Empowering New Cities with New Rules

The Charter Cities Institute Research Agenda

February 2022

CHARTER CITIES INSTITUTE

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The Future of Development

Empowering new cities with better governance to lift tens of millions of people out of poverty.

The Charter Cities Institute is a non-profit organization dedicated to building the ecosystem for charter cities by:

- -Creating legal, regulatory, and planning frameworks;
- -Advising and convening key stakeholders including governments, new city developers, and multilateral institutions;
- -Influencing the global agenda through research, engagement, and partnerships.

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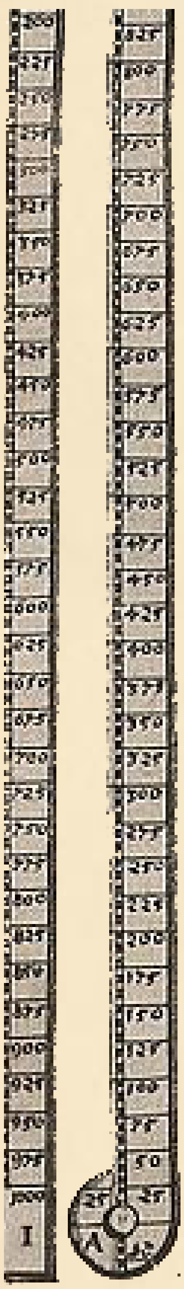


Now who's for Bengal
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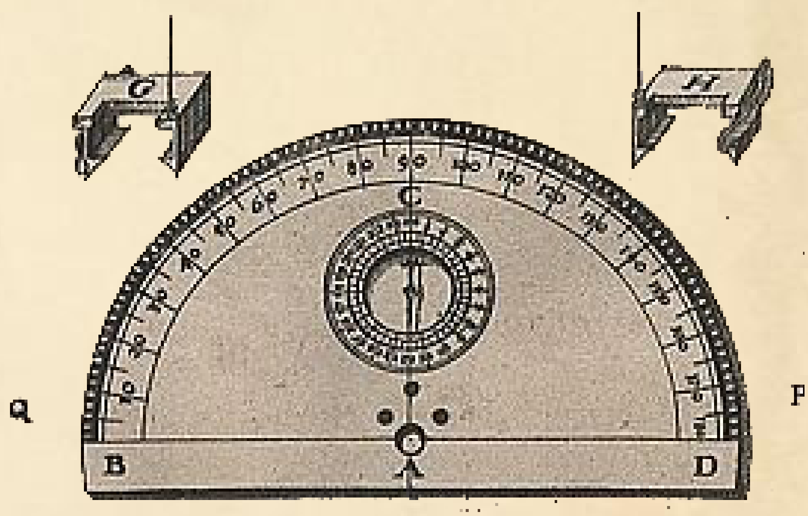
The Steam Horse
VELOCITY
No Stoppage on the Road
Won't you take a hire

Introduction



Charter cities are new cities with new rules. These cities will have the authority to implement their own laws and govern through their own administration distinct from their host country. This includes discretion over commercial laws, business regulations, taxes, civil courts, and public services independent from the host country. Ideally, charter cities will set rules and manage institutions following global best practices, and in doing so, will establish environments conducive to business, investment, entrepreneurship, and economic development. These cities, however, will not be sovereign from the host country and will still be bound by several higher-level national laws (e.g., the constitution, international treaties, and criminal law).

The Charter Cities Institute is a policy-focused nonprofit organization working to build the ecosystem for charter cities. We believe that charter cities can be one of the most effective tools for driving economic growth and alleviating poverty in the rapidly urbanizing Global South. We are working to coordinate stakeholders interested in charter cities and providing resources for implementers on the ground. However, this is a novel space and many questions remain unresolved. What kinds of institutions should charter cities have? How should power be shared in a charter city? How should public-private partnerships developing charter cities be structured?

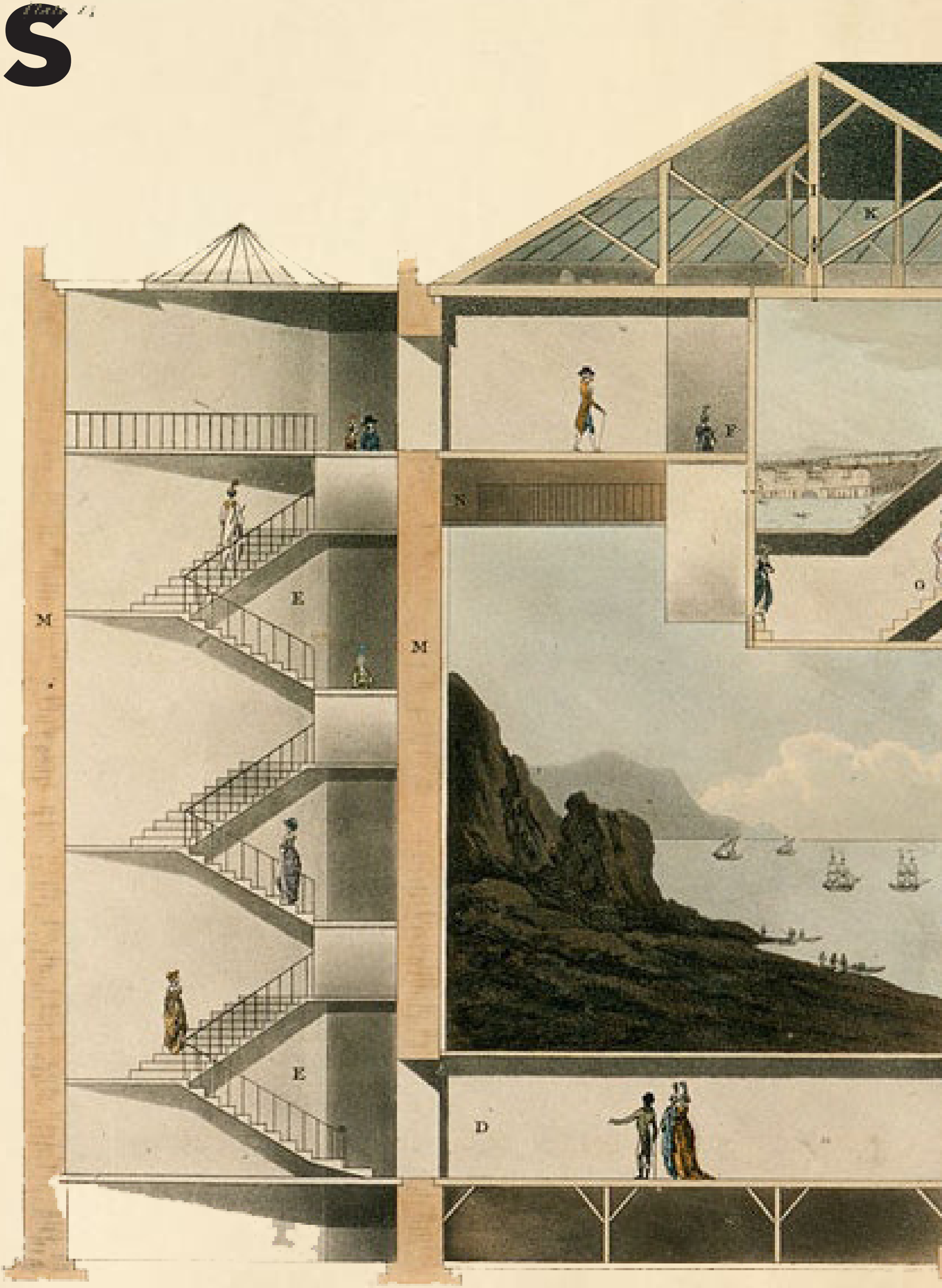
Rigorously answering these questions will be difficult. There are no mature charter cities in the world, so we currently lack the data needed to assess the impacts they can bring and the issues they will likely face. Charter cities also touch on numerous and seemingly disparate fields, such as economics, urban planning, anthropology, and history. To maintain consistency, the charter cities agenda needs a cohesive conceptual framework to guide its research.

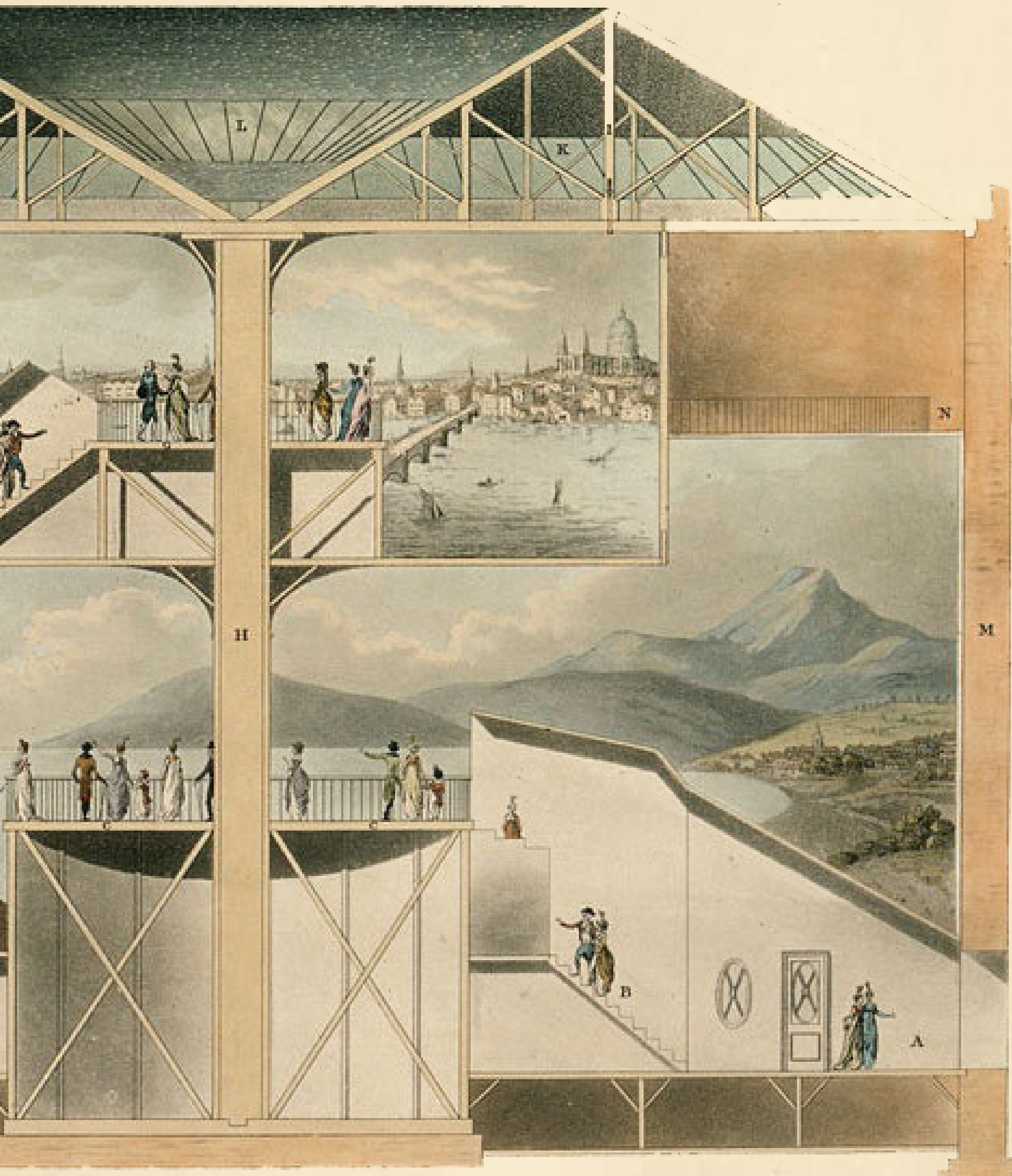
This document lays out a research agenda to help us answer relevant questions in a cohesive way. We identify five themes that can best inform the charter cities agenda. For each theme, we provide a summary of the existing research and describe its link to the charter cities concept. Our approach is to identify more precise questions that can be answered with currently accessible data and, in aggregate, provide insights for charter cities. The five themes are:

- New Cities
- Decentralized Governance
- Industrial Policy and Special Economic Zones
- Cultural Economics
- Urban Geography and Economics

We also hope to use this agenda to engage with the broader research community. We are committed to generating rigorous research and we are eager to work with other scholars interested in working on charter cities. This agenda explains where our research priorities are to help guide collaborations.

Charter Cities





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Why are Charter Cities Important?

Long-run economic growth is the most effective way for countries to raise income levels and develop (Pritchett, 2018). While targeted interventions have led to poverty reductions in the Global South (Banerjee & Duflo, 2012), the impacts of these programs are magnitudes lower than the gains achieved through sustained economic growth. In just China alone, 800 million people have been lifted out of poverty since 1980 largely due to policies that incentivized growth (Lugo et al., 2021; Keefer, 2007). Similar narratives have occurred in other countries across the world (DFID, 2008).

While the causes of growth are complex, there's a broad consensus among economists that effective institutions are a primary determinant. By institutions, we mean both the formal (laws, constitutions, and governments) and informal (customs, history, culture, and ethics) rules that shape human interaction (North, 1990). Institutions determine and constrain the actions of society, and by extension, its political and economic outcomes. When institutions are poor, we see conflict, corruption, and poverty. A vast literature comparing institutions across countries strongly supports the link between good institutions and development (Acemoglu et al., 2004; 2014; Alesina & Giuliano, 2015; Rodrik et al., 2004; Dell, 2010; Banerjee & Iyer, 2005; La Porta et al., 2008; Casson et al., 2009).

Acemoglu et al. (2001) for instance, argue that present-day differences in development can largely be explained by differences in colonial institutions. Countries that experienced resource-extractive (poor) institutions have weaker property rights and fewer constraints against government abuses today. This translates to lower development levels. They estimate that as much as 75% of differences in modern global development are due to these institutional differences.

If poor institutions hold back growth, then reforming them may be the most effective way to launch economic development. This has been the approach taken by China, India, Chile, South Korea, and others in the second half of the 20th century. These countries improved their governance system and liberalized their economies to become more attractive places for businesses and foreign investments. As a consequence, they have managed to lift millions of their citizens out of poverty.

Charter cities are a viable policy to implement these institutional reforms. In many cases, lasting changes are difficult because they threaten entrenched interests that benefit from the status quo or incur transaction costs when modifying long-standing bureaucracies. However, as newly-developed, semi-autonomous political jurisdictions, charter cities can avoid many of these oppositions and costs. They are governance "blank slates," where new, more effective institutions can be developed from scratch. Since they are contained within self-governing special jurisdictions, charter cities also allow for radically different rules from the host country.

Lifting People Out of Poverty

Charter cities have two policy goals. First, they aim to lift people out of poverty. Charter cities will establish high-functioning cities with competent administrations and effective institutions largely divorced from the dysfunctional politics that pervade much of the Global South. If successful, those living in these cities will have better access to high-quality jobs, education, health, and public services than they would have if they lived anywhere else in the country. Cities are the optimal unit for making these institutional improvements. They are large and dense enough to benefit from economies of scale, and they are diversified enough to sustain growth. However, they are not so large that they face insurmountable public choice constraints.

A close parallel was the Millennium Villages Project (MVP) developed by Jeffrey Sachs.[1] In 2005, the project targeted dozens of villages in Africa to implement a so-called 'big push' intervention—a package of policies designed to simultaneously address multiple constraints keeping individuals trapped in poverty. The hope was that by removing barriers around health, agriculture, infrastructure, education, and business all at once, individuals will become 'untrapped.' However, evaluations of MVP have yielded mixed results. While there were improvements in some dimensions of wellbeing, these improvements were not substantially greater than improvements observed outside millenium villages (Mitchell et al., 2018; Barnett et al., 2018).

Like charter cities, millennium villages believed that helping people escape poverty requires comprehensive interventions that simultaneously address various causes (e.g., health, education, employment, infrastructure, etc). However, in our view, these villages were too small to deliver on their promises (Lutter, 2019). They were also unsustainable. These villages required substantial and continued donor support to operate, whereas charter cities hope to develop into fully self-sustaining cities. Moreover, MVP lacked a key component of the charter cities model: improved governance. Rodrik (2004a) notes the importance of institutions in sustaining growth: "Once growth is set into motion, it becomes easier to maintain a virtuous cycle with high growth and institutional transformation feeding on each other."

Better parallels than MVP would be cities like Shenzhen, Hong Kong, Dubai, and Singapore. These cities show that it is possible to transform impoverished areas into global cities within a few generations. They also demonstrate the importance of governance in this transformation. These cities experimented with governance reforms within special jurisdictions that differed from their host country, and the results were rapidly improved living conditions for their residents compared to other cities in the region.

Charter cities are also well-positioned to improve urbanization in the Global South. Over the next 30 years, the world will add 2.5 billion people to its cities. Two-thirds of this growth will be concentrated in Africa and India (UN DESA, 2019). In just Africa, cities will add 950 million new residents by 2050 (OECD & SWAC, 2020). However, cities in the developing world tend to be crowded, polluted, and dangerous, and if nothing changes, new urban residents will not see their lives improve. Charter cities can offer better urban environments in regions that desperately need more high-functioning cities. In addition to more effective institutions, charter cities can also implement urban planning best practices. In some cases, charter cities can do it more cost-effectively than retrofitting existing cities (Fernandes, 2011).

Lifting Countries Out of Poverty

Charter cities also hope to lift countries out of poverty. Although charter cities are semi-autonomous, they are not sovereign. These cities will maintain social, economic, and political ties to the host country, and the benefits they generate will therefore spillover to their host. For instance, if a charter city is able to provide a prosperous environment, then citizens of the host country will choose to migrate there. This will directly raise their standard of living. Additionally, it will also raise the incomes of poorer regions in the country. There is growing evidence that South-to-North migration can lead to positive externalities in the origin country, since migrants send back

1 https://www.earth.columbia.edu/articles/view/1799

remittances and encourage their peers in the origin region to invest in their own human capital (Dridi et al., 2019; Batista et al., 2012; Abarcar & Theoharides, 2021). Migrants also encourage foreign firms to invest in their origin country (Burchardi et al., 2019).

Charter cities are also beneficial in their own right. Hong Kong, a close parallel for charter cities, continues to play an outsized role in Mainland China's economic activity. In 2018, 55.5% of China's total overseas direct investments flowed through Hong Kong (Lee, 2020). Another parallel to charter cities are special economic zones (SEZs). These are specially-designated geographic areas intended to promote economic activity and attract foreign investment. SEZs are provided infrastructure support and granted liberal regulations that make it easier for firms to conduct business. In places where SEZs have succeeded, they constitute a substantial share of the nation's economic activity. For example, China's SEZs made up a quarter of its GDP in 2010 (Zeng, 2010).

Charter cities can also inspire more effective policies in the rest of the host country. Risk-averse political elites are usually hesitant to implement sweeping policy changes, even if they believe it could benefit their countries. Charter cities can function as "policy labs," where politicians are able to "test" policies before replicating them elsewhere. Before liberalizing its economy, China first tested these policies in Shenzhen. After its apparent success, they rolled out similar liberalized policies into other cities on its coast. This included the introduction of private land markets, the relaxation of capital goods restrictions, and the decentralization of political power to local-level governments. Today, China's economy is markedly different from its earlier, more closed form.

Are Charter Cities Tractable?

Charter cities were first proposed by Nobel laureate Paul Romer in 2009 (Romer & Fuller, 2010; Romer, 2010). In his model, new cities with Western-style institutions and business-friendly regulations would be built in low-income countries to help them generate growth. One of his principal concerns was the risk that the host country would seize the city if it became successful. To counter this, Romer proposed that these cities would be managed by a third-party "guarantor" country like Canada or Denmark. The guarantor, given their own track record of effective governance, could ensure that the charter city is managed effectively and deter the host country from appropriating it. This model was inspired by historical Hong Kong: a Chinese city managed by the British.

Romer's idea, however, was highly controversial (Mallaby, 2010). Critics argued that it was a form of neo-colonialism, as foreign Western countries would be given control over sovereign land in the Global South. They also believed the idea would not be practical, and so far they have been right. Romer's first attempt to establish a charter city in Madagascar faced fierce popular opposition by local groups, and it was ultimately scrapped by a new government. He made a second attempt in Honduras to establish a charter cities legislation. However, concerns over corruption and a lack of transparency forced Romer to leave the project (Malkin, 2012). The charter cities legislation remains today (now known as the ZEDE law), and Honduras is on track to building its first charter city, Prospera.

The Charter Cities Institute was founded in 2017 to revive the charter cities concept (Mason & Lutter, 2020). We agree with Romer that a semi-autonomous new city can generate economic growth in struggling countries and, in turn, lift millions out of poverty. However, we believe that his foreign guarantor approach is undesirable and intractable. Instead, we propose using public-private partnerships with substantial buy-in from both the host country government and civil society. In our model, a developer would work with the host country to establish a special jurisdiction in which to build a new charter city. The host government would maintain control over the jurisdiction and willingly grant it a wide degree of autonomous governance.
Our charter cities model has some precedent. SEZs demonstrate that countries are willing to establish special jurisdictions granted with new rules as a tool for economic development. In a sense, charter cities aim to be the next-generation of SEZs (Bhattacharya & Allen, 2020). However, while SEZs only grant limited administrative autonomy and make legal reforms on the margins, charter cities will have more substantial self-governance and implement more extensive institutional reforms (see Figure 1 below).

Special Economic Zones	Charter Cities
Limited governance reforms – Typically focused on tax incentives, infrastructure, and a one-stop shop	*Deep governance reforms* – Touching all aspects of the business environment, including registering a business, dispute resolution, labor law, taxes, etc.
Small geographic area – Often encompassing a small geographic area, such as an industrial park, which limits growth potential	*Large/expandable geographic area* – Big enough for a city to encourage industry diversification and urban expansion
Single industry – Often targeting a single industry, such as textile or electronics manufacturing	*Multi-industry and residential* – Attracts multiple industries, including manufacturing and services, ensuring a broad economic base
Limited administrative autonomy – Administrative unit is not flexible and cannot respond to changing conditions	*Administrative autonomy* – New administrative body with legislative authority allows the charter city to respond more quickly to changing conditions

(Mason and Lutter, 2020)

Likewise, building a new city from scratch is not novel. Conservatively, over 150 new cities are being built from scratch across the world right now, with hundreds more in the planning phase (Moser & Cote-Laurence, 2020). Most of these cities are being built in the Global South. If we do not imbue these cities with better institutions, they will likely suffer from similar challenges and dysfunctions that existing developing cities grapple with. In fact, the Charter Cities Institute has already worked with a handful of developers hoping to build charter cities.[2]

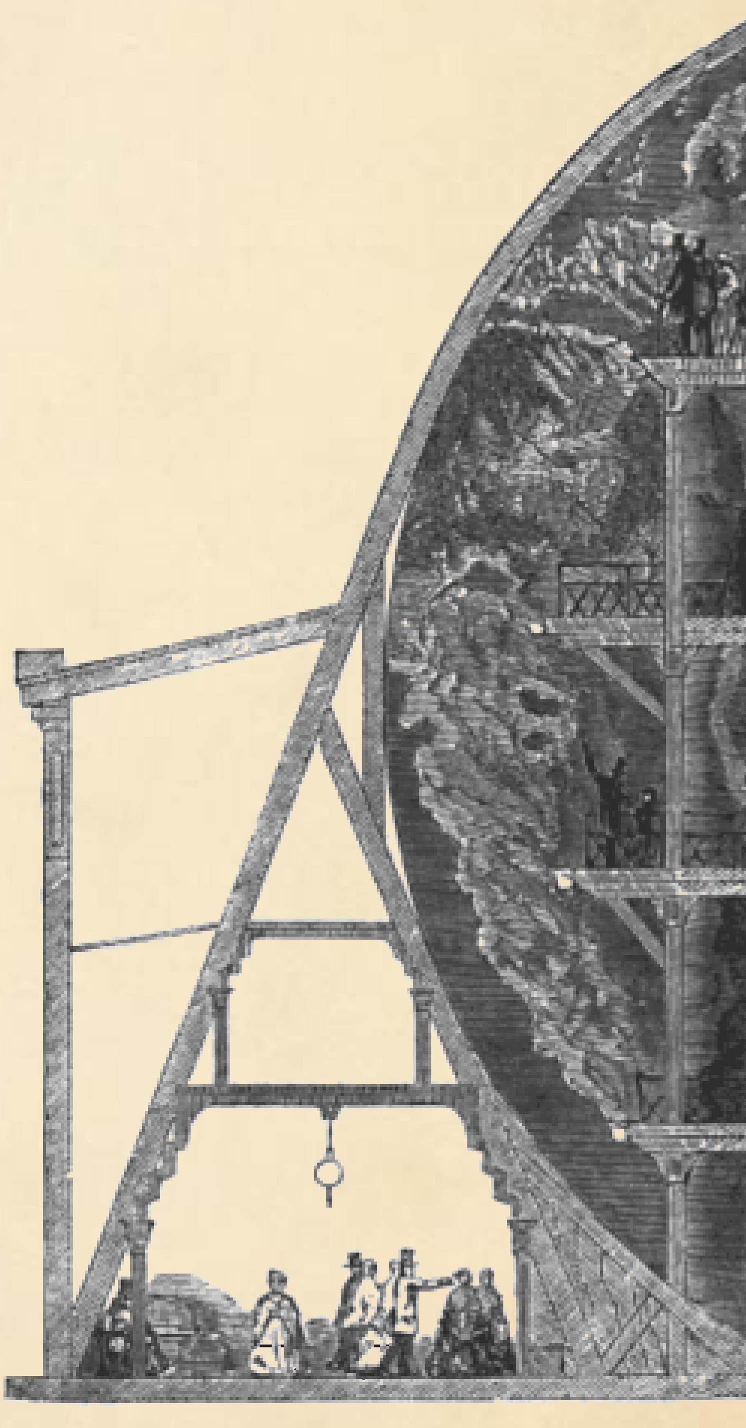
Mitigating the risk of appropriation is more difficult, and admittedly, we will never be able to eliminate the risk entirely. This is true not just for charter cities, but for development policy in general. As such, the host country will need to be committed to respecting the autonomy of the charter city. The Charter Cities Institute also recommends some frameworks that can reduce the incentive for a host country to arbitrarily interfere with or expropriate a charter city. For instance, revenue-sharing agreements between the private developer and the host country would raise the cost of appropriation. Investors prefer political stability, so a move by the host country on the charter city would scare off investments and reduce revenue for the state. The optimal arrangement, however, will depend on the context. The Charter Cities Institute has developed a set of Reference Guides that further address implementation questions (including a Risk Mitigation Guide).[3]

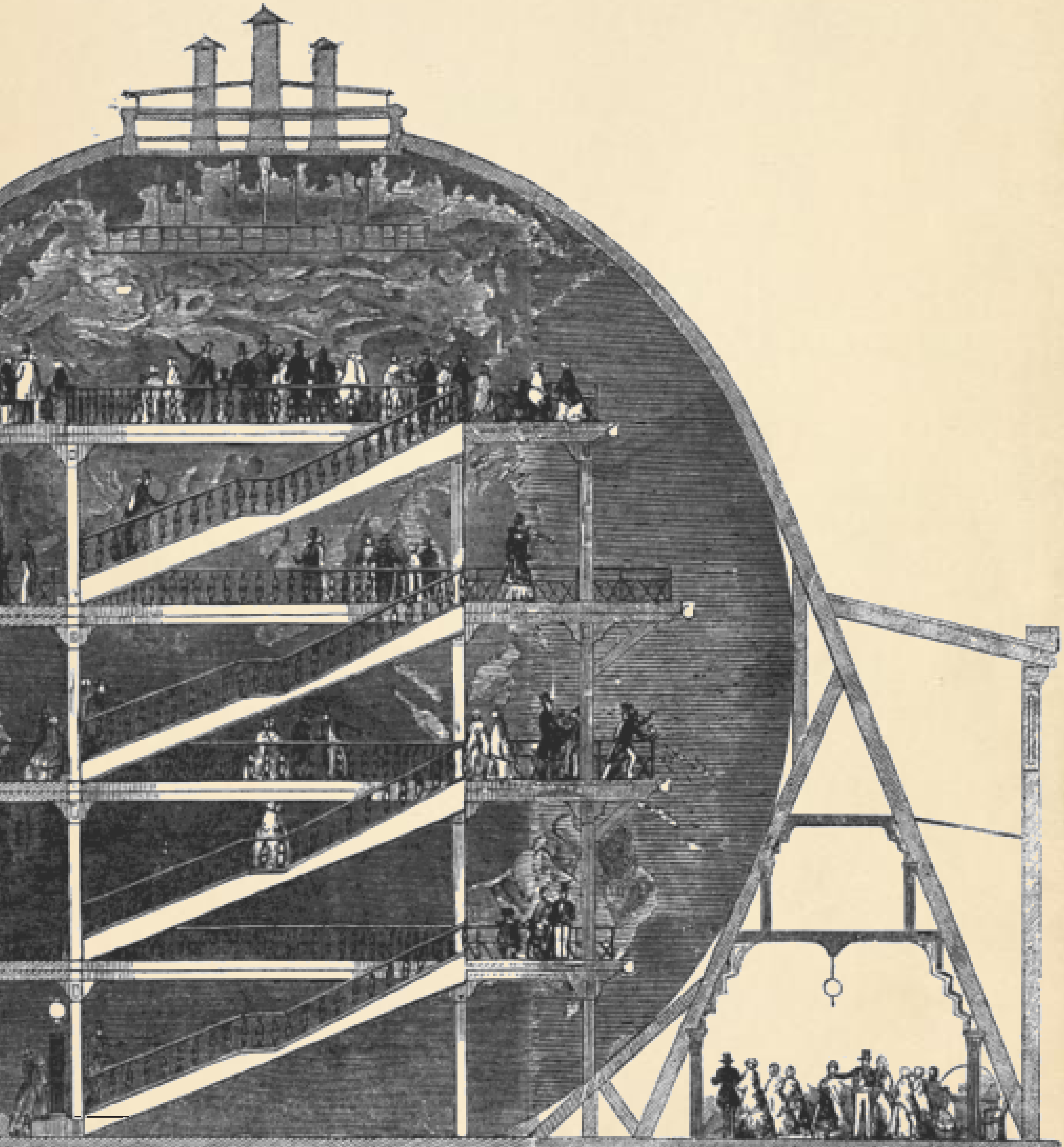
There are no one-size-fits-all approaches to charter cities. The details of these projects, such as the degree of autonomy granted and kinds of new institutions allowed, will be conditional on the local context and the needs of the host country. In practice, early charter cities may not have as much autonomy and leeway for institutional reforms as we would like. However, we believe that even partial charter cities can bring a lot of benefit to developing countries and serve as a proof of concept for later charter city developments. If successful, the next generation of charter cities can be even more ambitious.

2 https://www.chartercitiesinstitute.org/post/the-state-of-charter-cities-2021

3 https://www.chartercitiesinstitute.org/category/reference-guides

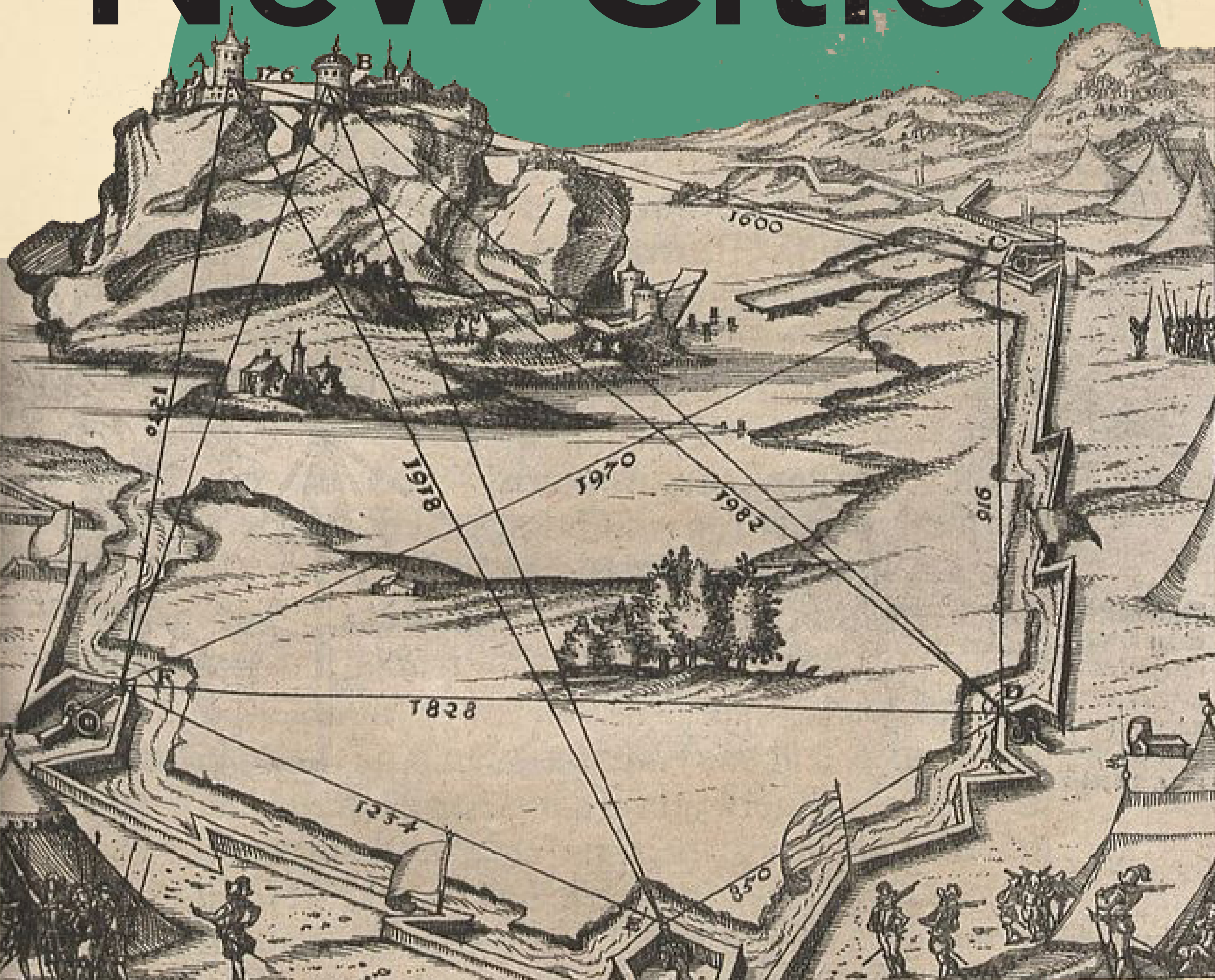
Research Themes





Theme One:

New Cities



The New Cities Movement

We are amidst a global wave of city-making. Starting in Asia and the Middle East at the turn of the century, and now spreading to Africa and Latin America, governments and private developers are engaging in massive efforts to reshape the urban landscapes of emerging economies. At its most ambitious, these projects entail the planning and construction of entirely new cities from scratch. Beyond this unifying ambition, the "new cities movement" is highly heterogeneous and uncoordinated. It includes projects that range from modest exurban "new towns" and satellite cities to greenfield metropolises hoping to become the next global city. Their motivations are similarly diverse and pan-ideological, with cities being justified as tools of economic development, political stability, environmental sustainability, and technological progress.

The phenomenon is not new. Building new cities from scratch has been a familiar project throughout human history, and it includes cities like Baghdad (762), Kyoto (794), and Washington, DC (1800) (Jo, 2018). Individual countries have also undergone their own waves of accelerated urban development, such as the New Towns Movement of Singapore and the UK from the 1940s to 1970s. What is more novel is when these projects take on a global nature. Three waves stand out. The first was the effort by Alexander the Great to establish new cities during his military expansion across Europe, Africa, and Asia. Second, like Alexander, colonial European powers saw a strategic advantage to establishing new urban centers across their empires. This gave rise to numerous colonial cities from the 16th to early 19th centuries that still stand today (Home, 2013; Moser, 2015). Third, newly-independent postcolonial states in the Global South felt a need to establish new cities as a way to modernize and address development problems (Moser, 2015; Datta, 2015). By many observations, a similar global, albeit uncoordinated, effort to build new cities is ongoing today (Moser & Cote-Roy, 2020; Shepard, 2017).

Attempts to rigorously catalogue the current wave have been difficult and inconsistent. Sarah Moser counted up to 150 ongoing developments in over 40 countries, with 70 of those projects taking place in Africa (Moser & Cote-Laurence, 2020; Moser et al, 2021). However, Rachel Keeton and Michelle Provoost (2019) identified 109 new city projects in Africa since 2000, and Angie Jo and Siqi Zheng (2020) found at least 200 new developments in China alone. Jo and Zheng also note that these cities are often referenced using a variety of conflicting terminology, such as "satellite city," "new town," and "new urban area." This makes it difficult to distinguish between modest real estate projects and full cities.

The ambiguity lies in the conceptual challenges of defining "new cities." Urban developments are on a spectrum, and dividing these environments into meaningful categories requires theoretical considerations and subjective judgements. How do we differentiate between city districts and independent satellite cities? The answer is not as simple as assessing governance responsibilities, since these often overlap. For example, Metro Manila is nominally 16 contiguous "cities" unified by an overarching administrative government. Likewise, what constitutes a "newly built" city as opposed to one organically grown? More conceptually, what are "cities?" While we may see them as distinct political-legal jurisdictions, cities are also often conceptualized as sociological communities with fuzzy boundaries (Post, 2018).

These methodological difficulties and the phenomenon's novelty have limited the literature to ad hoc conceptual "agenda setting" (i.e., identifying open research questions to be explored in future research) (Watson, 2013, van Noorloos & Koosterboer, 2017; Moser & Cote-Roy, 2020; Moser et al., 2021; Goldman, 2011; Jo, 2018) and to qualitative case studies of specific projects (Moser, 2019; Moser et al., 2015; Cain, 2014; Datta, 2015; Ondrusek-Roy, 2020; Mahmoud & El-Sayed, 2011). However, there are few rigorous quantitative, political, or economic studies of these projects and their consequences, and the phenomenon has been largely ignored by social scientists.

Despite these ambiguities, scholars have loosely identified several common characteristics among new city projects. These cities are primarily being built in the Global South, especially in Africa, Asia, and the Middle East. Although most scholars time the city-making surge to the start of the 21st century, many have noted an acceleration following the 2008 Global Financial Crisis. They speculate that this may reflect a search for new profit opportunities after the weakening of real estate markets in the West (Watson, 2013). As a consequence, these projects are largely market-driven and financed by public-private partnerships with real estate developers (van Noorloos & Kloosterboer, 2017; Moser, 2015). They also resemble corporate entities more than public municipalities. For instance, many projects maintain carefully-branded images as "tech cities" or "eco cities" that may only exist on paper.

In an attempt to unify the current wave into a useful conceptual framework suitable for research, Jo and Zheng (2020) offer a working definition of "new cities" based on their common characteristics:

1. *Master-planned*: they are coordinated, managed, and financed by a small group of primary actors.
2. Rapid: they are perceived as single projects built within a few years or decades. In many cases, they have population and job creation milestones. This contrasts with traditional cities that develop in a piecemeal and uncoordinated manner over an undefined period of time.
3. *Greenfield*: the project site has little or no prior development (i.e., greenfield sites).
4. *Distinct governance*: while new cities may be contiguous to an existing urban center, they are still designed to have geographical, fiscal, administrative, and/or conceptual independence. This distinguishes them from urban developments that are simply expansions of existing cities.
5. *Pre-determined mixed-use*: they are designed as both environments for consumption and production, including residential, commercial, and industrial capacities. In this sense, new cities aim to be fully functioning "cities," as opposed to narrowly-defined "bedroom towns," "industrial parks," or "shopping districts."
6. *Envisioned as a city*: most importantly, these cities are conceived of as a "city" by their planners from the start. This differentiates them from other development projects that may have been initially seen as single-use spaces, but later evolved into mixed-use.

Many new cities are also managed by state-led public-public partnerships (Moser et al., 2021; Cain, 2014). Countries like China, Singapore, and South Korea are partnering with governments in developing countries to "export" models of urban development that worked in their own countries. In many cases, these projects are facilitated by subsidized state-run enterprises rather than through direct government assistance.

The largest driver of these public-led new developments is China's Belt and Road Initiative (BRI). The BRI is an ongoing $575 billion infrastructure development initiative, through which the Chinese government hopes to improve its connection to and cooperation with countries across Eurasia and Africa (World Bank, 2019). While not exclusively focused on building new cities, the BRI has involved itself in some of these projects (Shepard, 2016; Peters, 2015). Still, even if not directly building new cities, these substantial infrastructure projects constructed in a concentrated period of time will likely have consequences for the formation of new urban developments and cities. For instance, we may expect parallels of 19th century American "railway towns" to develop along new BRI-financed railway networks in Central Asia and Africa.

Do We Need More Cities?

For the most part, new city projects have been examined by geographers and urban scholars from a largely critical lens. These criticisms fall into two categories. First, scholars argue that new cities are often wasteful manifestations of “speculative urbanism” and “urban fantasies” (i.e., vanity projects that do not fulfill a true public need for urban development) (Goldman, 2011; Watson, 2013). Developers and governments tend to frame these projects as reactions to changing national trends, particularly a rising middle class and accelerating rural-to-urban migration in the Global South. However, urban scholars doubt that this underlying demographic narrative is accurate. That is, they are skeptical that the developing world truly has a growing middle class or substantial rural-to-urban migration (Pieterse, 2019). As such, they argue, building new cities will wastefully divert important resources away from existing communities and risk creating uninhabited ghost cities (e.g., Shepard, 2015).

Second, and more substantively, urban scholars fear that new cities will reinforce and exacerbate political oppression. Broadly, these cities are part of a larger national narrative for economic development, in which governments in the Global South hope to replicate the rapid success of cities like Singapore, Shenzhen, and Dubai (Goldman, 2011). The logic proposes that building new cities in impoverished regions can help attract investment, spur business formation, and energize local economic growth. However, Bhan (2014) contends that in addition to the built environment, governments also hope to replicate the semi-authoritarian policymaking of Singapore and Dubai as a method for rapid industrialization. It is argued that this pursuit for “fast development” (Datta, 2015) will ignore important voices in society by bypassing the more cumbersome but participatory processes inherent in democratic deliberation (Milton, 2018).

On the international scale, critics have also pointed out that massive foreign investments into urban and infrastructure projects in the Global South may lead to adverse consequences for recipient countries. Already, there are concerns that BRI-financed projects may burden recipient countries with excessive debt to China (Hurley et al., 2018).

Sarah Moser (2020) further criticizes new cities as environments of social exclusion. She relates them to the problematic colonial practices of city-making in the 19th and 20th centuries, calling the ongoing wave “new wine in old bottles” (Moser, 2015). Indeed, many of the characteristics common among new cities—greenfield sites, utopian narratives of economic development, and top-down policymaking—were prevalent in the colonial cities of the past. They also exhibit some of the same consequences. For instance, colonial cities incorporated exclusionary design principles meant to segregate indigenous populations from colonial residents. Likewise, Moser (2020) notes that new cities can resemble gated communities that cater to an elite economic class rather than public spaces accessible to all citizens.

Angie Jo (2018) challenges the critical perceptions prevalent in the literature. Focusing on Chinese new cities, she argues these new cities can resolve industrial market failures and generate positive social externalities. Her model outlines how new city making can be seen as a type of industrial policy, enabling the agglomeration of firms into new cities to create new industrial clusters of economic activity. Due to classic coordination problems, these clusters arguably would have not formed (at least as rapidly as they did) without the state’s industrial policy playing an important coordinating role.

While top-down industrialization has traditionally been led by the state, Jo (2018) suggests that private actors have a role to play in regions with weak state capacity. Leveraging urban development as a vehicle for national development requires expertise and foresight, in which effective industrial policy must credibly coordinate numerous actors, assume long-term financial risks, and “pick winners” given asymmetric information. To achieve this, regions with weak state capacity will need to partner with resourceful private actors with the prerequisite technical expertise. However, states will also need to strategically structure partnerships to disincentivize private actors from pursuing short-term financial gains at the expense of broader economic growth (Engel et al., 2014). For example, Jo’s research cites Gu’an New Industry City in China as an illustrative case of effective urban development via public-private partnerships in the face of weak public sector capacity.

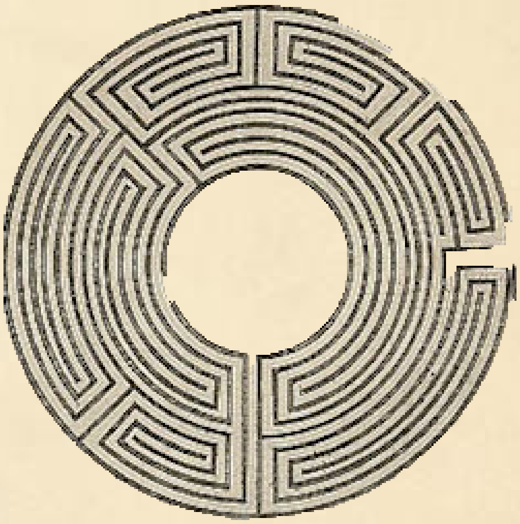
Further Research

The new cities movement presents an important opportunity for the charter cities agenda. Charter cities are focused on establishing well-run cities that can become national engines for economic growth. Unfortunately, achieving effective reforms have been difficult in existing Global South cities. A better alternative is to use new cities as "black slate" environments where charter cities can be developed.

The new cities movement also creates a policy problem that charter cities can address. As critics have argued, these new cities are more likely to inherit the harmful political norms of their host than they are to foster better ones. They are also likely to replicate the poor and inefficient urban forms of other cities in the developing world. However, if turned into charter cities, these new cities can create more effective institutions largely insulated from the politics of the host country. This could lead to better urban governance and economic vibrancy.

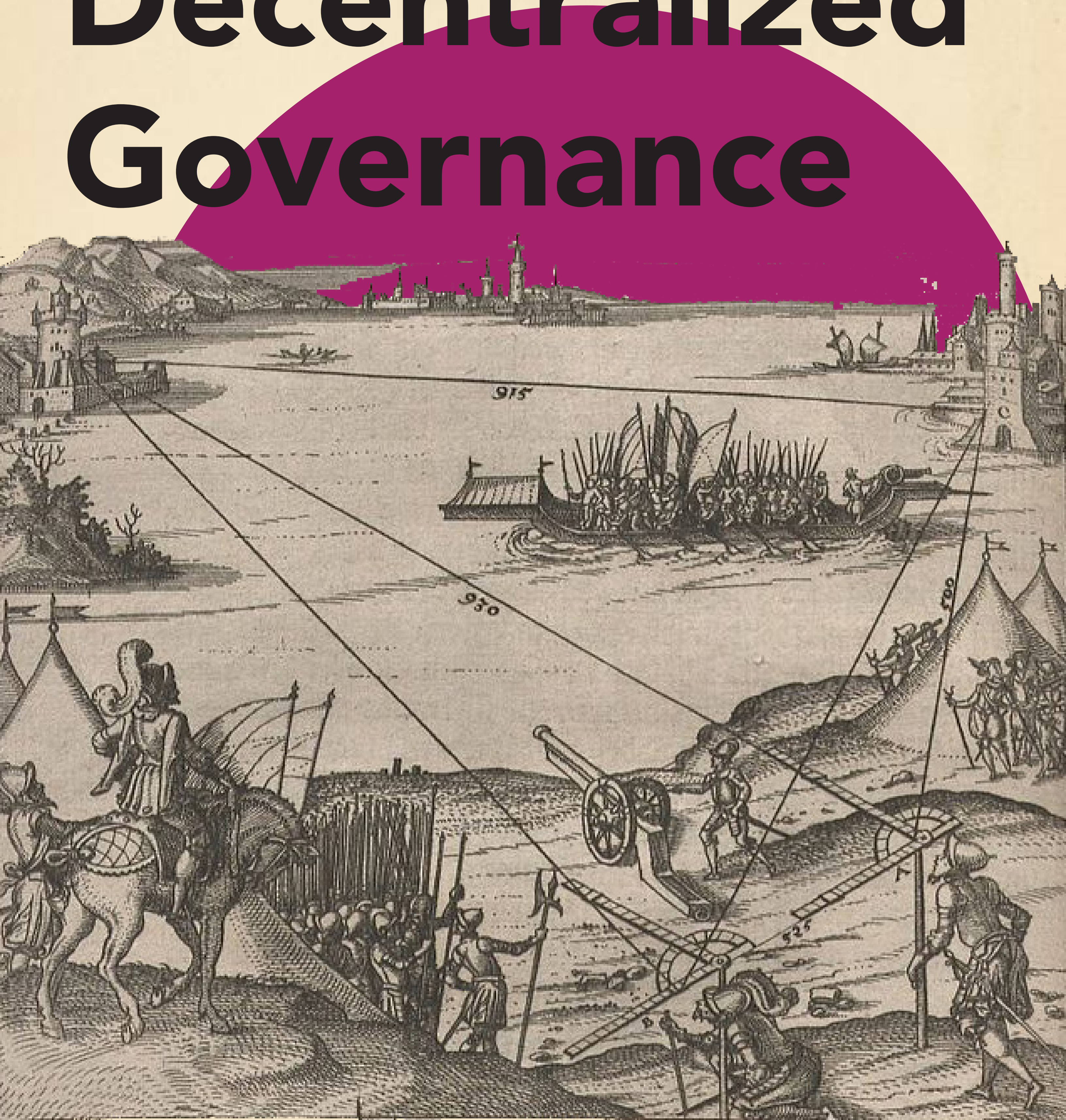
However, if the charter cities agenda hopes to leverage the new cities movement, we need to more rigorously understand how new cities relate to their broader national context and the role they can play in poverty alleviation. Thus far, new cities have been approached through a critical lens. However, as highlighted by Jo and Zheng (2020), the dismal predictions for new cities are not inevitable. The charter cities agenda should respond by (1) reexamining the trend through an economic development and political economy lens and (2) using data-driven empirical methods to validate or reject the intuitions of the existing literature. Put another way, rather than sitting back critically, further research can help identify ways to leverage this new movement for broader institutional reform and social wellbeing.

Examples of Research Questions:
-Does granting new cities more devolved political powers lead to better economic outcomes?
-To what extent are new cities driven by private developers vs foreign governments (e.g., BRI)?
-Are new cities better able to accommodate low-income migrants than existing cities?
-How should the governments of new cities interact with those of higher-level political units to best encourage economic growth?
-How can we build new cities for low-income residents instead of just the middle-class or economic elites?
-How do informal economies emerge in new, master-planned cities?
-Are authoritarian governments better able to execute new city projects?
-What policies can prevent the elite capture of new city projects?
-Do new cities allow municipal authorities to circumvent the political barriers to reform often present at the national level?



Theme Two:

Decentralized Governance



The Decline of the Central State

Over the past three decades, decentralized (or devolved) governance has become a popular policy to address issues of transparency, administrative efficiency, and political legitimacy across the world. Both academics and the World Bank have advocated for and helped implement decentralization projects in almost every country. This reflects a departure from the prevailing "strong state as centralized state" intuition, in which centralized, top-down governance was believed by scholars and policymakers to be a more effective administrative system (Faguet et al., 2014). In theory, centralized states can more swiftly and uniformly implement policies, coordinate resources, and manage populations. However, in practice, many contemporary states struggled to establish effective centralized control, which has forced policymakers to reconsider their assumptions.

An alternative is decentralization. This refers to the full or partial transfer of power, responsibilities, and resources from higher-level government bodies (such as the national government) to lower-level entities, including regional governments, civil society, and private firms. Decentralization may take place in various aspects of governance (Cheema & Rondinelli, 2007). Administrative decentralization refers to the delegation of policy administration and central bureaucracy staffing to lower-level agencies. Fiscal decentralization refers to the granting of relative autonomy in raising and allocating public revenue. Political decentralization, which we argue constitutes the most substantial form of decentralization, refers to the shifting of legislative powers and policy decision-making to lower-level units. Since the 1990s, almost every country in the world has engaged in some form of decentralization (Manor, 1999).

This is not to say that decentralization advocates eschew the central state completely. Rather, they argue that too much centralization can inhibit effective governance and reliable public services delivery, and that centralization faces some innate deficiencies that are hard to overcome. As such, much of the "decentralization agenda" has focused on identifying the domains in which devolving power makes the most sense.

Decentralization and Better Governance

Decentralization promises to solve a number of issues inherent to over-centralization. As critics argue, centralization produces distant bureaucracies that are less accountable to local preferences. This can generate three problems. The first is a problem of information asymmetry. Due to a physical and cultural distance, central bureaucracies acting in good faith may find it difficult to effectively understand local preferences and deliver demanded public goods. Second, central governments may face administrative burdens to effective governance. Unlike local governments, higher-level politicians must balance the needs of a more diverse constituency. This democratic balancing of preferences inadvertently introduces inefficiencies. Central government decisions, by virtue of their vertical structure, must also pass through various points of policy vetoes.

The third issue is one of state legitimacy and corruption. Faguet et al. (2015) highlight that many developing countries were formed by forcing distinct ethnic and religious groups into artificial political boundaries. While this trajectory established de jure institutional cohesion, it did not form a corresponding national consciousness. When compared to more homogenous states, citizens in heterogenous and fractionalized states tend to lack trust in the national government, which is oftentimes dominated by a singular ethnic group. As a consequence, these countries can settle into an equilibrium in which minority groups avoid formal politics by relying on traditional and rival (often kin-based) political institutions. At the top, it incentivizes the dominant political group to ignore minority groups.

Implicit in these three issues are problems of accountability and transparency (Bardhan, 2002). By focusing decision-making at the national-level, the government is less responsive to the people. In contrast, decentralization brings power closer to local groups and increases the accountability of political leaders in various policy domains. While not definitive, a vast body of empirical evidence suggests that experiments in decentralization have indeed led to improvements in governance. Grossman (2019) catalogues research showing that bureaucrats selected via local elections—as opposed to top-down political appointments—tend to be less corrupt and better at delivering public goods. Interestingly, this may be true even if decentralization doesn't entail elections (Baldwin, 2019). Magaloni et al. (2019) find that communities ruled by indigenous, non-democratic institutions in Oaxaca were better at providing public goods, constraining corruption, and encouraging civic participation than comparable communities ruled by elected, national political parties.

Likewise, some evidence, albeit mixed, suggests that decentralization can minimize ethnic tensions that arise from social fractionalization. Bazzi and Gudgeon (2021) exploited a national policy in Indonesia that redrew subnational political boundaries. They find that redistricting along group lines, in which specific ethnic groups gained greater self-rule, reduced conflict. Correspondingly, districts that became more heterogeneous saw a rise in conflict.

Another advantage of decentralization is policy experimentation. In decentralized political settings, subnational governments are responsible for setting policies within their political boundaries. This gives rise to a richer policy environment, in which different administrative units pursue divergent policies to address similar problems. Policymakers can then incorporate lessons from the experiences of others and adopt successful solutions. In essence, local governments function as smaller-scale "laboratories" to test policies before implementing them more broadly. These governments also engage in a form of "competitive governance," in which they must enact better policies to attract residents (and ergo, tax revenue). However, while there is a large body of theoretical research that models this dynamic (Oates, 1999; Cai & Treisman, 2009; Strumpf, 2002; Cheng & Li, 2019; Callander & Harsted, 2015), there is relatively less empirical research establishing a causal link.

The principal empirical case demonstrating policy experimentation is China. Chinese authoritarianism encompasses top-down control by the ruling Communist Party paired with officially-sanctioned, devolved local authority, which includes local elections—a system characterized as "authoritarianism 2.0" (Mertha, 2009). Provincial leaders are given the freedom to pursue their own policies and are rewarded by the national government if they achieve nationally-set goals. However, some evidence suggests that while the Chinese model improved policies in productive growth-oriented sectors, it was not effective in improving social goods provision like healthcare (Heilmann, 2008). Similar outcomes have been observed in other authoritarian settings, such as Ethiopia (Kosec & Mogues, 2020), which illustrates the importance of institutional context when undertaking decentralization.

Decentralization, however, does not always lead to better governance. While it does bring power closer to the ground, it also exposes policymaking to local elite capture and bureaucratic inefficiency. For instance, Argentina excessively concentrates power to provinces, which are able to extract rents from the federal government (Faguet, 2011). Similarly, excessively decentralized political systems may find it harder to address negative social externalities (e.g., pollution, inter-region transit, etc), since local governments are either unwilling to internalize the costs or wary of free-riding by other jurisdictions (Strumpf, 2002). Local governments also lack the economies of scale of large centralized bureaucracies, which can raise transaction costs and hinder the delivery of certain public goods (Bardhan, 2002). With respect to ethnic tension, while decentralization may discourage conflict by conceding some power to restive groups, it may also empower them to pursue greater autonomy or even secession (Christia, 2019). These discrepancies suggest that the success of decentralization is conditional on institutional and cultural context.

Further Research

How does decentralization relate to charter cities? Charter cities are in essence a special case of decentralization: "special jurisdiction decentralization." It proposes to devolve powers and resources typically held by the national government down to special jurisdiction cities. In doing so, these cities and their hosts can ideally realize many of the advantages theoretically associated with political, fiscal, and administrative decentralization. For instance, charter cities provide a fertile landscape for host countries to experiment with new policies. This could help developing countries avoid the pitfalls of "one-size-fits-all" policies imported from the West by testing and modifying solutions before national implementation. Arguably, this was the approach taken by China in the 1980s, in which they tested Western economic liberalization—with some noted Chinese characteristics—in Shenzhen before expanding it nationally.

Yet, many open questions remain in the intersection between decentralization, charter cities, and economic growth. The first is an issue of generalizability. China offers the best model for decentralization via special jurisdictions, but the Chinese experience is also unusual. It would be erroneous to assume its model can be perfectly replicated in other developing countries, which have lower state capacity and more fractionalized societies. Indeed, the most universal finding in the decentralization literature is that institutional and social context matters to the success of decentralization. This opens up a research agenda of translation: how do we replicate, even partially, Chinese "special jurisdiction decentralization" elsewhere?

Another question is that of appropriation. Most decentralization experiments are national, but "special jurisdiction decentralization" can create attractive opportunities for state capture. We see this, for example, in China's expanding authority in Hong Kong. Charter cities advocates are therefore very interested in structuring incentives to discourage takeovers. Understanding how to do this is less clear. Part of the answer may lie in historical analysis. For instance, what political and economic tools did historical European city-states use to defend themselves? Another path is examining state capture in other contexts and generalizing them up. For instance, recent studies have characterized the relationship between changing state capacity and the incentive for national governments to re-centralize (Martinez-Bravo & Miquel, 2017; Bo et al., 2019). Can charter cities institutions be structured to condition this dynamic?

Charter cities implementers must also be careful that powers are not decentralized too much. If structured inappropriately, charter cities may generate negative externalities that are hard for the national government to curb. This includes environmental damage, crime, and the establishment of tax havens.

Given these issues, the Charter Cities Institute is interested in understanding (1) how can decentralization help charter cities be governed effectively, (2) can special jurisdiction decentralization turn charter cities into agents of structural transformation, and (3) how should we structure the relationship between charter cities and their host governments to maximize mutual benefit and minimize conflict? These questions will frame our efforts to study decentralization, but they cannot be themselves studied due to empirical limitations (e.g., lack of data, endogeneity, small sample sizes, etc). Instead, we aim to better understand the causes and effects of decentralization, particularly decentralization implemented at the municipal level.

Examples of Research Questions:
-How do special jurisdiction cities (e.g., Brasilia, Washington DC, Tokyo, New Delhi, Abuja) govern differently than traditional municipalities?
-How efficient is the competitive governance "market" for residents?
-What role should the central government play in maximizing the benefits of subnational policy experimentation?
-How do different governments decide if they should incorporate successful policies from other regions?
-What parts of China's "special jurisdiction decentralization" have been successfully replicated elsewhere in the Global South? Which aspects have failed to replicate?

Theme Three: Industrial Policy and Special Economic Zones

Charter Cities as Industrial Policy

A key benefit of charter cities is their role as industrial centers that drive sustained economic growth. However, even if we grant new cities autonomous governance and a high-capacity administration, their transformation into productive charter cities is not guaranteed. These cities will find it hard to coordinate resources and agglomerate firms. Nascent charter city industries may also struggle to compete with established industrial clusters elsewhere.

These barriers highlight the importance of industrial policy (IP) in designing effective charter cities. In certain contexts, the government will be a necessary complement to markets for coordinating resources and supporting the formation of productive clusters, which will prove crucial for early charter cities. As argued in our Industrial Strategy Guide (Charter Cities Institute, 2021), governments can support charter cities by providing market information, coordinating factor inputs, building infrastructure, and aligning the city's industries with the nation's political economy. Industrial policy, however, remains controversial among economists and policymakers. In this section, we summarize the intellectual history of IP—the initial skepticism and its recent revival within the macroeconomics policy-making community—and the role it can play in the charter cities agenda.

Can We Pick Winners?

For much of the post-WWII period, governments were motivated to actively guide their markets. This was particularly true for many newly independent post-colonial states eager to rapidly modernize and develop. According to Stiglitz et al. (2013a), these emerging nations were skeptical that the market could achieve development at the level and pace they desired. They faced economies with limited access to capital, low productivity, and weak industries that they feared would be unable to compete against richer countries. These challenges encouraged an interventionist mindset, in which the state should direct resources to chosen industries in order to drive productivity and to protect them from global competition.

These early intuitions were supported by some theoretical models. Some markets face distortions that prevent the optimal social allocation of resources. When the free market is unable to internalize these failures, the government can step in to coordinate resources more efficiently. Unlike the market, the government has a stronger incentive to provide public goods and internalize social externalities, and a greater ability to mobilize resources and actors across different economic sectors. The case for government industrial intervention is particularly strong given the importance of knowledge spillovers in economic growth (Rodrik, 2008).

This is not to say that industrial policy is always effective. Given perfect information, top-down industrial policy is relatively straightforward. However, governments often have limited information on its economic constraints and can be vulnerable to corruption. This is particularly true in the developing world, where the state has lower capacity and weaker institutions (Hevia et al., 2017; Kreuger, 1990; Rodrik, 2004a). As such, poor IP can exacerbate market inefficiencies.

Early attempts at industrial policy appeared to have yielded mixed results. With a few exceptions, many countries implementing state-led development stagnated or, in the case of Africa, deindustrialized (Stiglitz et al., 2013a; Lin, 2010). The main issue was that developing countries, in an effort to mimic or leapfrog the development history of Europe, almost unilaterally pursued an IP of capital-intensive industrialization and manufacturing regardless of their comparative advantage (Lin & Monga, 2013). These industries were unable to compete with the West on the open market, and many governments were forced to bankroll failing industries at a great economic cost to society.

Even when governments appeared to have successfully "picked winners," as was the case for the "East Asian miracles," critics argue that the counterfactual would have yielded more equal, rapid, and cost-effective social welfare (e.g., Pack & Saggi, 2006). That is to say, even though they appear successful in hindsight, countries like South Korea, China, Singapore, and Taiwan "overpaid" for their development. Krugman (1994) further argues that the Asian industrialization strategy sacrificed current consumption for future consumption—an approach difficult to justify in the West. More generously, the World Bank (1993) recognizes Asia's success, but attributes it to effective market-oriented policies and a unique regional context rather than successful industrial policies. By the 1980s, economic thinking responded to these criticisms by shifting towards shifting towards the market-oriented "Washington Consensus" and against state-led industrial policies.

Rethinking the Development State

More recently, however, the pendulum is swinging back towards IP. This is reflected in both new academic interest (Rodrik, 2019; Wade, 2012) and government policies (Klein, 2012). Three complementary trends explain the shift. The first is theoretical. For much of modern history, economists saw industrial policy as a narrow set of tools that directly targeted specific manufacturing industries—so-called "vertical integration." In contrast, economy-wide "horizontal" policies (e.g., exchange rate policies, infrastructure projects, education policies, etc) that didn't specify industrial beneficiaries were seen as "policy neutral" and therefore excluded from the IP banner. Such a narrow definition of IP can be deceptive, since it implies that "neutral" policymaking is possible. In practice, however, few policies are truly distributed equally to all sectors; as Stiglitz et al. (2013a) argue, "Everything governments do or choose not to do benefits or can be captured by vested interests." Wade (2012) further criticizes earlier theoretical definitions as too dismissive of "soft" industrial policies, such as programs that offer technical assistance or public investments in infrastructure.

For instance, William Nester's (1997) work shows that every major American industry has been partially created by the state: "every nation has industrial policy…whether officials admit the practice or not." Dani Rodrik (2008) also highlights that even policies targeted to non-manufacturing sectors (e.g., agriculture, services, tourism) still "qualify as much as incentives on manufacturers." Governments are always intervening, so rather than dividing policies between "distortionary" and "neutral," we should focus on identifying how to minimize distortionary consequences of policy-making: "the question is not whether any government should use industrial policy but rather how to use industrial policy" (Stiglitz et al., 2013a).

The new model for industrial policy is one that acknowledges the benefits of government intervention, but recognizes the importance of incorporating market signals. Given imperfect public information, effective IP should be treated as a joint process of discovery. The government should leverage markets to identify market distortions and latent comparative advantages (e.g., through public-private partnerships) (Rodrik, 2004b; Lin, 2010). Rodrik (2008) further characterizes it as a process to "let losers go" rather than "pick winners." This differs from how IP had been practiced in the past, in which states attempted to "decide" their comparative advantage.

The other driver for IP's newfound popularity is sociological. Specifically, the recent history of the Great Financial Crisis and the ongoing pressures of climate change has convinced many economists of the necessity of some government direction (Stiglitz et al., 2013b). While this shift could be phrased as a purely academic recognition of previously missed market failures, we argue that it also reflects a broader cultural shift that goes beyond pure technocratic considerations.

Lastly, advances in empirical methods and econometric theory have generated more convincing and precise causal estimates of IP. This contrasts with the classical literature, which relied on theory-heavy, single-country studies or weakly identified cross-country correlations (Rodrik, 2019). Nathaniel Lane (2020) discusses three empirical limitations of the first-generation literature. First, early studies did not sufficiently overcome the issue of endogeneity. Industrial policies are enacted in response to poor economic performance, so naive regressions may incorrectly underestimate the positive effects of these policies. While these approaches revealed important historical and descriptive facts, they arguably obscured the detailed mechanisms of IP. This in turn led to ambiguous findings that were difficult to translate into new policies.

Second, the first-generation works were too coarse, in that they examined relationships using high-level macroeconomic indicators. For instance, they may compare expansive policy packages against aggregated economic indicators. This neglects potential heterogeneous effects on specific economic measures. It also does not provide guidance on how to improve IP or explain why IP appears to have worked in certain contexts. For example, Lee's (1996) evaluation of the relationship between South Korea's IP and productivity from 1963 to 1983 found evidence against IP. However, as Lane highlights, Lee's analysis assumed that South Korea implemented a uniform policy for the 20 year period. In reality, the government radically changed its approach in 1973, and it is possible that the differential effects of the pre-1973 and post-1973 approaches cancelled each other out. A more informative approach may be to look at how specific components of IP affect different sectors of the economy (e.g., unemployment, sectoral manufacturing, wages, health, etc). Kalouptsidi's (2018) study on Chinese shipbuilding illustrates this nuanced approach. She finds that Chinese subsidies specifically targeted to shipbuilding shifted global production towards China. However, it only marginally decreased domestic shipping costs in China.

Third, early studies were more pessimistic towards the potential for IP to generate spillovers and Marshallian (agglomeration) externalities. Instead, externalities were assumed to be of minimal benefit at best. This may not be the case, as IP has the potential to both bolster and hinder secondary industries. Liu (2019) for instance, shows that market-correcting IPs in a distorted industry may contract general equilibrium substitute industries, but enhance downstream complementary industries. These findings suggest that there are circumstances in which government promotion of upstream industries leads to measurable spillover benefits (e.g., Hausmann & Klinger, 2006).

Given these issues, Lane (2020) proposes a research agenda that investigates the "microeconomics" of IP. This approach focuses on within-country variation to estimate the causal impact of specific industrial policies on narrowly-defined economic outcomes. In some cases, it may also bring down the unit of analysis to household surveys (e.g., how does a policy affect self-reported household income?). The benefit of this approach is that it lends itself to rigorous quasi-experimental methods, since identifying compelling natural experiments and controlling for contextual confounders are easier on the microeconomic level. The tradeoff, however, is that it is not always clear how narrow economic outcomes (e.g., employment) directly translate into broader national growth. For a review of papers employing this approach, see Lane (2020).

Special Economic Zones

The most relevant type of industrial policy for charter cities is special economic zones (SEZ). SEZs are geographically-defined areas where the host government provides infrastructure support and allows for more business-friendly regulations than exist in the rest of the country. In most cases, this includes lower taxes, expedited customs, streamlined bureaucracies, reliable utilities, and access to cheaper labor (Alexianu et al., 2018). SEZs were a core component of the industrial strategies of East Asian countries. The classical case is Shenzhen, China, which experienced rapid growth within a relatively short amount of time. By some estimates, China's first four SEZs accounted for 60% of all foreign direct investment (FDI) flows in the first few years after their establishment (Wang, 2013), and as of 2010, China's SEZs account for 22% of its national GDP (Zeng, 2010). Hoping to emulate these successes, other regions in the Global South are increasingly establishing SEZs of their own.

The rationale for SEZs resemble those of charter cities. Both start from the premise that national institutions, poor governance, and laws are binding economic growth in Global South countries. Rather than reforming the rules in the entire country, it would be less risky and more politically tractable to implement changes in a smaller region first. This allows governments to maintain the protections that existing institutions offer while realizing the benefits of a more liberal regime. In the case of the early Asian SEZs, the primary goal was to implement rules that could incentivize FDI while keeping other protective barriers intact. This FDI would in turn help develop local manufacturing capacity that fits in with an export-oriented growth strategy. Secondary goals included policy experimentation that, if successful, would be rolled out nationally, and spillover generation (FIAS, 2008). In the case of China, SEZs also quarantined more liberal policies from the command economy that predominated in the rest of the country.

Modern SEZs have broadened their scope. Instead of focusing purely on export-oriented industrial manufacturing, some new special economic zones aim to provide well-run domestic areas that build local human capital. For instance, Malaysia's Multimedia Super Corridor provides support for high-tech industries. Similar tech-oriented SEZs have been developed in Bangladesh and Nigeria. However, compared to first-generation industrial SEZs, there has been relatively little scholarship on these novel zones. Early observations suggest they are not successful (Kobie, 2016).

SEZs, however, face many of the same problems as IPs. Despite theoretical justification, the empirical outcomes have been mixed. Farole and Moberg (2014) review research detailing the failure of SEZs in Africa to generate economic growth. Some scholars even call into question the success of SEZs in China, South Korea, and Taiwan, which are held as the quintessential success cases. For instance, China established SEZs along with its broader Open Door Policy. It is difficult to disentangle how much of China's growth can be attributed to its SEZs specifically. It may be that China possessed a latent comparative advantage in manufacturing that was only coincidentally unleashed by establishing manufacturing-oriented special zones (Alexianu et al., 2018). This implies that mimicking the policy in a country without similar economic fundamentals will fail. SEZs may also initiate a "race to the bottom," leading to worse conditions for workers (Dutta, 2009).

The SEZ literature also faces many similar empirical limitations. SEZs are typically selected based on economic conditions, which makes it difficult to evaluate their impact. For instance, if zones are placed in economically-struggling areas, then these zones may appear less effective than they actually are. Existing studies also fall into the trap of aggregating SEZs into a homogeneous composite variable, then comparing its effects on macroeconomic indicators across countries without accounting for local differences. However, zones are incredibly diverse, both within-country and cross-nationally (e.g., Phiri & Manchishi, 2020), and international comparisons of SEZ performance can obscure insightful relationships. As a country grows its SEZ stock, these zones will also face diminishing marginal returns. That doesn't necessarily mean other countries should not pursue an SEZ strategy of its own, especially if it currently possesses few of them.

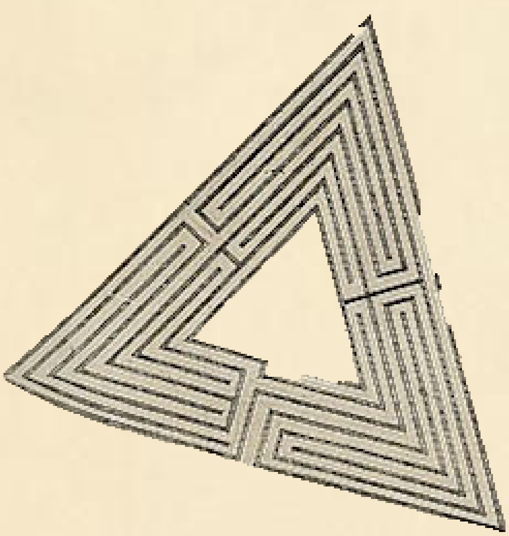
For instance, Frick et al. (2019) used a new dataset of global SEZs to compare zone economic activity with that of the host country. While their analysis controls for some SEZ characteristics, it cannot hope to adequately account for all relevant local differences on a global scale. They also aggregate the outcome into a single measure of economic activity captured by nightlight data. This is not to say that such studies aren't informative, but that additional insights may be found if we pursue more granular research. As an example, in an ongoing project, Bassi et al. (forthcoming) are using granular administrative data to look at how Ugandan SEZs affect firm-level outcomes. Likewise, Brussevich (2020) uses a matching technique and house hold surveys to estimate if Cambodian SEZs create socio-economic spillovers.

Further Research

Charter cities aim to go even further than SEZs. They could be seen as the next-generation of special economic zones or as "Special Economic Zones 2.0" (Bhattacharya & Allen, 2020). Like SEZs, charter cities are motivated to establish well-run and geographically-bounded regions that will draw global resources and build local capacity. If successful, these cities will generate national spillovers and policy learnings that will drive country-level structural changes. At its core, charter cities include all the benefits of SEZs, including infrastructure support and streamlined economic regulation. However, they also more ambitiously experiment with governance and political institutions. For instance, while SEZs may lower tax rates or provide subsidies, charter cities may also provide more effective courts and open borders.

Given their similarities, we would expect lessons learned from SEZs, and from place-based IPs more broadly, to apply to charter cities. This includes questions on the magnitude of spillovers, the identification of latent comparative advantages, the causal estimation of impacts, and the political economy of elite capture. Charter cities also raise new research questions that the extant IP and SEZ literature has ignored, but which may be answerable using their data. In particular, IP and SEZ studies have focused on their impact on economic outcomes and paid less attention to their effects on political and institutional change. Better understanding the political implications of industrial policy would help us better understand the role charter cities can play in broader governance changes.

Examples of Research Questions:
-How did early East Asian special economic zones affect political structures at both the national and subnational levels?
-Can governments use IP to promote service-based or tech-based industries?
-What characteristics of SEZs are most attractive to businesses and investors?
-Why have East Asian SEZs performed significantly better than African or Indian SEZs?
-What leads some countries to effectively scale up successful policies while others fail?



Theme Four:

Cultural Economics

Culture, Institutions, and Economic Development

Few would doubt the influence of culture in economic development. Culture shapes our perceptions of the world, the choices we make, the ways we behave, and the institutions we form. This in turn determines our economic well being and history. However, despite culture's relevance to development, the phenomenon has been difficult to study. "Culture" is a theoretically fraught construct, and studying it within the standard economic framework raises a number of issues.

First, how do we define "culture" in an analytically meaningful and theoretically consistent way? Culture arguably encapsulates a vast set of distinct human characteristics, including "values," "beliefs," "traditions," "history," "law," and "preferences." However, casting a wide definitional net would yield a more accurate but less useful theoretical framework. If culture includes "everything," then it explains nothing. Social scientists continue to debate which features are most crucial in understanding the relationship between culture and development (Alesina & Giuliano, 2015), with many adopting the definition suggested by Guiso et al. (2006): "those customary beliefs and values that ethnic, religious, and social groups transmit fairly unchanged from generation to generation."

Second, the study of culture faces methodological ambiguities. Foremost, how do we measure and quantify culture? More subtly, how do we empirically identify the direction of its relationship to development? Culture is endogenous, meaning it both shapes and is shaped by the institutional context. This ambiguity means that naive observations of culture may obscure deeper mechanisms of geography, law, history, climate, or even accidents. A classic example of this pitfall is the analysis of colonial institutions on development; was it the formal institutions established by European colonizers or the specific European cultural values underpinning them that determined modern wealth levels in postcolonial states (Acemoglu et al., 2001; Dzionek-Kozlowska & Matera, 2016)?

Third, cultural explanations of development can lead to normatively problematic conclusions. At its worst, such research can imply a hierarchy of cultural traditions (Landes, 2000). Overtly cultural interpretations of development lend themselves to erroneous claims of cultural "weakness" in the Global South. Scholars have also levied pragmatic critiques. Critics say that even if we can identify a robust causal effect of culture on economic outcomes, that may not help us generate policies to improve the world. Culture afterall, is difficult to change.

Over the past 10 to 15 years, however, cultural economics is once again at the forefront of development research (Economist, 2020; Acemoglu & Robinson, 2021). This follows from the adoption of new empirical methods and the availability of richer datasets that allow economists to more rigorously interrogate cultural phenomena. A particularly rich source of information has been the World Values Survey, which collects annual nationally-representative surveys in almost 100 countries. This has allowed social scientists to trace how culture and beliefs change over time (e.g., Matei & Abrudan, 2018; Minkov & Blagoev, 2009).

Research interest also arises from a change in mindset. The purely economic, ahistorical, and culture-agnostic approach to development has failed to fully explain real-world observations and broad historical trends (Nunn, 2020; Harrison, 2000). This approach also led to a "one-size-fits-all" style of policymaking, in which successful Western solutions were exported to the Global South. If culture doesn't matter, then good policies should be easier to generalize to other contexts. However, failures in generalizing development policies have demonstrated the importance of understanding cultural context. Last, theoretical advances in behavioral economics, as well as a number of empirically-validated interventions, have made many economists and policymakers more optimistic of our ability to affect culture with policy.

The "new cultural economics" agenda differs markedly from the relatively absolutist approach of classical cultural works, in which cultural traditions were framed as "grand" determinants of social outcomes (e.g., Max Weber's *The Protestant Ethic and the Spirit of Capitalism*, Samuel Huntington's *Clash of Civilizations*, Lawrence Harrison's *Underdevelopment Is a State of Mind*). It also expands on prior research on institutions, in which institutions were treated as blackbox catchalls for both formal rules and informal (i.e., cultural) factors (North, 1991; Acemoglu et al., 2004). Instead, recent works focus on culture as a distinct variable of analysis that may interact with formal institutions to affect development. Likewise, culture is increasingly examined through its constituent parts (e.g., trust, gender norms, family ties, etc) rather than as a comprehensive hardwired tradition. Bisin and Verdier (2017) characterize this trend as a shift from studying the "proximate" factors of growth to the "deep" factors. Specifically, scholars are interested in understanding how institutions shape culture, how culture influences institutions, and how specific cultural traits affect economic choices and their impacts.

In the historical literature, cultural economists have attempted to isolate how institutions can shape culture in the long-run. Lowes et al. (2017) for instance, show how formal institutions may cause weaker social norms. They find that modern descendants of people living in the Kuba Kingdom, a 17th century Central African state with relatively formal legal institutions, were more likely to cheat than those who descended from people living right outside the kingdom's boundaries. Their model argues that the existence of formal institutional constraints reduces the incentive to develop cultural norms that internally restrict undesirable behavior. In another study, Alesina et al. (2013) connect modern cultural beliefs about the acceptability of female participation in the labor market to pre-industrial agricultural practices. Regions that historically relied on plough agriculture, which is relatively physically demanding, had divided labor participation along gender lines. These gender norms persist even in the modern economy. Nunn (2020) and Spolaore and Wacziarg (2013) review further research along this thread. What they show is that contemporary economic behavior is not solely shaped by pure economic incentives or short-term trends. Instead, they are strongly determined by persistent historical experiences that, as Nunn warns, cannot be ignored when designing policies.

The opposite relationship—how culture determines institutions—has been explored as well. This research question attempts to address a key skepticism in the institutional literature. Namely, do institutions matter as much as we think, or are these institutions just functional tools for culture? To summarize a few examples: Gorodnichenko and Roland (2021) use an instrumental variable approach to estimate the effect of individualism on democracy. They find that a one standard deviation increase in national individualism was associated with a four point increase in the Polity IV democracy index. In contrast, more collectivist cultures were more likely to experience autocratic breakdown. In a classic book, Fischer (1989) traces how the cultures of different groups of British colonizers influenced the institutions formed in America. For instance, Quaker settlers helped shape the industrial culture of the Mid-Atlantic. Guiso et al. (2004) find that Italian regions with greater social capital and trust have higher access to institutional finance, including household access to formal banking and firm access to credit.

The other relevant question is how does culture affect development? This line of inquiry has tended to focus on how individually-measured beliefs and values translate into general economic behaviors. Much of the literature has also utilized methods from experimental and behavioral economics to more rigorously estimate causal relationships within a lab setting. Unsurprisingly, perhaps the most studied cultural trait in economics is trust; as Arrow (1972) writes, "Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time. It can be plausibly argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence." Karlan (2005) for instance, finds that those identified as "trustworthy" in a standard experimental Trust Game were more likely to repay loans to a Peruvian microcredit organization.

Researchers have also explored broader cultural traits. Bertrand and Schoar (2006) used national survey data to look at the relationship between family structure and industrial organization, and they find that cultures with strong family ties have more family-run firms (as opposed to meritocratic or impersonal firms). As the authors argue, this may be bad for development as family firms are more likely to be corrupt, to remain small, and to operate less efficiently. Kafka and Kostis (2021) further examined culture from a perspective of change. They find that a shift in European values from "materialism" to "postmaterialism" over the past two decades was associated with lower economic growth. For a more exhaustive review of studies exploring culture and development, see Alesina and Giuliano (2015) and Algan and Cahuc (2014).

Cities and Cultural Change

Arguably, one of the most important drivers of cultural change is the city. By agglomerating people into densely-populated urban environments, cities accelerate the exchange of ideas and facilitate the formation of social networks. This can give rise to lasting prosocial cultural norms that minimize the frictions of urban crowding. Evans (2019) for instance, conducted fieldwork in Cambodia to see how cities affect gender norms. She argues that by offering women more career opportunities, cities raise the opportunity cost of gender discrimination. Similarly, Glaeser and Steinberg (2016) theorize that city-living builds "civic capital." They argue that given the relatively cosmopolitan nature of most cities, urban residents must "consciously invest in their ability to deal with different people in order to take advantage of the opportunities." The crucial mechanism is the deep incentive to form personal connections with others in society. This consequently leads to a more cooperative, inclusive, and "democratic" social equilibrium (Fosset & Kiecolt, 1989; Abrahamson & Carter, 1986). It also recasts the city as a cultural community beyond just physical boundaries (Post, 2018).

Perhaps the most seminal evidence for the cultural impact of cities comes from Putnam et al. (1993). They analyze differences in social capital and trust across 20 regions in Italy, and find that higher social capital led to better governance in North-Central Italy. The key insight is that modern regional variation in social capital (and ergo, governance) is a direct consequence of whether a region had free cities in the 12th century. Free cities were independent and self-governing medieval cities that exercised a form of early participatory democracy. This urban governance structure, Putnam et al. argue, encouraged citizens to develop a culture of belonging and civic community that remains today. In other words, historical experience with specific urban civic institutions can translate to broader cultural changes that have significant consequences for economic wellbeing.This theory has since been formally validated by Guiso et al. (2016).

Miguel et al. (2003) extend the Italian mechanism by documenting a case of rapid social capital formation. They find that place-based industrialization in Indonesia from 1985-1997 led to more NGOs and community groups, higher rates of elders living with children, and lower rates of divorce. However, in contrast to Putnam et al., they find that baseline social capital did not predict industrialization in Indonesia within the study's timeframe.

Further Research

The optimistic relationship between cities and cultural transformation quickly breaks down in the Global South. Unlike Western cities, those in Africa, Latin America, and Asia are often marked by disease, slums, crime, informality, and disorder. D'Aoust et al. (2017) and Venables (2017) point out that African cities are prohibitively costly and spatially disconnected, which prevents industrial agglomeration and the creation of an urban market of ideas. This poses a problem for rapidly urbanizing regions in the developing world, where cultural transformation is an important piece of the complex economic development story. That is, African cities may settle into a low-trust and low-social capital social equilibrium that is self-reinforcing, whereas more effective cities settle into high-trust and high-social capital equilibriums that promote growth (Putnam et al., 1993).

Charter cities can offer a potential solution to this problem. As discussed above, culture and institutions are integral for economic development. The problem for weak institutional contexts, however, is that culture and institutions are mutually reinforcing; to change institutions, we need to change culture, and to change culture, we need to change institutions. Charter cities aim to break this cycle by planting the seeds of broad institutional and cultural change. Their new institutions can generate new social norms and in turn help foster a positively reinforcing cycle of growth. If successful, these norms will hopefully spread throughout the host country. This is not just a byproduct of charter cities, but a key logic. New institutions and governance models will ultimately fail if they are not compatible with the cultural context.

This model extends from Greif and Kingston's (2011) institutions-as-equilibria framework. This approach views institutions as self-enforcing expectations and an emergent consensus, as opposed to an exogenously imposed set of binding rules. The corresponding social equilibrium can arise from historical accident, as was the case for rules dictating which side of the road to drive on, or from cultural beliefs. Consequently, institutions change when the underlying social equilibrium is disrupted. The theory of change undergirding charter cities frames itself as the social disequilibrating shock.

Acemoglu et al. (2021) further argue that we should look at culture in terms of fluid "culture sets" with expansive attribute configurations, rather than as hardwired traditions. They write, "the same culture set can generate many different cultural configurations, each legitimizing and supporting a different type of political arrangement." An obvious case is modern China, which has arguably found a way to integrate into the global "Western" economy without overtly Westernizing its culture. Anthropologists also have a rich literature studying the mechanisms of "glocalization," in which global capitalist characteristics are reshaped to fit in with local culture (Roudometof, 2016). However, approaching cultural transformation and institutional development as such does have its pitfalls. For instance, it opens up the discourse to heavy-handed claims that liberal democracy and liberal norms (e.g., gender equality, religious tolerance) are incompatible with certain cultures.

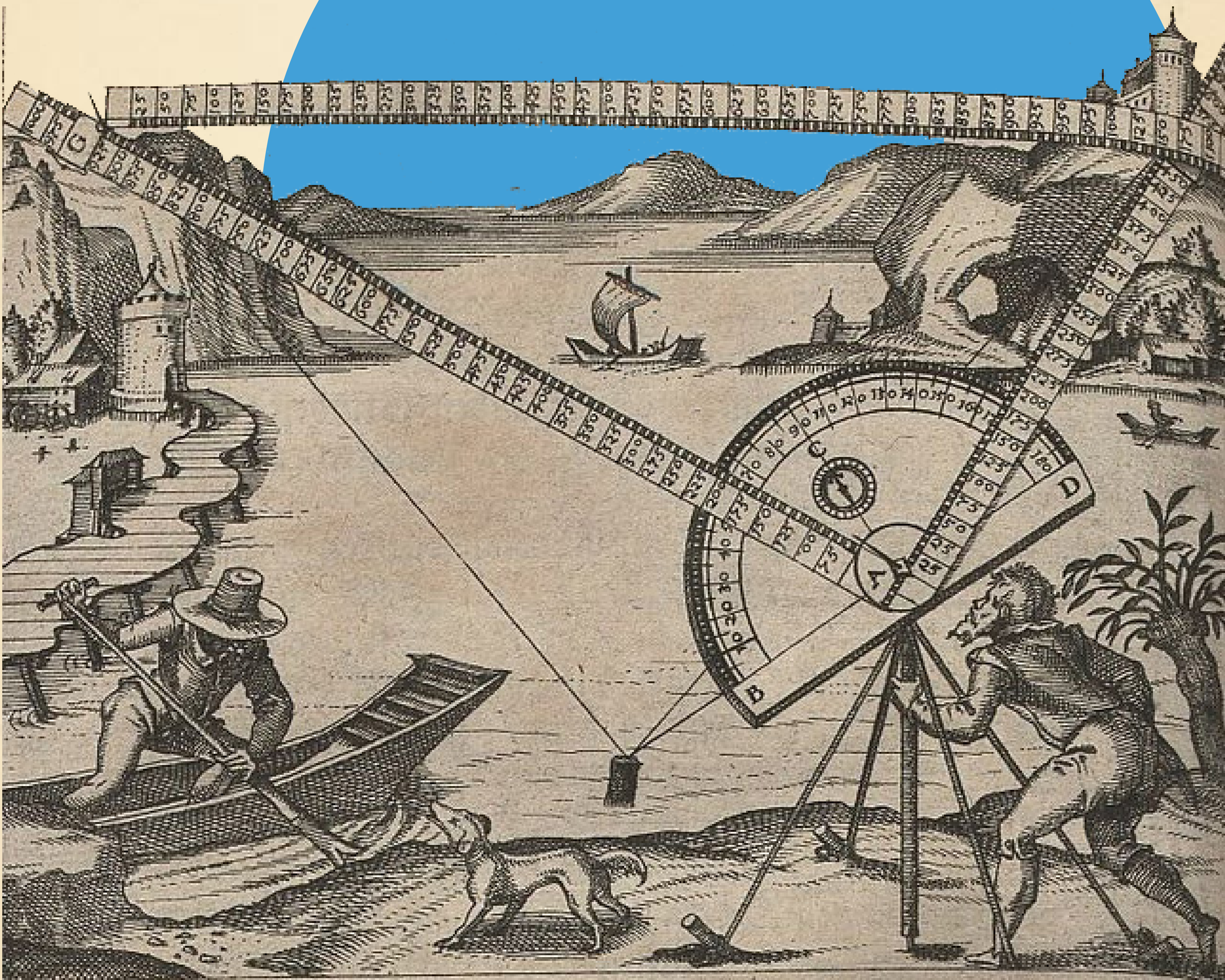
More ambitiously, we can also consider international "cultural spillovers." In some ways, the rapid development in East Asia can be seen as a story of international learnings. Lee Kuan Yew, for instance, has said that Japan's industrialization during the Meiji Restoration served as a roadmap for Singapore's transformation (Zakaria, 1994). Singapore in turn has become a model for many developing countries in Southeast Asia. Others have also pointed to the emergence of a global and universal liberal culture (Lopez-Claros & Perotti, 2014). Similarly, our hope is that charter cities can initiate broader regional change across the Global South, beginning at the local level of the city.

This is all to say that (1) cultural transformation is relevant for economic development, (2) many countries across the Global South are locked in a vicious cycle of bad institutions and growth-inhibiting cultural norms, (3) cities are promising agents for culture change, and (4) charter cities have a role to play in encouraging a new social equilibrium. This theory of change raises a set of research questions that require further exploration.

Examples of Research Questions:
-Do African cities incite or soften ethnic tensions?
-How have colonial institutions influenced modern trust?
-Do cultural traits affect urban crime across the Global South?
-Can cultural change minimize corruption? To what extent is corruption institutional or cultural?
-Can innovative forms of local governance (e.g., special economic zones, industrial parks, charter cities) result in more rapid cultural transmission?
-How does culture affect neighborhood characteristics and urban design?
-How important are social status symbols to urban development (e.g., car and home ownership)?

Theme Five:

Urban Geography and Economics



Charter Cities as Urban Policy

The relevance of urban geography to charter cities should be clear. Charter cities are a policy aimed at generating broad economic growth in the Global South through novel, well-designed cities. Despite national ambitions, charter cities are manifested on the local level as new urban environments with their own communities. These cities must be livable so that they can attract the people and firms needed to become drivers of economic growth. This means planning well, providing efficient transportation, implementing incentives for economic agglomeration, helping residents feel safe, and making local governance more accountable. Charter cities, as new master planned cities, may also be a more cost-effective approach to addressing certain urban problems than retrofitting existing infrastructure (Collier et al., 2018; Fernandes, 2011).

In this section, we review the key policy problems facing cities in the Global South. Understanding these issues will help charter city implementers anticipate and react to common urban challenges present in the developing world context. However, it is not within the scope of this paper to exhaustively review the urban geography literature. Rather, our goal is to demonstrate the importance of urban geography and economics to understanding both local conditions in developing cities and economic productivity more broadly.

We also focus on the experiences of cities in sub-Saharan Africa. While cities across the Global South face substantial urban problems, these issues are arguably amplified in the African context. Today, Africa is the fastest urbanizing region in the world, and it is expected to add 950 million people to its cities over the next 30 years (OECD & SWAC, 2020). African cities are also less productive and more fragmented than comparable cities in other Global South regions (Venables, 2017). Despite this focus, charter city implementers and researchers should, of course, still concern themselves with the unique urban geographies of non-African developing cities.

The Urbanization-Productivity Gap in Africa

Recent evidence suggests we are experiencing a divergence between urbanization and economic growth in the Global South, especially in sub-Saharan Africa (Gollin et al., 2016; Fay & Opal, 2000; Page et al., 2020). In many African countries, cities are growing without a comparable increase in industrialization and income, which creates an “urbanization-productivity gap.” This contrasts with the experiences of Europe and East Asia, where urbanization has historically been accompanied by greater productivity.

The causes of the divergence are not clear. Many scholars have rooted the problem in so-called “premature urbanization,” implying that African cities are growing too quickly for these cities’ level of development (Gollin et al., 2016; Henderson & Turner, 2020). When Latin America was as urbanized as Africa is today (in 1950), the region had a GDP per capita of $1,860 (2005 USD). The Middle East was similarly at $1,800 (in 1968), while East Asia averaged a GDP per capita of $3,600 (in 1994). In contrast, Africa has an average GDP per capita of only $1,000 (Page et al., 2020). According to Page et al. (2020), low GDP per capita means that African cities struggle to generate enough public and private investments to industrialize or build urban infrastructure. However, while the "premature urbanization" hypothesis may offer a macroeconomic explanation for why African cities perform poorly, it doesn't explain why urbanization is taking place so rapidly. More importantly, it doesn't explain how policymakers should respond.

Gollin et al. (2016) attempts to answer the first question. Their research suggests that economies dependent on resource exports are able to raise incomes independent of industrial production. This incentivizes urban economies that rely more on consumption than productivity, relative to cities in countries not as dependent on raw resources. In essence, those collecting rents from resource exports demand urban amenities, which are fulfilled by low-income urban migrants working in non-tradeable labor sectors. Consequently, employment in more productive tradable sectors contracts, since demand shifts labor towards service industries. Other scholars have pointed to a difference in incentives for rural-to-urban migration in Africa compared to the rest of the world (Lagakos, 2020). The standard economic theory of urban migration says better job opportunities and wages "pull" people into cities (Harris & Todaro, 1970). Urban migrants in sub-Saharan Africa, however, may also be heavily influenced by "push" factors. Fay and Opal (2000) argue that conflict and declining global agriculture prices may have driven rural populations towards cities. More recent research has shown that climate change is also increasingly driving African rural-to-urban migration (Henderson et al., 2017).

Building Adaptive Cities

To answer the other question—how should we respond to the urbanization-productivity gap?—we should look at cities themselves. This is not to say that macroeconomic interventions cannot help address the challenges of African urbanization. Rather, we argue that localized urban policy interventions are more tractable. Phrased another way, instead of trying to slow African urbanization through macroeconomic policies, we can design cities that adapt to it more effectively. It follows that this will require relatively more city-specific solutions.

One of the largest microeconomic causes of the African urbanization-productivity gap is spatial fragmentation (i.e., difficulty in accessing all parts of the city due to low connectivity in infrastructure and urban sprawl) (Venables, 2017). The main economic benefit of cities is agglomeration, since it helps firms and people access each other. However, African cities are 23% more fragmented than those in East Asia and Latin America (Page et al., 2020). This inhibits urban agglomeration, as firms find it more difficult to access markets or to learn from their competitors, and people struggle to access jobs, healthcare, education, and other urban amenities. Stokenberga and Gonzalez (2021) go as far as to say that fragmentation, as represented by low transit connectivity, is one of the main constraints to health and educational improvements in African cities. Fragmentation also makes cities more costly by raising transportation, infrastructure, utilities, and other costs of service provision. Nakamura et al. (2019) for instance, find that African cities are 25 to 28% more costly than they should be given their income levels. Breaking this down, they find that housing is 55%, transportation is 42%, and communications is 46% more costly than we should expect.

Poor local policies also exacerbate the non-economic social costs of urban density by, for example, worsening traffic congestion, air pollution, crime, and contagious disease. Cullen and Levitt (1999) find that urban crime drives out educated residents in US cities, and Biagi and Detotto (2014) document the negative impact of crime on tourism in Italy. On pollution, Fan and Grainger (2019) find that a 1% increase in air pollutants ($PM_{2.5}$) in China decreases the number of hours worked by 1%.

Many of these issues are exacerbated in the fragmented cities of Africa and the Global South more broadly. Yet, as Bryan et al. (2020) note in their literature review on developing cities, the social costs of African cities have been relatively underexplored. Rather, they argue that much of the urban economics literature has focused on the developed world. This poses issues for policy-making, as solutions suitable for the Global North may not apply in the South. For instance, Bryan et al. (2020) suggests that the failure of congestion pricing in London may not be replicated in Global South cities. More recently, Gendron-Carrier et al. (2021) find that underground subways in polluted cities have yielded greater economic benefits in the form of reduced mortality from air pollution than they do in less polluted cities.

Further Research

Drawing from the research agenda established by Bryan et al. (2020), we propose four research sub-themes in urban geography and economics that most directly relate to CCI's model of charter cities.

Urban Agglomeration

First, we need to better understand the local determinants of urban agglomeration in Africa. Although Bryan et al. (2020) highlight the substantial evidence showing the generalized economic benefits of agglomeration, they also note that "for most developing world cities, the pressing policy questions are smaller." African urban policymakers, and by extension charter city implementers, need to know how to make African cities more productive with targeted urban planning and policies. Bryan et al. (2020) suggests looking at how transportation networks and regulatory changes can incentivize less fragmentation and more efficient firm agglomeration.

While there is already a large literature of economic agglomeration in formal markets, there is less attention paid to the agglomeration effects of urban slums and informal markets. That is, why do slums form, how do they evolve, what benefits (and costs) do they bring, and what policies can improve them? These are particularly relevant questions for the study of Global South urban producitivity. Marx et al. (2013) pessimistically characterize slums as poverty traps, and note that past efforts at land reforms and infrastructure upgrading in informal settlements have largely failed. Yet, in some contexts, targeted urban policies may help generate productivity and human capital in informal settlements. Zanoni et al. (2021) use a fuzzy regression discontinuity model to find that an infrastructure upgrading program in Uruguayan slums led to some reduction in student absenteeism. Even Marx et al. (2013) admit that slum policies may be effective if holistically paired with "big push" investments and governance reforms.

Costs of Urban Density

Second, we need to develop tools to curb the social costs of urban density and crowding (e.g., congestion, crime, contagious disease, etc). Crucially, when it comes to these challenges, charter cities must differentiate themselves from the urban dysfunction prevalent in many cities of the Global South. If charter cities are as crime-ridden, polluted, and crowded as other cities, then they cannot fulfill their role as attractive engines of economic growth or as initiators of broad institutional and cultural transformation.

Land Use

Third, charter city implementers must be conscious of land use policies. Cities are inherently spatial entities, so their effectiveness is dependent on how land is allocated. For instance, while a linear model may predict increased public transit will increase welfare by reducing commute times, they can also have negative distributional consequences when examined spatially. Tsivanidis (2019), for example, finds that while the bus rapid transit system in Bogota led to a 20 to 40% gain in welfare, it also increased segregation between high and low-skilled workers. Revealing these nuances was only possible when taking into account the spatial land use patterns of the infrastructure.

Relatedly, land rights allocation and formality plays a substantial role in the fragmented nature of African cities. When land rights are obscure, cities are incentivized to "build outwards" in order to avoid land-related conflict or legal disputes. Reforming these policies, however, can increase government revenue and improve the government's ability to plan effectively. Rwanda's digitization of land titles, for instance, led to a five-fold increase in land-related public revenue (Dercon et al., 2019). Interestingly, land rights can be structured in a variety of ways, and the implication of these models are not always clear. China, for instance, uniquely grants the majority of land ownership to the government. Rather than selling land to private owners, the government sells the right to use the land over a fixed term. This allows for more effective centralized urban planning, but at the tradeoff of potentially misallocating resources. Singapore has followed a hybrid model, in which the government offers subsidized housing to its citizens in the form of long-term leases. While land ownership is still possible, over 90% of Singapore's land remains government-owned (Economist, 2017). How would similar top-down land policies work in Africa?

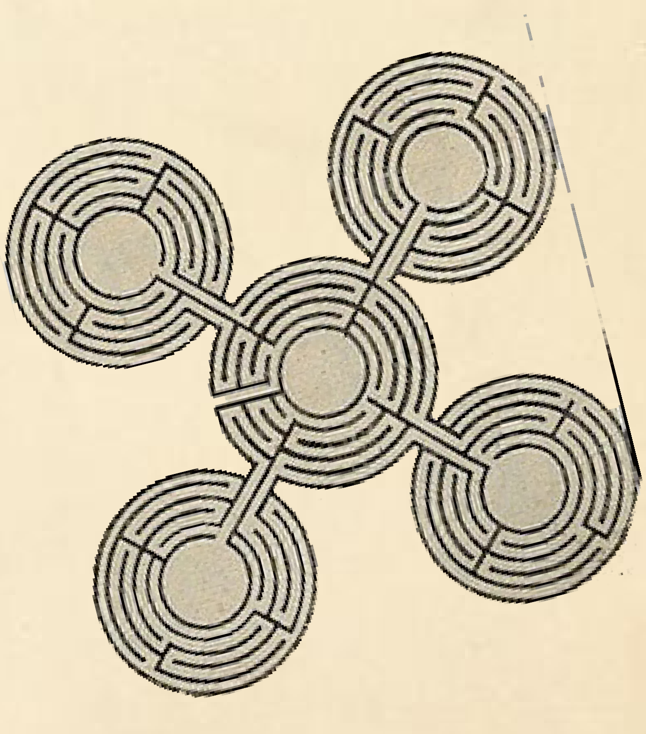
While reforming national land rights may be a difficult task, charter cities do offer a policy blank slate to test new ownership models. Understanding the successes and failures of existing structures will help inform this process. In the current charter cities model for instance, real estate developers are incentivized to manage effective cities by being given the opportunity to profit from future land value increases. However, a similar structure in Hong Kong, in which the transit agency is able to profit from property rents, may have incentivized the restriction of accessible land. This arguably contributes to Hong Kong's housing shortage. What implications does this have for the charter cities model?

Urban Politics

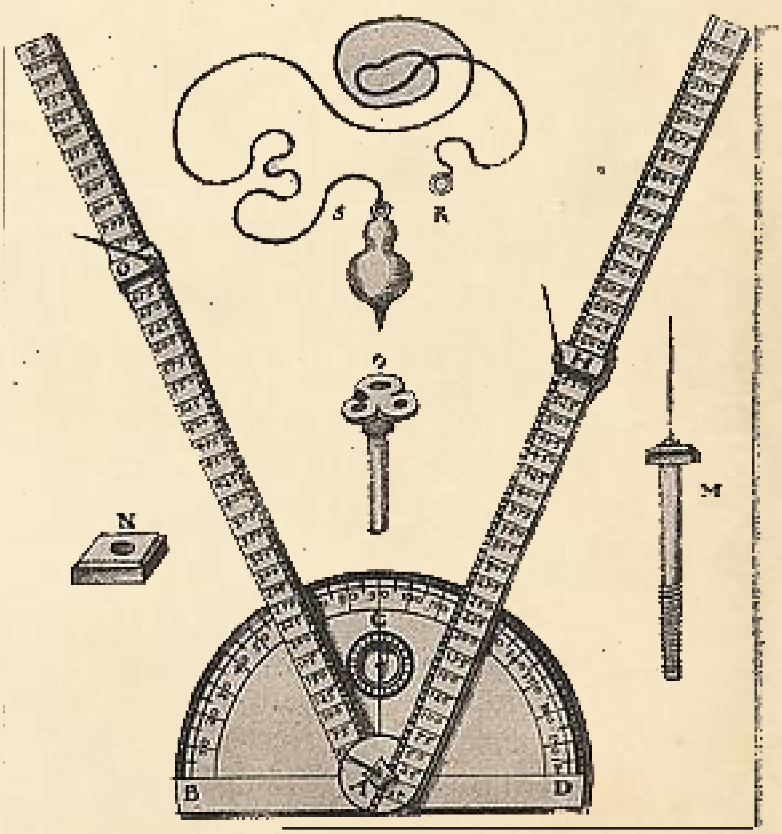
The final sub-theme is politics. Arguably, the way cities are configured, both in their demographic composition and physical organization, is consequential to how effectively people are governed. For instance, Post (2018) reviews classical works theorizing the relationship between urban agglomeration, ethnic diversity, and politics. Urban heterogeneity has prompted some scholars to predict ethnic-based political conflict to follow from greater urbanization, while others more optimistically expect cities to encourage tolerance for diversity, and by extension, democracy. Byran et al. (2020) also note that dictators are more likely to face revolutions in urbanized countries. In either case, the structural form of cities have consequences for political dynamics. As Alison Post (2018) notes, this is particularly true in the contemporary period, in which more empowered municipal governments have become a more important bridge between the citizenry and the state.

Bryan et al. (2020) also discuss the role of public management in urban outcomes. This concerns questions around making urban governments in developing world cities more effective at managing public services and collecting revenues despite lower state capacity. It also concerns the choice to distribute service responsibilities between public and private entities; while private firms are theoretically better incentivized to provide effective services, Bryan et al. (2020) note that the empirical evidence has been mixed. The role public-private partnerships can play as a middle road approach is only recently being explored by scholars.

Examples of Research Questions:
-Do transit corridors incentivize economic development in African cities?
-What is the productivity impact of urban crime in African cities?
-How can public-private partnerships mobilize private sector resources when public sector capacity is low?
-How does use rights vs. freehold ownership affect economic outcomes?
-How does the form of land acquisition (e.g., eminent domain, public purchasing, etc) affect the prospects of urban development?
-Do push and pull urbanization induce the same 'types' of individuals to migrate to cities, or do they incentivize migration in different subpopulations?
-How does land-use regulation (heavy vs. light regulatory approach) affect economic outcomes?



Conclusion



Charter cities are an interdisciplinary and multifaceted policy aimed at transformational change. While charter cities focus on creating economic growth with effective institutions, they also touch on urban planning, infrastructure, governance, culture, political economy, finance, public health, global development, trade, and numerous other domains. As such, developing successful charter cities requires drawing from multiple areas of expertise. In this document, we identified the five research themes that we believe are most relevant for the charter cities agenda: (1) new cities, (2) decentralized governance, (3) industrial policy and special economic zones, (4) cultural economics, and (5) urban geography and economics. This list is not exhaustive, but they offer a starting point for those interested in this emerging space of charter cities research.

This agenda was motivated by two goals. First, we wanted to unify the heterogenous charter cities agenda around a core set of research objectives. Otherwise, we risk generating disparate insights that may not fit well together. By identifying research priorities, future charter cities research can better inform a cohesive policy. We believe this is useful not just for the Charter Cities Institute's research team, but for the charter cities agenda in general.

Second, we recognize that there are inherent difficulties to researching charter cities. The fact is that no true modern and fully mature charter cities exist, which means there is no data to analyze or case studies to emulate. Most charter cities research outputs have therefore been limited to conceptual theoretical arguments, and the policy is in need of more rigorous empirical analysis. This agenda outlines a "components approach" to researching charter cities that can hopefully lead to more empirical findings and evidence-based policy prescriptions. If we can't directly study charter cities, then we should study its key components individually. These components provide preciseller, more accessible research questions and richer sources of data with which to answer them.

The Charter Cities Institute is always interested in collaborating with external researchers. If interested, please reach out to us at info@cci.city

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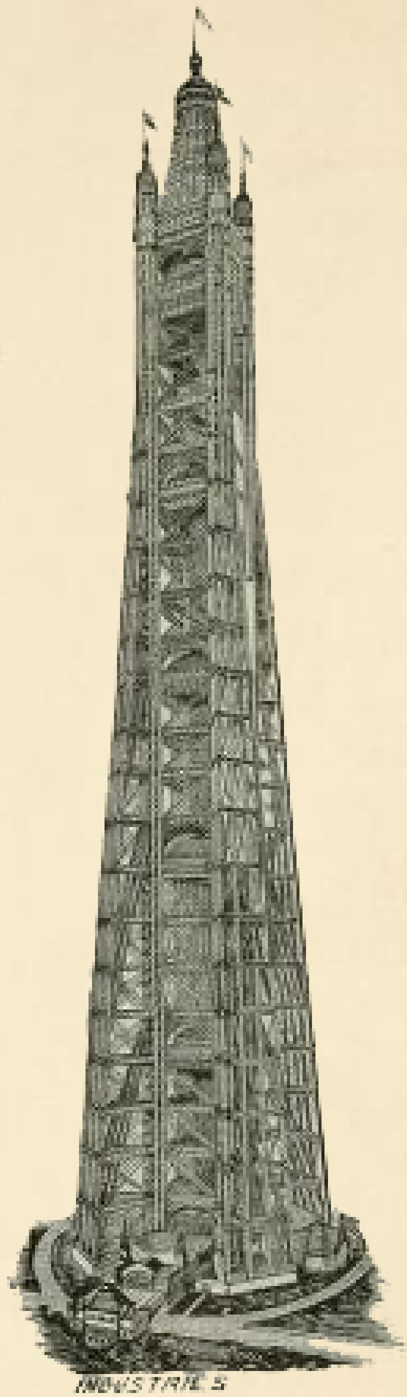

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