



## Episode 1,182: Micro-Experiments in Liberty Around the World

Guest: Tom W. Bell

**WOODS:** You're covering a wide array of topics within this overall concept here in the book, and it looks to me like a good deal of this is material that you've published in scholarly journals, but obviously it's surrounding a theme and you've brought it all together. So give us the bird's-eye overview of what you're seeking to accomplish in this book, and then we'll get into some specifics.

**BELL:** Of course. The new book, *Your Next Government*, describes this revolution, a quiet revolution that's sweeping throughout nation states across the planet, and it's transforming them from the bottom up and the inside out. Your listeners will be particularly interested in that it's driven by private parties seeking private gain, but this is going to create a lot of public good.

**WOODS:** All right, so let's talk about some examples of what you have in mind, because what's been happening is — well, let's just say we can find a trend toward, in some areas, decentralization or, let's say, the multiplication of jurisdictions or the introduction of new types of jurisdictions where the heavy hand of the state is less prevalent. Now, I don't want to put words in your mouth, because you do make clear in here that you're not saying that more jurisdictions is always better, and there are cases where you do want one particular set of rules to cover a large territory. But nevertheless, you are highlighting examples of places in the world where people are having an opportunity to experiment with less government control. So can you give us an example of this?

**BELL:** Sure. There's lots of examples, as it turns out. A metaphor that I think your listeners might find helpful is we can imagine ourselves as biologists studying the advent of mammals. I mean, mammals aren't good or bad. I happen to love them, being one of them, but from a naturalist's point of view, it's just this new thing. And that's what special jurisdictions are like: this kind of new thing on the scene of governance and, wow, it's fascinating.

How about Dubai's International Financial Centre? So this is something that, in the United Arab Emirates, the emirate of Dubai created so that they could have a lot of economic growth in their otherwise kind of sand-blown, hot, unpopulated country. They wanted to encourage in a lot of financiers, and so they said we're going to have to change the rules here, because sharia law doesn't allow charging interest on loans and London bankers are not going to put up with that. So to get their business down here to Dubai in the International Financial Centre, they decided, well, we're going to implement a different kind of law. In fact, they imported English common law so that these London bankers would be comfortable. And man, did it work, and that's just one of many examples.

**WOODS:** I'd like to ask you about an example that's turned out to be rather controversial, at least in the sense that critics have been — well, I don't know — hysterical in describing it. And that is the case of Honduras and the examples in Honduras. In fact, I think I did an episode hundreds of episodes ago on this particular case, just because the rhetoric about it was so overheated, I couldn't imagine that on the ground the experiment could be so truly appalling. So what can you tell us about it?

**BELL:** Honduras is a great example of a government in kind of a bad situation trying reforms to make things better for itself and its people. It's gotten a lot of controversial commentary. I think sometimes that's been under-informed. People's hearts are in the right places, but they just don't know the facts. And I have worked around a couple of statutes in Honduras, including the most recent one, the Honduran ZEDE statute.

So what's going on there? First of all, let's note in this field, you don't get to work with fully-functioning, well-run governments. It's like, doctors work for sick people; if you work with special jurisdictions, you're usually going to be helping a government that wants to try, needs to try something new. And so yeah, they don't always get governance right in Honduras. They have riots. There's accusations of all kinds of underhanded dealings. And you know, that's just a problem with governance that they're trying to fix. They're trying to fix it in a new way. It's a very bold program. It is homegrown. They should get the credit if it works, as I think it will. If it doesn't work, I guess they'll get the blame. Some people give the credit to North Hemisphere economists or policy wonks from America and Europe for the Honduran experiment. That's wrong. I think Octavio Sanchez, a native Honduran there, deserves the credit.

And they plan with their ZEDE program in Honduras to invite in private investors and developers from other countries to develop fully-functioning communities, including with legal systems, common law-based legal systems in their country. Much as Dubai — I referred to that earlier — imported the common law to their country to get economic growth, the Hondurans say: hey, we want that too. They actually have said: we want to create a new Hong Kong — Hong Kong also based on the common law — a new Hong Kong in Central America. It's very bold, very courageous. I'm happy to help them. I hope it works.

**WOODS:** How about seasteading? Now, apparently you've been involved in that, not just on the theoretical level, but maybe even in negotiating. First of all, what's seasteading? I think some of my folks know it. I've covered it a couple of times, but what is it and what's your involvement?

**BELL:** I'm happy to answer that. By the way, Tom, it sounds like you might have gone straight to the chapter in the book, *Your Next Government*, which everybody seems to love; it's called "Stories of the Sort Ordinarily Recounted Over Drinks," in which, unlike some of the drier academic stuff in the book, I kind of tell these war stories about working on projects. So one project I've worked on, and it's recounted in this chapter, is seasteading. And I've known the seasteaders for years. I love the seasteaders because they think big. Ultimately, they want to create sovereign communities floating in international waters on the open oceans, because they've figured that's the last free place on earth. That's not quite right, but it's one of the last free places on earth, and really, humans need to be out on the ocean more anyhow. It's really, as my friend Joe Quirk's book *Seasteading* illustrates — he wrote that also with Patri Friedman, another friend — their book illustrates why we need to be on the ocean.

And so with the seasteaders, I've helped with their project in French Polynesia. It's really hard to build a seastead on the open ocean when you've never done it before. It's expensive. It's technically difficult. It's fraught with all kinds of legal uncertainties. So they said, let's take a step in that direction. Just like a minnow starts out in an estuary before it goes on to the open ocean, the seasteaders want to start in protected waters. So they looked all over the world. We ended up with French Polynesia as the leading candidate country. We went there at the invitation of the president in 2016. I was with a team of seasteaders from the Seasteading Institute, and yes, we talked with a lot of government officials there, toured the islands, got a memorandum of understanding, which is now being kind of acted upon. And now the seasteaders are still working with the French Polynesians. We're nailing down the site where we will build the first seastead. And I'll just pause there. It's a very exciting project. I could go on all day, but there's lots in this book.

**WOODS:** Well, hold on just a minute. Yeah, I know there is so much I want to get to, but what you just said is kind of mind-blowing. So in other words, seasteading is definitely going forward, this thing that seemed — now, look, I like Patri Friedman and Joe Quirk too, and I thought the book was also just astonishing, because it made arguments I would never have thought of, so thorough and interesting. But in sort of the back of my mind, I thought this sounds like something out of science fiction. And you're telling me they're going forward.

**BELL:** Yes, yes. I mean, there's more I could say there. From the outside, you look at this field and you go, wow, this great, there's going to be these whole new countries, and, eh, maybe someday. But in between here and there, there's a lot of detailed grunt work that is definitely not a country saying to you, "Hey, yeah, please create your anarchocapitalist utopia in my backyard." They're not saying that. You've got to negotiate. It's going to be a limited, slow, gradual rollout. And that's how it should be, really, because if we jumped feet-first into it, we're likely to screw things up.

But that does mean, wow, we spend a lot of time talking, not just with officials in French Polynesia, but we're also going to have to involve, because it's a *pays d'outre-mer* of France, we have to involve the National Assembly of France. It's going to take a while. There's a lot here to keep attorneys better, which is, I've got to admit, not the best news for friends of liberty, but you know, in a way it's a good sign. We're not jumping straight to freedom; we're jumping to a government saying, we're going to give this a try if we can watch closely and we'll take steps in the right direction. I tell you, as long as we're heading in the right direction, I will accept that. I think that's a good thing.

**WOODS:** Let's talk about other examples. In part one of your book, you've got several case studies. We've looked at two of them. I didn't cover Fordlandia, which was a failed example. But moving on to part three of your book, you ask the question: who owns a city? And the answer is nobody. How does that question get to the heart of things? Why does that matter?

**BELL:** Great question. I'm glad you noticed that. Yeah, if you look at your conventional municipality, say, in the United States, it's a corporation. It's a municipal corporation. But nobody owns it. You can't buy and sell shares of a municipal corporation the way you can shares of, say, Apple. And that is a serious problem. I think friends of liberty and the people who appreciate property rights are more likely to get this than other people, so I frame it in terms in the book of these cities being orphaned. Because unowned things are unloved things. They're like stray dogs or a couch somebody leaves on a sidewalk. Nobody cares for that stuff.

And that's like Detroit, right? I mean, Detroit is the worst-case scenario in a lot of ways. I'm sure there's lots of fine people in Detroit trying their best but — the structure of government there is the same as everywhere else; it kind of is in our face a little more — and it's simply that there's all these free riders on all the wonderful public benefits that municipalities offer. And that's great that everybody can go to the public park, but nobody is incentivized the way they are in a private corporation where people really own it. Nobody's incentivized to take care of it, to grow it, to maybe even make it profitable, prosperous.

And so I advocate in the book that we have owned communities. And this is not at all a radical proposition. There are private communities in the United States and throughout the world now the size of cities. Think of the co-op city in New York's Bronx. It has 55,000 residents, homeschools — yes, roads, privately built roads. Roads are the easiest thing. Domino's Pizza is building roads now, right? — offices, places of worship. It's all privately owned. It's a city that's privately owned. And we're going to see more of that. We should see more of that. I think we need to have privately owned cities, cities owned by the people who live in them, because those people are going to care for their cities in a way that people living in cities now do not. And when city managers screw up, they're going to feel the heat in a way that city managers do not.

**WOODS:** How would it work, though, because wouldn't it still just wind up being decisions made democratically by the people? What would be the difference in — if I lived in one of these, how would I feel the difference in how it's governed?

**BELL:** It does depend on how people choose to set up the community. This happens now with people choosing to move from a conventional municipality to, say, a homeowner's association. If they're careful, they look at the rules of governance, or at least they talk to people about how it works at board members, are there jerks running the place. And you get to choose. And the market will decide which governance systems work best. Now, that said, I advocate in the book a model I call double democracy. I used to be one of these friends of liberty who said, "Oh, democracy is two wolves and a lamb deciding what to have for lunch." I was kind of anti-democratic. And now I've flipped on this. I've gone to the other side. I think we need more democracy.

So here's how double democracy would work in a private community: the shareholders, the people who own the community would vote for the board of directors, just as shareholders in Apple vote for the board of directors for Apple. And this protects property rights. You don't want a person who owns one share of Apple to have as much say and run of the company as somebody who owns a million shares. It's just not fair to the person who owns a million shares. They're never going to invest a million shares in Apple if the next guy who buys one share has the same votes as the board of directors. Okay, that's standard off-the-shelf corporate law, and dang if it doesn't work. Corporations really work.

But what we need in municipalities is the other half of double democracy, and it's a popular veto. It is on a one-person-per-vote basis, because why? It doesn't protect property rights; it protects personal, individual liberties. So that's what I advocate for these private communities. They are funded and basically governed by the people who own the shares, who own the city. They own the property that constitutes the private community that is the city. But to protect individual liberties, we add another layer. And that allows people not to grab the wheel of the vehicle and steer it. They get to put their feet on the brakes. That's all the masses get to do, is they get to say: stop.

They get to do two things. They get to say: get rid of that law. Not something in the Bill of Rights. You don't say, "Oh, let's allow us to shut down those people who are talking about things we don't" — no, no. There'll be individual rights protecting things like the Bill of Rights is not up for popular vote. But if somebody passes a law, no dogs are allowed in the community. People that live there say, "We love our dogs. No way." They vote against it, probably by majority vote — you can structure it how you like. Or they can strike down an officer. They can say, "That police agent is a jerk. She comes around; she bosses us around; she's got her clipboard and a badge; she's a jerk. We're removing her from office."

If you gave people just the power to say no, loudly and clearly, they would be so much happier. They can't do that now very well. They have to go through this arcane, convoluted process where they vote representatives who then kind of go their own way. So double democracy protects property rights of the people who own the city by letting them manage it and they have incentives to pick good managers, and it protects the individual liberties of people who live there by letting them veto bad laws and bad officers.

**WOODS:** I would go for that. Certainly it's not the absolute ideal, but I'm probably not going to get the absolute ideal in my lifetime, but I would certainly be much happier with that principle. You proposed something called United States special economic zones, and that I want to make sure we want to distinguish from I guess what were called — you remember in the old days in the 1990s, Jack Kemp was talking about enterprise zones in the inner cities?

**BELL:** Oh, yeah.

**WOODS:** And I guess to some degree, they more or less got those, but there was so much red tape around them that they didn't attract enough business activity and they more or less died unmourned several years ago. How is what you're proposing different from that?

**BELL:** Your diagnosis is exactly correct: too much red tape. Okay, yeah, you're right; there's been a number of these. And there still are a few of them, enterprise zones, opportunity zones. Rand Paul had an idea for one that was actually much better than those. But basically, those are, as you said, programs that say, *Hey, if you jump through a bunch of hoops, we'll give you some special, narrow perks. If you fill out all these forms, we'll give you a rebate on your capital gains tax or something.* It's nothing very interesting. It's not freedom. It's basically: jump through these hoops and do some tricks and we'll throw you a bone.

What I propose is something that is really more American. It is so intrinsically American, when you study the history of special jurisdictions, you learn, wow, that is where America came from. America was founded on — what they're trying to do in Honduras, that was America back in the 1600s. Private companies got royal charters, they'd come over; they started the Virginia Company; they started the Massachusetts Company; they started, what? New Amsterdam, which became New York City. The whole Eastern seaboard at one time was basically run by these private enterprises trying to create, and they did create, new communities, new spaces, new cities.

All right, what do I propose that's up to date? United State special economic zones. And the idea here is manifold, but I'll try to give it to you quickly. You find fallow areas of federal land, most often in the Western United States. Acres and acres of sagebrush covering Nevada is held by the federal government in Utah, Wyoming, California, and a lot of these states are very upset about this. They argue, convincingly if you ask me, the feds were supposed to hand

over that land right after statehood, and the feds are squatting on it. They're not letting it be developed. They don't let the states get any revenue from it. The states don't like this.

So here's what the feds should do: "Hey, we've got all this federal land that's not being developed. We open it up for bidding. If you win the bidding, you'll get to start on this federal land a United States special economic zone. And so hey, Google, over there, you've got a lot of money. You're interested in running cities. Put down your bid. If you win, you will get to build Googleville out here in the Nevada desert."

And Google says, "Why would we do that?" And the United States federal government says, "For a couple reasons. One, we're going to exempt you from many federal regulations. No income tax, no labor code. We're watching you; you don't get to enslave people. But go it your own way, try something new in this special zone, and we'll let you do it, Google."

And Google says, "Why would you do that?" And the feds say, "Because you're going to pay us a lot of money." Here's what the federal government — this structure lets the federal government liquidate the value of its sovereignty. It lets the federal government unbundle this cable TV package where it says, "Here's governance. You've got to take it all." It lets the federal government say, "Hey, Google, you don't like our capital gains rules?" "No, we don't," says Google. "Well, you don't have to put up with those. You're going to have to pay us a flat-sum payment for this, and if you screw up we're going to shut you down. It's a big risk. But you get to try this." So there's the federal government, Google, why they do this deal.

Google or some firm or new company says, "We'll try it, federal government." Federal government says, "Oh, thank you for the revenue on the desktop, which we really need right now. We've got all this power, which does not make us money, that we're just kind of using to shut down Nevada. We're going to liquidate the value of that, and taxpayers benefit. Now they have Social Security."

And where does Utah come in? Utah says, "Hey, we didn't get our federal lands back." But the federal government says, "Here's a big chunk of money, Utah or Nevada or whoever's hosting U.S. SEZs. Because why? Well, when Googleville takes off, people are going to be driving on your roads. There'll be satellite communities, schools that you run there. We want you to have a piece of the pie too."

And now you have the states on board, the federal government on board, and you have parties like Google or other private developers on board. And what do we get? We get new, really free experimental communities in the United States. We have the United States really returning to its roots within its own boundaries, creating these private special jurisdictions where people can experiment with new government and maybe end up with something even better than the United States, just as the United States was better than Europe, if you ask me.

**WOODS:** It sounds like a real parallel to how the medieval cities developed, because there you had cities that negotiated with a sovereign to get more or less liberty for themselves in exchange for something they would pledge to do for the sovereign. But by and large, it allowed them to become — okay, they weren't libertarian and they had guilds and this and that, but they certainly were an oasis in a world of serfdom.

**BELL:** Yes, absolutely, and you, Tom, are thereby noting that, actually I've always said it's this new phenomenon — the degree and how it's happening is new, but really, the history of these special jurisdictions goes way back. We can credit I think the Renaissance really to the effect you just described. And it's true not one of these city-states was perfect, just like you said my version of double democracy, "I don't know if it's for me, but it's better than what I got." The point is: they had to compete. If you didn't like what Milan was doing, you went to Florence, and Florence ended up with better rules. And if Florence screwed up, well, maybe Hamburg did it better. And these city-states had to compete. It made them better, maybe not perfect. I'm not asking for perfection; I'm asking for progress. And so we could have that happen again today and we could have something like a new Renaissance. I think that'd be pretty good, yeah.

**WOODS:** This is probably an unfair question as we wrap up, because I'm asking you about the longest section in your book where you describe what you call an open-source legal system. But nevertheless, I'm going to ask you to give us the gist of it, and then people of course should be going out and reading, picking up their own copy of *Your Next Government*. So can you try and do that?

**BELL:** I'd be happy to, Tom. Ulex is an open-source, flag-free legal system. It's open-source, because basically I've put the rules out there for anyone to download and use, just like you can download Android operating system, you can play around with that if you want. It's flag-free because all the rules — and these rules cover everything a private legal system, by which I mean: not including criminal law, although I have an optional module for that. It includes contracts, torts, the law of trusts, family law. If you set up a new community, you have people in it, you know they're going to have conflicts, this body of rules in Ulex will give you answers. There's also rules that help you resolve disputes, tells you how to form a panel of judges, how to decide legal disputes. It's flag-free because all the rules come from private sources.

And I came up with this for a Honduran project. The Hondurans need good common law rules. Although their country has problems, they don't want to fly a foreign flag over their soil. It's just not going to work to go down there and say, "Hey, we're Canadians. Everybody loves Canadians. Let us rule part of your country because we're so much better at government than you Hondurans." That's just not going to work diplomatically.

But what you can do is say, "Hey, Hondurans, you want to have a private community in your civil law country that runs common law? Here are some common law rules not from any government, but from private bodies like the American Law Institute, the Uniform Law Commission, the American Bar Association. These are all private and international organizations that don't create the laws because there's some lobbyist knocking on their office door; they come up with these laws because they're objective. I really love the work of these people. They're really angels to me, because they go out not because they've got to win an election, but because they want to get the rules right and they try to get the rules right. Nobody is really using that great resource to help people live in the real world. It's a bunch of academics sitting around, scratching their chins.

So because I'm an academic, I went and found all these rules, I collected them; I just kind of walked with my basket into the library, as it were, and pulled these great rules off the shelf, collected them, curated them, added a few more rules so it would all work together in a big program like an operating system. And boom, there you go. If you want to start a seastead, if

you want to start a Honduran ZEDE or something entirely new, you need rules for your community that are trusted, from trusted sources — not from me. I just went and found them. I'm just a librarian. Somebody, other, more trustworthy people really wrote these rules. I got them for you right there, Ulex. You can download it, run it, and I think it'll work.

**WOODS:** Well, very, very interesting material, and there's just so much in here. It's called *Your Next Government?: From the Nation State to Stateless Nations*. Your website is TomWBell.com. Is that where we should direct people? I'm going to have the book linked on our show notes page. This is Episode 1182, so at TomWoods.com/1182 we'll link to the book. But should people, if they want to find out more about you, check out TomWBell.com or anything else?

**BELL:** Oh, yes, TomWBell.com will do it, and I'm sure if you Google search, I've got everything you want there: videos; podcasts like yours will soon be there, Tom, thank you very much. And of course I'll link to the book.

**WOODS:** Excellent. All right, well, great to have a chance to talk to you. And Cambridge University Press, man, that is just outstanding for you. Congratulations.

**BELL:** Thank you. Thank you.

**WOODS:** All right, thanks so much for your time and best of luck.

**BELL:** Thank you, Tom. Thank you so much.