

Charter cities would destroy the UK

<https://www.taxresearch.org.uk/Blog/2025/01/28/charter-cities-would-destroy-the-uk/>
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Charter cities are a right-wing fantasy. They're being prompted by the same people who gave us the economics of Liz Truss. And they'd be even more harmful than she was.

https://www.youtube.com/watch?v=kHC2qp7tloQ?si=nFvJjxL_Vqj9q-FS

This is the audio version:

https://www.podbean.com/player-v2/?i=78q57-17d2b68-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

What are charter cities, and why are right-wing think tanks so excited by them?

It's a question that needs to be asked because the Institute for Economic Affairs in the UK, the think tank that brought you Liz Truss's economic policies, is now talking very heavily about the need for charter cities in this country.

So, because they appear to have influence and Labour appears to be jumping on any mad right-wing idea coming out of Tufton Street right now, I think we need to talk about charter cities.

There is no great mystery to what a charter city is. Think about Hong Kong, and you will understand what a charter city is. It's a small territory carved out of a bigger jurisdiction.

It has its own government.

It has its own laws.

It has its own taxes.

And the whole supposed benefit of a charter city is that these places can promote growth in a way that the country as a whole cannot.

I've got to tell you, I think the whole idea is not just mad but dangerous and deeply destructive.

Let's just sit back for a minute and think what it is that these people say is so good about charter cities. Their argument is that if we have charter cities, these places can compete against each other. So, Newcastle, as a charter city, will compete against Southampton, which will compete against Cardiff, which will compete against Glasgow. That's literally what they mean. They want each of those cities - and of course, there are plenty of other places that could become charter cities - to have their own governments.

They want them to have their own rules for electing politicians.

They want them to have their own tax laws.

They want to have their own trade laws. They want them to have their own tariff systems.

They want them to have their own employment laws, their own types of company, and everything else that you can think of.

And the aim, let's be blunt, is very simple. What they want to do is have these cities compete with each other. And the competition is to reduce regulation to the greatest possible degree.

We are already seeing Labour buying into this idea. They are reducing the regulation of monopolies in the UK.

They're now going to abandon audit reforms so that we get less information and less good quality information from companies because they think the consequence will be increased growth even though there's a risk of major failure for investors.

We are seeing the degradation of tax laws in our enterprise zones and free ports.

We are, therefore, seeing these things already creeping into UK thinking. Spread them into the idea of charter cities, which compete with each other to produce this lower level of regulation because nobody is going to compete to increase the level of regulation, and we will get the most bizarre outcomes.

First of all, there will be jobs moving into the charter cities and out of the rest of the country because it will be cheaper for employers to employ people in these places, and employment protection regulation in these places is going to be a lot lower than in the rest of the country and therefore that's where employers will want to take people on.

You can guarantee the corporation tax rates, the tax that is charged on companies' profits, will be lower in these places.

You can almost be certain that there will be reduced regulation on things like environmental issues, and on perhaps the use of certain dangerous components or ingredients or whatever in the construction of products.

What we're going to see is abuse. And that is what this whole thing is about.

If these ideas were so good, they should be happening throughout the whole country. But they're not good, of course. They're actually about trying to pioneer a system whereby we end up with something much worse than we get if the country as a whole was exposed to these things.

The narrative is that competition is great, and therefore, these places will pioneer the path for everywhere else. But actually, they won't. What they will do is transfer wealth from the rest of the country into these places where the gain from that wealth will not go to the employees who are located in whether it might be Newcastle, Southampton, Cardiff or Glasgow, but instead, it will be passed on to those people who own the businesses in those charter cities.

This is about the concentration of wealth. It is about an abusive system. It is about undermining the organisation of national government. It is about actually destroying the ability of a national government to control the economy of the place for which it is responsible. Pass over the control of taxation to these cities, and you will not have a coordinated macroeconomic policy. You won't have a stable currency. But of course, the people who are promoting these places are also dedicated to the idea of Bitcoin as a currency, which is equally destructive of our well-being.

And they are also determined to undermine the role of the elected politician, and that, of course, is what this is all about.

They are trying to undermine the role of central government.

Now, I don't mind if Scotland becomes independent because that's totally different from a charter city. There is an identifiable, historical country called Scotland, with its own

traditions, its own laws, its own education system, and so on.

Well, I don't mind if Wales becomes independent because, again, it's already a country.

And I'll say the same of Northern Ireland, whether as an independent place or as part of Ireland as a whole.

But what I do object to is the idea that we can actually create individual city states within the UK, whose sole purpose is to destroy effective government in this country.

And let me just explain what I mean by destroying effective government in the whole country.

Let's just come down to some basic issues. For example, let's suppose a charter city has does allow the use of ingredients in the making of food which are not permitted elsewhere. We would, therefore, need to have tariff barriers or control barriers or customs points between that charter city and the rest of the country so that those goods which are made in Newcastle but are unacceptable in Southampton could be blocked from going from one to the other.

Let's suppose the VAT rate in Cardiff was lower than the VAT rate in Glasgow. There would be an export from Cardiff and an import to Glasgow, and each of those places would have to account as if they were independent countries with their own international accounting systems to manage the different VAT rates between the two.

Suppose there are different corporation tax rates between these different cities. Let's now create a new range of cities. Let's have Norwich and Plymouth and Aberystwyth - it's a city after all (*NB: It is not - I got that wrong*) - and let's put in Edinburgh. Why would they then be able to trade freely with each other when what we know is that one of them might set themselves up as a tax haven to undermine the rest, and therefore all the controls about tax haven abuse would have to be put into place in each of these cities if they were to collect the tax owing to them?

In fact, as I'm beginning to demonstrate, with all these impediments to fair trade that would be created by these so-called charter cities, we would not see the flourishing of free trade. We would actually see massive increases in the regulatory burdens upon business. Unless everybody said the lowest common denominator rules will apply, in which case, one city is bound to create those lowest common denominator rules and henceforth, the whole system would collapse and taxes wouldn't be collected and employment wouldn't be regulated and we would have no control over the food or whatever else it is that we might consume because of the materials that would be put into them.

If that's the future, if this is the right-wing vision for this country, it's a nightmare.

Administratively, it's a nightmare for democracy.

It's a nightmare for economic control and the value of the pound.

It's a nightmare for the future of taxation and the welfare state.

It's a nightmare for employees who will not be protected.

It's a nightmare for the control of the rule of law because there will be so many laws in so many cities, which will be so different, that there will be massive disputes as to which law applies to which contract, where. All of this is actually simply designed to destroy our system of government and management of an economy for the well-being of all.

That is the goal of the Institute of Economic Affairs in promoting this idea. That is their dream, and we have to oppose it. Because If we believe in democracy, if we believe in economic management for the benefit of everybody, if we believe in fair competition and we believe in low regulation, which charter cities would destroy, then we have to say no to charter cities and do so very loudly and very strongly.

And if Labour begins to even think about the idea, they should have no future in government and nor should any other party that embraces this idea.