

## CASTLES IN THE AIR

Relevant for: Indian Society | Topic: Urbanization, their problems and their remedies incl. Migration & Smart Cities

The Nobel Memorial Prize in Economic Sciences awarded jointly to William D. Nordhaus and Paul M. Romer for their respective contributions in integrating climate change and technological innovation into macroeconomic analysis is interesting. Both laureates designed methods for addressing questions related to creating conditions for “long-term sustained and sustainable economic growth”. While Mr. Nordhaus is credited for creating a quantitative assessment model that analyses the relationship between economy and climate, in Mr. Romer’s case, it is for his pioneering work on “endogenous growth theory” that highlights how knowledge and ideas drive economic growth.

Mr. Romer, who was till recently the chief economist of the World Bank, has gone beyond the realm of theory and become a man of action in attempting to implement some of his economic ideas on the ground. Building on his theoretic work on economic growth, he has been championing the creation of “Charter Cities” — new cities with distinct rules that foster innovation and economic growth. These are characterised as “start-up cities” that experiment with reforms by breaking out of the existing state system. Since the nation-state is too big a unit to try out new rules, Mr. Romer proposes built-from-scratch cities as the ideal site at which new rules and institutions are introduced to attract investors and residents.

The idea of “Charter Cities” should be of interest to developing countries such as India grappling with strategies for rapid urbanisation. Mr. Romer has been proselytising leaders from developing nations to create “Charter Cities” by setting apart tracts of uninhabited land for this civic experiment. The host country is required to enact a founding legislation or a charter that lays down the framework of rules that will operate in the new city. A developing country can host the “Charter City” in its territory by “delegating” some of the responsibilities of administration to a developed country.

Predictably, Mr. Romer has come under immense criticism for promoting what seems to be a thinly disguised version of neo-colonialism. Poorer countries are urged to make a Faustian bargain: relinquish sovereignty over certain territories ostensibly in exchange for economic growth. But he justifies his grand plan by arguing that unlike colonialism, which was coercive, “Charter Cities” offer choice: people have the freedom to decide to move into it. Based on their preferences, individuals can “vote with their feet”. However, they do not have the right to vote to decide how the city is run. Hence, “Charter Cities” go against the basic principles of democracy and citizenship.

The presence of foreign governments in administering “Charter Cities” is not just incidental but intrinsic to this grand scheme. In a TED talk, in 2009, Mr. Romer remarked that British colonial rule in Hong Kong “did more to reduce world poverty than all the aid programs that we’ve undertaken in the last century”. Hong Kong is relevant also because it was Deng Xiaoping’s inspiration for creating a set of special economic zones in China in the 1980s. However, Mr. Romer has been less successful in evangelising world leaders to adopt his idea. His first attempt to introduce “Charter Cities” in Madagascar in 2008 collapsed when the President who favoured the idea was greeted by violent protests and finally removed in a coup. The next attempt, in the Honduras, also failed as the Supreme Court there, in 2012, declared the creation of “Charter Cities” to be unconstitutional.

Given its neo-colonial trappings and poor track record, “Charter Cities”, as an idea, should have

been fundamentally unattractive for a country such as India. Nevertheless, an editorial in a leading Indian business daily urged the Narendra Modi government to take the idea seriously and drew parallels with the Presidency Towns of British India. Commentators have also suggested that emerging economies (India and China) can create and govern new cities on their own. The model of a built-from-scratch city often cited in this regard is the Songdo International Business District in South Korea. However, this eco-friendly “smart city” with the best of hi-tech amenities is threatening to be an underpopulated, lifeless ghost town.

India’s experience in creating new cities with parallel rules and governance systems has also been fraught with conflicts. Lavasa, a city near Pune which was developed by a private company, has been caught up in environmental disputes for many years. The Dholera Special Investment Region and Gujarat International Finance Tec-City, which were initiated by Mr. Modi when he was Gujarat Chief Minister, have not really taken off. The various investment regions housed within the Delhi-Mumbai Industrial Corridor have also made slow progress. The initial idea of creating 100 new cities as “smart cities” has been reformulated as a programme for redeveloping merely a small portion of existing cities.

Initiatives such as “Charter Cities” seek to supersede the politico-economic institutions in the global south by building cities on a *tabula rasa* — a clean slate. The guiding logic is that creating built-from-scratch cities with parallel rules and institutions can drive economic growth. What is most alarming about such thinking is the assumption that it is possible to create sanitised technocratic cities uncontaminated by politics. It ignores the pre-existence of multiple social and political claims over space in these supposed clean slates. Despite the failure of many such new cities and private governance regimes, the allure of creating grand castles in the air refuses to die down. Such initiatives need to be challenged for both their ignorant and implausible premise as well as their iniquitous normative framework.

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