooperation, as required by some ideal conceptions of global justice. Many argue that a world state would be undesirable.<sup>53</sup> An advantage of charter cities, then, is that they can promote cosmopolitan goals without powerful global governing institutions.

The optimal solutions to global injustice and poverty are currently infeasible. I have presented part of a theory of the second-best solution. Second-best solutions may look quite different than first-best solutions and I believe that is the case with charter cities. Charter cities are untested, but this should not deter us from experimenting with institutions that can improve the opportunities of some of the world's least advantaged members.<sup>54</sup>

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<sup>1</sup> Thomas Nagel, 'The problem of global justice', *Philosophy and Public Affairs* 33, 2 (2005): 113–147, p. 113.

<sup>2</sup> For information see <http://www.red.hn/>.

<sup>3</sup> As of October 2012, Honduras has ended efforts to establish a special reform zone. Attempts to develop charter cities elsewhere are ongoing.

<sup>4</sup> There is some precedent for Romer's charter city proposal. Max Weber, for example, discusses historical examples of cities that share certain characteristics of charter cities such as autonomy from their host countries. See Max Weber, *The City*, trans. Gertrud Neuwirth (New York: Free Press, 1966). My thanks to an anonymous referee for drawing my attention to this work.

<sup>5</sup> R.G. Lipsey and Kelvin Lancaster, 'The general theory of second best', *The Review of Economic Studies* 24,1 (1956-7): 11–32.

<sup>6</sup> Michael Clemens, Claudio E. Montenegro, and Lant Pritchett, 'The place premium: Wage differences for identical workers across the U.S. border', *Center for Global Development*. Working Paper #148 (2008).

<sup>7</sup> See Mark Sagoff, 'Do we consume too much?' *The Atlantic Monthly* 279,6 (1997): 80–96.

<sup>8</sup> Sagoff op. cit.

<sup>9</sup> Those who agree that the principles of justice are not confined within national boundaries nevertheless disagree about what those principles are. For a sampling of cosmopolitan theories, see Charles Beitz, *Political Theory and International Relations* (Princeton: Princeton University Press, 1979); Thomas Pogge, *Realizing Rawls* (Ithaca, NY: Cornell University Press, 1989); Peter Singer, *One World* (New Haven: Yale University Press, 2002); Pogge, *World Poverty and Human Rights* (Cambridge: Polity Press, 2008).

<sup>10</sup> For discussion of the distinction between ideal and nonideal theory in political philosophy, see John Rawls, *Justice as Fairness: A Restatement*, Erin Kelly, ed. (Cambridge, MA: Harvard University Press, 2001).

<sup>11</sup> An example would be John Rawls, *The Law of Peoples* (Cambridge, MA: Harvard University Press, 1999).

<sup>12</sup> Paul Romer, 'Technologies, rules, and progress: The case for charter cities', *Center for Global Development*. March 2010. Available at: <http://www.cgdev.org/content/publications/detail/1423916>.

<sup>13</sup> For empirical evidence that formal institutions play a significant role in promoting economic growth, see, e.g., Daron Acemoglu, Simon Johnson, and James A. Robinson, 'Reversal of fortune: Geography and institutions in the making of the modern world income distribution', *Quarterly Journal of Economics* 117, 4 (2002): 1231-1294; Robert Barro, *Determinants of Economic Growth: A Cross-Country Empirical Study* (Cambridge, MA: The MIT Press, 1997); Simeon Djankov, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, 'The regulation of entry', *Quarterly Journal of Economics* 117, 1 (2002): 1-37; Robert Hall and Charles Jones, 'Why do some countries produce so much more output per worker than others?' *Quarterly Journal of Economics* 114, 1 (1999): 83-116; Xavier Sala-I-Martin, 'I just ran two million regressions', *The American Economic Review* 87, 2 (1997) 178–183.

<sup>14</sup> World Bank, *The Changing Wealth of Nations* (Washington DC: The International Bank for Reconstruction and Development, 2011).

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- <sup>15</sup> World Bank op. cit.
- <sup>16</sup> Clemens et al, op. cit., p. 4.
- <sup>17</sup> Clemens et al, op. cit., p. 52.
- <sup>18</sup> Lant Pritchett, *Let Their People Come: Breaking the Gridlock on Global Labor Mobility* (Washington DC: Center for Global Development, 2006), p. 6. Italics in the original.
- <sup>19</sup> Brandon Fuller and Paul Romer, 'Cities from scratch', *City Journal*, Autumn 2010. Available at: [http://city-journal.org/2010/20\\_4\\_charter-cities.html](http://city-journal.org/2010/20_4_charter-cities.html)
- <sup>20</sup> Paul Romer, 'Charter City Structure'. Available at: <http://chartercities.org/concept>
- <sup>21</sup> We might worry that a policy of unrestricted entry is infeasible. If a charter city becomes a particularly desirable place to live, perhaps it will attract more residents than it can support. The following might be an ameliorating consideration. As existing cities become overburdened and thus less attractive places to live, the incentive to establish new charter cities grows. Moreover, I believe that advocates of charter cities should be willing to permit some entry restrictions if they are necessary for the successful functioning of these cities. Although such restrictions are not ideal, they accord with charter cities' status as second-best solutions. Assuming for the sake of argument that unrestricted entry is infeasible, the key question seems to be this: are the interests of the global poor better served by a world with restricted charter cities or without any charter cities at all? I believe that they are better served by restricted charter cities for the sorts of reasons given above. I am grateful to an anonymous referee for raising this objection.
- <sup>22</sup> On foreign aid see, e.g., Martha Nussbaum, *Frontiers of Justice: Disability, Nationality, Species Membership* (Cambridge: The Belknap Press, 2006), pp. 316-317; Singer op. cit.; Beitz op. cit.; Brian Barry, 'Humanity and justice in global perspective', in Brian Barry, *Liberty and Justice: Essays in Political Theory 2* (Oxford: Clarendon Press, 1991), pp. 182-210.
- <sup>23</sup> For a discussion of a bias toward favoring co-nationals, see Bryan Caplan, *The Myth of the Rational Voter* (Princeton: Princeton University Press, 2007), pp. 36-39, 58-59, 66, 69-71.
- <sup>24</sup> John Rawls, *A Theory of Justice*, revised edn. (Cambridge, MA: Belknap Press of Harvard University Press, 1999), p. 49. Thomas Nagel writes that it is a 'desirable feature of a social order that within it, people should not be too constrained in the pursuit of their own lives by constant demands for impartial attention to the welfare of others'. Nagel, *Equality and Partiality* (Oxford: Oxford University Press, 1991), p. 83.
- <sup>25</sup> David Dollar and Lant Pritchett, *Assessing Aid: What Works, What Doesn't, and Why* (New York: Oxford University Press, 1998).
- <sup>26</sup> See, e.g., Douglass North, 'Institutions', *The Journal of Economic Perspectives* 5, 1 (1991): 97-112.
- <sup>27</sup> See North op. cit.; Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity* (New York: Free Press, 1995).
- <sup>28</sup> See Bo Rothstein, *Social Traps and the Problem of Trust* (Cambridge: Cambridge University Press, 2000).
- <sup>29</sup> Joseph Carens, 'Aliens and citizens: The case for open borders', *Review of Politics* 49, 2 (1987): 251-73.
- <sup>30</sup> Nagel 2005 op. cit., p. 119.
- <sup>31</sup> Beitz op. cit., part III.
- <sup>32</sup> Pogge 2008 op. cit., chapter 8.
- <sup>33</sup> Of course, aid is often directed at improving the economic infrastructure of a country, but this is often difficult for the reasons mentioned earlier.
- <sup>34</sup> John Rawls, *Political Liberalism* (New York: Columbia University Press, 2005), p. 51.
- <sup>35</sup> Pogge 1989 op. cit., p. 247.
- <sup>36</sup> See Clemens et al op. cit., p. 53.
- <sup>37</sup> The notion that global justice requires open borders is controversial. For opposing views, see, e.g., Michael Walzer, *Spheres of Justice: A Defense of Pluralism and Equality* (New York: Basic Books, 1983); Stephen Kershner, 'There is no moral right to immigrate to the United States', *Public Affairs Quarterly* 14, 2 (2000): 141-58; David Miller, 'Immigration: The case for limits', in Andrew Cohen and

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Christopher Wellman (eds.) *Contemporary Debates in Applied Ethics* (Malden, MA: Blackwell, 2005), pp. 193-206. However, I believe that even opponents of open borders should permit charter cities for the reasons given in section 5.

<sup>38</sup> Thanks are due to an anonymous referee for suggesting this objection.

<sup>39</sup> For an excellent discussion of this point, see Michael Huemer, 'Is there a right to immigrate?' *Social Theory and Practice* 36, 3 (2010): 429-461.

<sup>40</sup> Arash Abizadeh, 'Democratic theory and border coercion: No right to unilaterally control your own borders', *Political Theory* 36, 1 (2008): 37-65; Huemer op. cit.

<sup>41</sup> World Bank op. cit.

<sup>42</sup> Rawls 2005 op. cit., p. xlvi; Joel Feinberg, *Harm To Others: The Moral Limits of the Criminal Law* (New York: Oxford University Press, 1987), p. 9; Stanley Benn, *A Theory of Freedom* (New York: Cambridge University Press, 1988), p. 87.

<sup>43</sup> Rawls 2005 op. cit., p. 136.

<sup>44</sup> I regard full citizenship as preferable to citizenship restriction yet would nevertheless consider such restriction permissible as a second-best arrangement if full citizenship is infeasible.

<sup>45</sup> Amartya Sen, 'Poverty, evil, and crime', *United Nations Development Programme*, 2007. Available at: <http://content.undp.org/go/newsroom/2007/october/amartya-sen-poverty-evil-and-crime.es>

<sup>46</sup> On this idea, see Matt Zwolinski, 'Sweatshops, choice, and exploitation,' *Business Ethics Quarterly* 17, 4 (2007): 689-727.

<sup>47</sup> Sen op. cit.

<sup>48</sup> I assume here that institutional improvements such as immigration liberalization or domestic economic reform are infeasible or unlikely for the reasons detailed earlier. In any case, if better options were made available, residents of charter cities would be less vulnerable to exploitation in virtue of enjoying a richer option set. Indeed, this idea suggests a broader point: even if immigration liberalization and domestic economic reform *are* feasible as first-best options, we would have little reason to oppose charter cities. If someone has a wide range of attractive options and they choose to migrate to a charter city, then it is unclear what our grounds for objecting to this move would be (all things equal). Thanks are due to an anonymous referee for helpful comments on this issue.

<sup>49</sup> I should note that many of the world's poor—the sort of people who are likely to be most interested in entering charter cities—might lack the resources to experiment with charter cities. Movement can be costly. Yet if states do have reason to support charter cities, then it seems as though they also have reason to ensure that people have a viable chance to make use of them. States could thus provide assistance with the move to charter cities as part of a larger contribution to the charter cities project.

<sup>50</sup> See Walzer op. cit.; Miller op. cit.

<sup>51</sup> See, e.g., Joseph Heath, 'Immigration, multiculturalism, and the social contract', *Canadian Journal of Law and Jurisprudence* 10, 2 (1997): 343-61; Miller, op. cit.

<sup>52</sup> See, e.g., Kai Nielsen, 'Secession: The case of Quebec', *Journal of Applied Philosophy* 10, 1 (1993): 29-43.

<sup>53</sup> On the undesirability of a world-state, see Rawls, *The Law of Peoples*, 1999 op. cit.; Kok-Chor Tan, *Toleration, Diversity, and Global Justice*, Pennsylvania: The Pennsylvania State University Press, 2000; Pogge 1988 op. cit., p. 285; Debra Satz, 'Equality of what among whom? Thoughts on cosmopolitanism, statism, and nationalism', in Ian Shapiro and Lea Brilmayer (eds.) *Nomos XLI: Global Justice* (New York: New York University Press, 1999), pp. 77-8.

<sup>54</sup> I am grateful to several anonymous referees for their helpful comments and suggestions.