



## Episode 1,126: Private Cities: Another Path to a Free Society?

Guest: Titus Gebel

**WOODS:** Well, I am very glad to talk to you. I think what you're doing is extremely interesting. We're starting to see this kind of idea appear in different formats. Of course there's seasteading, which we've heard about, and the Startup Societies Foundation. And this whole idea of private cities is very interesting. I just read your article at FEE.org about exactly what you have in mind here. Let's maybe start off with having you explain what you mean by a private city. What does it look like? What does it consist of?

**GEBEL:** Yeah, I think I call it a Free Private City to differentiate myself from projects all over the world where just private investors are putting something up and maybe have some private services offered. Free private city is really something where, in an ideal world, you have complete serenity and the private company offers you the basic services of a government, which is the protection of life, liberty, property, and you pay a certain amount for those services per year. And the big advantage to our current societies is that your respective rights and obligations are laid down in a written agreement between you and the provider, which cannot be changed unilaterally. And apart from that, you are free to do as you choose, as long as you're not harming the others.

So that is the basic idea of a Free Private City. I'm well aware that in the world of today, probably complete autonomy is not a possible thing, not yet, so I would be happy if and I would still consider it to be a Free Private City if you have legal autonomy granted from a host nation, like a special economic zone next level comparable to the relationship of Hong Kong and China. Hong Kong is considered a special administrative zone. They have their own government, own rules, own security, and all that, even an own currency. So if we could replicate that model as a framework, and then it's not a government but it's a private company, and you are secured by a contract that means you are a contracting party on an equal footing with a secured legal position instead of being subject to the ever-changing whims of politics and you only become part of it if you like the offer. So this is really voluntarism, if you want, a contractual society.

**WOODS:** So the services that a private company would provide for me in such a city would be the ones I've come to expect from government? Are we talking about legal services, policing, some of the basic so-called public goods?

**GEBEL:** Correct, yeah. I mean, the framework of the Free Private City, the idea that this is a private, for-profit company offering you those services is giving a lot of room to different models. But I want to make this as a business, because I think profit is very important. It's not the bad thing many people think. Profit is giving the right incentives, and one of the

incentives is that I do not waste resources, and the other one is that I treat my customers well.

And once this is basically the idea, then I have to reflect: okay, what do I think is really wanted by the people? And I'm originally from Germany, but I left the country four years ago and I'm now living in Monaco, the second-smallest country in the world. And an interesting observation which I made there is that after a while I recognized that I'm absolutely not interested in becoming involved in Monaco politics. And I asked myself: why not? I was always interested in politics for the last 30, 35 years in Germany. But the point is I thought I wanted just to be left alone. That's all I want, and I expect from my government to give me some services. Like you said, these are the basic services, some legal structure, a legal system, a rule of law system, police, security, and I'm willing to pay a little bit for that, the fair amount. But for the rest, please leave me alone.

And then I ask around, other people in Monaco, whom I knew, and asking: why are you here? And basically most of them said the same. They want to make business all over the world. They want to have a safe space here. They're willing to pay something for that, and that's it. And I thought, okay, if this is what we really want, then you don't need a prince. A private company can do that.

So in my offer, I would say from a philosophical standpoint, it's a classical liberal, minimal state, but it's not offered by a state but a private company. So that means indeed there are some rules there. You have a fallback private law, but other than that, you can agree with your counter-party to any legal system you want. But as a fallback, we have a law and we have some regulations. There will be police there. You can put up your own security on top of that, but there will be some rules and there will be a kind of a house right to reject people or to kick out people who misbehave or become criminals. And you will get some infrastructure, some offers, but that is if you want what all the classical philosophers have found out, be it John Locke, be it Ludwig von Mises, or others, that the only justification of the state is to provide security and peace.

And for all the rest, people are too different to come to a common understanding, so we leave people be as they are, but they need something to make it sure that they can send their children on the street even at midnight like here in Monaco and that they are safe, and that people who are destroying the safety or disturbing it that they are kicked out in order to have a peaceful life for the overwhelming majority that wants to live peacefully with each other and want to follow what they think they can do best. So this is the idea in a nutshell.

**WOODS:** What you're describing of course is not quite like, let's say, one of the city-states of Classical Greece. You're talking about a city that would be granted autonomy by some existing state, and then within that autonomy your private company could function. What's in it for the state granting the autonomy? Why would they have any interest in consenting to this?

**GEBEL:** Yeah, that's a good question and that is one of the crucial questions, of course: why should a state do that? Because it means giving up some of their power, some of their serenity, not all. The answer is basically comparable to what was the answer in the Middle Ages in Europe, where these independent cities or free cities popped up, the Hanseatic League and all that. Nominally they were still part of the Holy Roman Empire and the emperor was still basically the head of the state, but he had not real power at that time. And why were the dukes and the earls, why did they agree to that? Well, the answer is it's easy,

because they had some interest, because they discovered over time — at the beginning they really fought those new cities and didn't want to let them go, but then they found out that a lot of prosperity was gained through those cities and a lot of wealth was created, and this wealth also extended to the surrounding areas, which were still in their part of their territory.

And so today, the same. I would say, okay, look, if I go to a state and say: look, here's an area. There's nothing there, or a handful of very poor people are living there. And now we are coming and we build here a new Monaco or a new Hong Kong, but in order to do that, you have to grant some autonomy. We will still be part of your sovereignty; you might even get some of our income. All of these are conceivable. But we bring investors because investors trust us. We have basically a clear legal system and an established legal system. We would bring non-corrupt people from all over the world with a high reputation and all based on contract, and you will also gain from that as a state because where formerly there was nothing, there suddenly is a big economic powerhouse established, and then all the surrounding areas, they prosper too. You can see this in Hong Kong on the Chinese side of the border, there's a big belt of wealth, Shenzhen and other places. The same with Singapore on the side of Malaysia, and even here in Monaco on the French side, a very wealthy belt, densely populated, and they're all paying taxes to the mother country. So that can be a win-win situation for other countries.

And the other I would say plus we have is that a kind of this development has already begun with the special economic zones. So special economic zones are already an attempt of states to create a different legal environment to attract more investors and also to attract high potential and people, and I'm putting this basically one step further. I say okay, there is a special economic zone plus, because we really want to govern ourselves. We do not want to be subject to the rules of the host nation, or only to a very limited degree, and if you leave us alone and we are not doing harm to you, we can negotiate everything around customs, about exports, imports, immigration, and all that, and you are entitled to part of our income or have even a share in the Free Private City. So that is something that can be really negotiated, and then like a special economic zone, it will be established, and I would look for a guarantee of 50 or 99 years of legal stability with the host nation.

**WOODS:** Let me ask you a devil's-advocate question, the sort that really hostile opponents might offer. I don't mean libertarians who don't quite understand how it works, but people who wouldn't want it to work even if it could. And that would be: suppose there's some abuse from your private company. To whom would I appeal? Now, it's interesting they ask that kind of question, because, well, in states as they exist now, if the state harasses you, to whom do you appeal? Well, you have to appeal to the state. That is the appeal. There is no other place you can go. And so they would portray this as some uniquely wicked thing about what you're trying to do even though they endure this every day of their lives in the existing state system. But in any case, what kind of answer would there be to that?

**GEBEL:** Yeah, I think a better answer than in the current states, because one of the mechanisms is that we will put up some dispute resolution and even some courts in case my residents have some issues amongst themselves as a service. But in any cases where there's a dispute about a resident's contract — this is the contract between me as a city provider and the residents — then we will go outside to independent arbitration. We would not go to my courts. We would go to — like in international trade, you know there are several well-known arbitration institutions in London, Paris or Singapore or New York.

And because this is relatively costly, I would say even to avoid that costly international arbitration, we would offer what's called ad hoc arbitration. And the mechanism goes as follows: if Tom, you would be a resident and you would think that I have violated the contract that we two have amongst each other, you would then make a complaint, and if I would reject your complaint, you would say, okay, I want arbitration, and ad hoc arbitration. That's the cheapest I can imagine. Okay, then ad hoc arbitration would work as follows: you would name an arbiter, I would name one, and they would agree on a chairman and the procedure. And that's it. And then we have to see what the outcome is.

Of course you could say then as devil's advocate: yeah, but you have the police, so you are not like an international arbitration. You can follow the ruling or you can't. Well, that is true and not true. If I'm not following basically my own rules, which say, okay, there's an arbitration procedure and then we will see what the outcome is — if I'm not following my own rules and respecting those arbitration tribunal decisions, I mean, people would move away, and I would lose my reputation and I would never be able to set up a second Free Private City.

I mean, a good example here is Monaco. On paper, the prince is very, very powerful. He can veto any law that parliament comes up with. He can make and propose new legislation. But if he would come up with crazy legislation or if he would disregard the courts' decisions to the government's disadvantage, we would just leave. People would just leave. This is such a small place. 80% are not Monegasque people, have no Monegasque citizenship. We are from all over the world. We would just leave, and he knows that. And for that reason, it's not happening.

And this is the same with me. On the one hand, we have decision-making about lawsuits between me and the residents on an independent third party. And then the competition and the small place is guaranteeing, also my reputation as a business person, that would be in danger that I'm behaving well. I'm comparing myself to a cruise ship captain, because on the high seas, there's no other law applicable. He can do whatever he wants. He's the highest executive power on the cruise ship. And he could flog people because they were not well dressed at the captain's dinner, but he does not because he has a commercial interest. You never hear about that, that a cruise ship captain is misusing his executive power. And that is in a way the same here, and so I think you would have a much better position than in a traditional state.

**WOODS:** How long has your Free Private Cities initiative been going? When did you start it?

**GEBEL:** I started about three years ago, and I have already been approached by people who had projects in the making. I think even the seastealers were kind of impressed by the mechanism, and I know that Joe Quirk, for example, likes the idea of having a contract and doing all this on a contractual basis. I myself am writing a book at the moment. The German version is just at the printing press, and two months or three months from now, I will come up with an English version. And as I said, there are some projects all over the world which are not completely Free Private Cities, but which go into that direction, and I hope that a couple of months from now we can make our first announcement.

**WOODS:** What's your background?

**GEBEL:** I'm a lawyer by education, but after several years of practicing, I thought this is not what I want to do for the rest of my life, so I switched to the industry and venture capital and

eventually found my own company, which was a mining and oil and gas company called Deutsche Rohstoff. It became very successful and larger companies and now listed at Frankfurt Stock Exchange. And after eight years of being a CEO, I could retire at the end of 2014 because we were successful. And then I basically decided that I will use the rest of my life — I'm 50 years old, so I still have some years to go — use the rest of my life for making Free Private Cities a reality, because you have to be persistent. It's a big project, no doubt about that. And it's not easy to negotiate serenity away from countries, no doubt about that. But frankly, it's going quicker than I expected. I mean, there are already projects on the table.

**WOODS:** Tell us something about the conference that the Startup Societies Foundation is holding. You're going to be speaking there.

**GEBEL:** Yeah, that's an interesting one. It's on the 9th and 10th of May in Washington, D.C. The idea is that Puerto Rico is looking for new ideas, and you know that basically they are broke and now they are open to new concepts, new projects. And there's a whole I would say movement, Startup Societies movement from people including myself who have ideas how to structure new societies on a voluntary basis, not against the state, but in cooperation with the governments. And I'm one of the speakers and we are going to offer new ideas to people from Puerto Rico and everybody who's interested in that. And a lot of interesting speakers will be there. Tom Bell from California; Oliver Porter, who privatized Sandy Springs; and again, myself, talking about the Free Private Cities model and how this could fit into an existing state.

**WOODS:** I want to ask you the kind of question that an extreme skeptic would ask, and I mean that here now I'm talking about libertarians who are jaded on anything that would — well, they're just jaded. They feel like anything you might try is going to be compromised or destroyed or regulated out of existence by the state. So for example, I'm just looking at a tweet that I found on the Startup Societies website. It's very inspiring. It says, "Don't argue about regulation. Build Uber. Don't argue about monetary policy. Build Bitcoin. Don't argue about it. Build the alternative." Now, that's great. That's super inspiring. We need to hear more of that. But I could easily imagine somebody coming back with: you build Uber and the state tries to litigate it out of existence. You build Bitcoin and the state tries to regulate it and tax it and make it impossible to use. So there's no point in trying. I get a lot of that.

**GEBEL:** Yeah, I mean, this is certainly one of the real issues. I've been discussing this for one or two years now with all kinds of people, and I think I'm relatively aware of what is a real problem and what is just a perceived "I don't want that thing." Well, this is certainly one of the real issues. What if, for example, the government makes a contract with you and then there's an election and a demagogue comes into power and say we have been betrayed, we want our city back and all that? I mean, that certainly is an issue.

But look, here's the thing. We can dock on this special economic zone thing. Most countries have signed international investor protection agreements, bilateral agreements between states or multilateral agreements. And the content is always the same. They say, okay, we want to attract foreign investors, and if the investors are in our country and we change the law, which leads to a practical expropriation of those investors, we are willing to be sued before international arbitration or tribunals, and we want are going to pay damages. So most countries have signed such contracts.

So the trick here now to give you better protection against what you said is that you're just founding the company that is governing or managing this city in a country that has a bilateral investment protection with the host nation, and as such, we are protected in case they just withdraw everything. I mean, still it's an issue, but the point is that you then have – and I consider this our sharpest sword. Okay, you have just taken away the legal protection you were guaranteeing us for 50 years, so we are going to sue you and we are going to seize all property you have outside your country. And that is not easy for a country, because that also means it will be difficult to get state bonds signed and all that in the future. That is one pillar.

The other one is the moment we are successful and we are creating jobs, it is basically not really a good move for a country to eradicate that. Take for example, Hong Kong. I mean, the Chinese took over in 1997, and it is conceivable that they say we have the military power; we can just take Hong Kong away and the British will never come back and insist on this 50-year country two-system thing. They're military too weak, by the way, but they let Hong Kong be and let Hong Kong prosper. And the reason for that, the only reason was because they said Hong Kong will have a bigger value for us than as it would be just a provincial city. And in our case, imagine that the Free Private City would prosper, would create jobs, and then the government would say we want to have the city back. I would tell them: look, gentlemen, here are 50,000 jobs that have been created, and 20,000 settlers were coming from other places than your country, and if you come in with your troops, we will all move away, and you would lose all your jobs, or most of them. And by the way, we will sue you and you will have a bad reputation for any future foreign investment.

So I think these are not super guarantees, but these are relatively big points we can make. So these are incentives that are giving us a kind of stability. It's not just a paper that has been signed; there is a real incentive behind that, and I think this is something that goes in our favor.

**WOODS:** You've mentioned that there are some projects out there that may not be quite what you envision but nevertheless represent some departure from the status quo that are worth investigating. Now, I promise if you share one of these with us, my listeners will not write to you saying, *Well, that's not a purely free society. What's the matter with you?* They're wonderful people who understand you just got started and you're working with what's available. Do you feel comfortable sharing a potential example with us?

**GEBEL:** Yeah, I will mention some areas of the world. The point is that most of them are still in a negotiation phase, so it's politically not too wise to make too much noise at the moment.

**WOODS:** Oh, that's understandable. Right, sure.

**GEBEL:** But you or your listeners have probably heard about some of those projects. You mentioned seasteading. And seasteads are in French Polynesia, and they are, other than the original concept, they are negotiating now a land portion, a so-called seazone where they could start building their platforms. And that brings them in exactly the same situation that I have. They have to negotiate with a sovereign nation about a partial sovereignty within that state. And that's exactly happening at the moment in the Pacific in French Polynesia.

There's another group in Myanmar. There's an autonomous part of Myanmar on the border with Thailand, and it's called Mu Aye Pu. And this group, it's a group from Singapore, they also

want to build a free city there. Then you might have heard about some groups in Honduras. Honduras has a special law called a ZEDE law, which makes it possible to establish something that comes relatively close not to a Free Private City, but to an independent zone. And this is also very advanced, and I'm basically advising all of those projects.

Then we have just heard that Puerto Rico might be something that is interested in that. In Georgia, not the U.S. Georgia but the Georgia at the Black Sea in Europe at the border between Europe and Asia, there is a special zone in the making that might have a similar autonomy, and what we have already seen in the United Arab Emirates, the two zones that have a different legal system — they have basically a British common law or something that is based on British common law within. It's the Dubai International Financial Center and the Abu Dhabi Global Market. And then you have maybe heard about the new strongman in Saudi Arabia who plans to do a real country, a private country. It's called NEOM on the Dead Sea, and so far what I have seen, that is also something that comes relatively close to a private governance model. People have guaranteed liberties which are much higher than in the rest of Saudi Arabia, etc., etc.

So I would say there's really a tendency going on. And as you said, it's probably not perfect, especially anarchocapitalists are not happy because it's not exactly what they think of a contractual society, but we are going into that direction that we will try out different things. We will get more freedom, and at the end, the market will decide. Maybe the market is not wanting an anarchocapitalist model, but they'd rather prefer my more classical liberal model. Or maybe some people like this more and other people prefer that, and maybe people want even more I would say community, more kibbutz-like, not even having your own property. We don't know. Let the market decide. If libertarians think that the market is the good answer to many of the problems if not all, then why not transfer this market to our living together? I call it the market of living together. And then let the people decide what they want, and then we will see what works and what doesn't.

**WOODS:** What's your website?

**GEBEL:** The website is [FreePrivateCities.com](http://FreePrivateCities.com). One word: [FreePrivateCities.com](http://FreePrivateCities.com). And here's the thing: there's a newsletter, and everybody could subscribe to that newsletter if he or she is interested in what's going on. This newsletter's not coming very often, maybe every two or three months, but in the newsletter, I describe what is the current development of some of the projects I've mentioned, of projects where I am involved, other projects where I am not involved, so that people who are really interested in either copying that model and doing something by themselves or become a settler of business owner eventually in one of those areas, I would invite you to subscribe to my newsletter.

**WOODS:** All right, so we will recommend that [FreePrivateCities.com](http://FreePrivateCities.com). I'll link to that also and the conference that we mentioned; I'll link to these things on the show notes page for today, which is [TomWoods.com/1126](http://TomWoods.com/1126). Well, Titus, thanks for your time today and for your entrepreneurial energies that are being spent in a very creative and potentially very important direction. Thanks so much.

**GEBEL:** My pleasure, Tom. Thank you.