

# Charter Cities and de-democratization in neoliberalism: the case of Honduras

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**ABSTRACT:** This paper analyzes how recent processes of de-democratization resonate, materialize, and sustain themselves in the urban context of Latin America, focusing on the phenomenon of Charter Cities. I argue that the city and urban development play a central role in political struggles and that understanding disputes over territory is crucial for grasping the particularities of the crises of democracy in the Global South.

**KEYWORDS:** Charter Cities, De-democratization, Neoliberalism, Latin America.



## Charter Cities e a desdemocratização neoliberal: o caso de Honduras

**RESUMO:** Este artigo analisa como os processos recentes de desdemocratização ressoam, se materializam e se sustentam no urbano, no contexto da América Latina, a partir do fenômeno das Charter Cities. Argumento que a cidade e o fazer urbano exercem um papel central nas lutas políticas, e que entender as disputas pelo território é fundamental para apreender as particularidades da crise da democracia no Sul Global.

**PALAVRAS-CHAVE:** Charter Cities. Desdemocratização. Neoliberalismo. América Latina.

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## 1 Introduction

This paper analyzes how recent processes of de-democratization resonate, materialize, and sustain themselves in Latin America's urban context, focusing on the specific phenomenon of Charter Cities. American economist and Vice President of the World Bank, Paul Romer proposed Charter Cities as a developmental project for the Global South. In his vision, an independent third party should rule new urban zones built from scratch. To do so, they would gather experts to draft a governing charter founded on pro-market principles. This would make the new cities largely independent of the legal codes and norms of the host country. To reflect on what this could mean for developing countries' democracies, I take Prospera, the first Charter City in Honduras, as a case study.

Understanding the urban as a social relation (LEFEBVRE, 2008a), this paper argues that the city and city-building play a central role in political struggles. Beyond its function of organizing the production and reproduction of capital, the urban can foster social practices advantageous to the ruling class, contributing to the dissemination of hegemonic ideology and practices. Therefore, the hypotheses guiding this work is that the control and privatization of urban space occupy a central place in a neoliberal project of de-democratization in post-colonial countries, both for its role in capital reproduction and its capacity to articulate specific world-views normatively and spatially.

Since the beginning of the century, various studies have emerged about de-democratization, democratic crises, or post-democracy, in attempts to explain the corrosion, weakening, or regression of liberal democracies in various countries under neoliberal hegemony. Several of these works, such as those by Colin Crouch (2011), Wendy Brown (2019, 2015), Pierre Dardot, and Christian Laval (2017, 2019), have had a significant impact in the field of social sciences. However, most of them address the reality of countries at the center of capitalism. In Latin America, the debate about the global wave of de-democratization in the 21<sup>st</sup> century heated up with the receding of the "Pink Tide" and the wave of coups that followed in the region: against President Zelaya

in Honduras (2009), against Lugo in Paraguay (2012), and Rousseff in Brazil (2016), not to mention more recent events. Since then, numerous studies have been published seeking to understand how the Global South fits into the global scenario of de-democratization, many of which rely on the works of some of the aforementioned Northern authors.

Literature from the Global South suggests that while Global North theories have greatly contributed to understanding neoliberalism as a global hegemonic governmentality, they fall short in explaining the Latin American reality due to its distinct peripheral political-economic logic, shaped by a colonial past and profound social inequalities (BALLESTRIN, 2018; MIGUEL, 2022, 2018). Thus, localized geographical studies are crucial for scrutinizing the generalizations of global theories. Importantly, adopting a local perspective on a global phenomenon does not imply simplification or isolation but rather aims to acknowledge the complexity inherent in specific realities interconnected with national and global systems.

As this paper aims to demonstrate, the form of neoliberal authoritarianism emerging in Latin America, exemplified by the Charter City project, differs from the authoritarian neoliberalism discussed in Global North literature. The case study reveals that territorial disputes, often overlooked in Northern literature, are pivotal in the implementation of neoliberal policies in the Southern region. Furthermore, state violence and the direct influence of foreign corporations play crucial roles in controlling territory—in a configuration historically specific to Latin America. In the peripheral context of Honduras, corporate power over the state and territory did not stem from public debt conditions (STREECK, 2016) or corporate power infiltration in political institutions (CROUCH, 2011), but rather from the exploitation of regional vulnerabilities on an international scale. The “top-down” implementation, under an authoritarian regime, underscores that fostering a neoliberal subjectivity (BROWN, 2015) is secondary to the implementation of anti-democratic, free-market Charter City projects in Honduras. In this case, popular will was consistently disregarded

in decision-making processes and at times suppressed through state and private violence.

The article is structured into two main sections: a theoretical framework and a case study analysis. In the theoretical section, we provide a concise review of the literature on urbanization's political imaginaries, followed by a brief overview of neoliberalism and its impact on democracy. Subsequently, we present an instrumental case study: an analysis of Prospera, the first Charter City in Honduras. This case study offers significant insights into the implications of neoliberal projects in the Latin American context. By juxtaposing theoretical foundations with empirical findings, the article aims to illuminate distinctive features of neoliberal authoritarianism in Latin America, highlighting the centrality of territorial disputes and the roles of state and foreign corporations.

## **2 Political Imaginaries of Urban Space**

Space has not often figured in democratic theory, yet political imagination has been a constant driver for idealizing urban space. As urban historian Giulio Carlo Argan puts it, "Every ideal city is more political fiction than an architectonic one" (ARGAN 2005, p. 244).

The urban imaginary can only be understood in parallel to the institutionalization of political rationality, one that in modernity is linked to the emergence of liberalism, industrialization, and urban planning as a technical practice. Therefore, I argue that the idealization and configuration of urban space are central to social organization itself.

Without any intent to recreate the history of cities and urbanization, it is possible to affirm that the dominant urban imaginary is associated with pre-modern ideas about the place of conviviality, commoning, and political making, largely derived from classical associations with the Greek polis. In that sense, the city is imagined as the natural place of order and the state, in direct opposition to what is wild, barbarian, or 'uncivilized.'

Urbanization, however, is a recent concept that emerged in the mid-19<sup>th</sup> century. Urban planning becomes professionalized

as cities become the object of total planning through a technical approach for the first time. Ildefons Cerdà, responsible for the Barcelona City plan, coined the term. In the following passage, Cerdà (1867) explains his motivations for employing the word urbanization:

These are the philological reasons that induced me to adopt the word Urbanization, not only to indicate any act that tends to group buildings and regularize its functioning in the group already formed but also the set of principles, doctrines, and rules that must be applied, so that the building and its grouping, far from compressing, distorting and corrupting the physical, moral and intellectual faculties of social man, serve to promote its development and vigor and to increase individual well-being, the sum of which forms public happiness. (CERDÀ, 1867, p. 30)

Cerdà's conception can be interpreted, as Pavoni and Tulumello (2023) did, as a technopolitical imagination of the city. Such imagination affirms the necessity to embrace urbanization as a technology for the betterment of society and the moral flourishing of men. For him, those responsible for the technical advancement of urbanization are the descendants of the great Greek, Roman, and biblical civilizations – the peoples of Western Europe. Cerdà (1867, p. 142) claims that once European explorers visited the “Orient,” they noticed that “urbanization there was completely halted... [urbanization] did not happen there because there they did not have civilization.”

This brief digression highlights an important element of the social imaginary of urbanization. It evokes primarily Western references and builds on dualisms hostile to those epistemologies outside the dominant political rationality. That is, the dominant imaginary of the modern city – built through urban planning – is not inclusive of Indigenous peoples, those who have been racialized or colonized, and those persistently identified with the “uncivilized” category.

Colonial and post-colonial city planning underscores modern urbanization as a civilizational tool. Building cities brought the material conditions for the fixation of a bourgeois class and, at

the same time, granted access to modernity itself (SEVCENKO 1998). Despite geographical location or pre-colonial history, the European city is taken as the universal model for human development, which demands a total abstraction of social space. Colonial space becomes an ahistorical, clean slate platform over which the modern urban plan and its normativity are imposed (PAVONI; TULUMELLO, 2023). Therefore, the colonial space, seen as an emptiness of civilization and rationality, is an essential element to justify the violent colonial incursions that at first glance would have seemed contradictory to the emerging liberal project.

This interpretation of the imaginary of urbanization aligns with readings of modernity that describe it as a period of “total rationalization” (TAYLOR, 2004). Modernity, as founded by contractualism, is a social imaginary of contingency, ordering, control over nature, and contention of uncertainty. But it also serves to reaffirm a specific rationality and civilizational ideal deeply rooted in Western society. By seeking a universal reason in universal science, modernity denies rationality as a social construct, posing its own idealization of reason as truth itself (CASTORIADIS, 1985).

The idea of truth expresses itself as a quasi-Darwinist notion of human technical progress. Development comes to mean infinite growth, and progress is measured linearly with an idealized image of Western society as its horizon. As technology assumes a status of “good in itself,” other ideals of human engineering and rational planning emerge as universal solutions for human life, as somehow already signaled by Cerdà’s idea of urbanization.

In the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, this imaginary continued to flourish. One evidence is the growing popularity of “new cities,” imagined as a technical solution to shape a better society, in alignment with specific political ideals. Famous examples include the cooperativism-oriented Garden City by Ebenezer Howard in 1886; Frank Lloyd Wright’s 1930s Broadacre City representing equitable democracy; and Le Corbusier’s hyper-compact dispersion models, which were supposed to respond to modern life’s demands. Thus, city-building was articulated as a form of total planning applied to the problems of social modernity (COLLIER, 2011).

Charter Cities can be understood as a contemporary reinterpretation of new cities, with one fundamental change. Charter Cities no longer abstract just social relations or historicity to make space a tabula rasa for intricate urban design. They fully abstract space itself as the central element of society-building. The innovative urban shape and architectural designs, once seen as technological advancements capable of changing society, no longer center the attention of urban investors and developers. Of course, technology and technosolutionism (MOROZOV; BRIA, 2019) remain significant selling points. But it is Law, capital flow regulations, and trading norms that come forward as the main objects of design, in alignment with an emerging neoliberal rationality.

### **3 Neoliberalism and De-democratization**

Neoliberalism is a complex concept with multiple and competing definitions. Two interpretations seem predominant: one influenced by Foucault and another that builds from political economy. Both offer different explanations for contemporary de-democratization theories.

Foucault (2004) describes neoliberalism as a governability and rationality developing around a project of “legal interventionism.” Unlike classical liberals, who viewed the state as an arbitrator or limiter of the market, neoliberals see the state as a producer of the market. Therefore, the essence of neoliberal governmentality is the maintenance of the economy where the state governs *for* the market, blurring the clear distinctions between these spheres as posited by classical liberalism. Consequently, “Neoliberalism should not be identified with laissez-faire but with the permanent vigilance, activity, and intervention [of the State]” (FOUCAULT 2004, p. 132). This form of governance transfers market competition’s logic to all spheres of the political and social world, aiming to build a society entrepreneurial in nature, where inequality is not only natural but essential for the functioning of the competitive market.

Building on the works of Foucault, Brown (2015, 2019) and Dardot and Laval (2016, 2018) use the term “de-democratization.” Wendy Brown (2015) characterizes de-democratization as the

erasure of democratic values from politics. This process has been occurring under the pressure of financial markets and through the emergence of neoliberal rationality, whose competitive, market-oriented, and individualistic values are rebuilding social relations and the state itself. Dardot and Laval (2019) emphasize the role that supranational judiciary frameworks play in promoting the dominance of private law over collective guarantees and democratic decisions. This results in increased privatization of services, the establishment of competitive regimes that undermine working and social reproduction conditions, and even the abandonment of the egalitarian-participatory ideal.

Both Brown (2015) and Dardot and Laval (2019) interpret democratization broadly, defining it beyond their political institutions and popular vote. The authors expand their definition to include the sociological dimension of the constant pursuit of greater equality through social rights expansion, linking democracy to its effective outcomes. Thus, de-democratization takes on its opposite sense, encompassing non-linear, multidimensional, intra- and extra-institutional processes that contribute to dissolving social and political equality.

Shifting to the neo-Marxist perspective, in this framework neoliberalism appears as a phase of capitalism. According to David Harvey (2005), at the neoliberal stage, multinational corporations successfully instrumentalize the state through governance agencies, buying influence in politics (through bribes, lobbying, vote buying), media control, and increasing spaces of action for Non-Governmental Organizations.

A distinct aspect of neoliberalism is its acceptance as a world order, capable of organizing capital's interests hierarchically across countries. Therefore, neoliberalism is seen as a bourgeois project of accumulation and domination, involving transnational macroeconomic policies reflected, for example, in the Washington Consensus, international institutions, and world trade agreements. Through a multitude of organizational levels that range from global to local, neoliberalism has continuously expanded the realm of exchange value as a form of social domination, resulting in society's intense commodification. This subjugates all social relations

to the interests of private capital, including democratic processes, notions of participation, and citizenship.

Still following a political economy perspective, Colin Crouch (2011) coined the term “post-democracy” to describe the contemporary period of democratic failure, founded on an observation of the British case. In the neoliberal system, elites and corporations have accumulated extensive political power, allowing them to impose their private interests through threats of disinvestment. Additionally, the state itself succumbs to neoliberal ideology, transferring more responsibilities to the private sector and adopting utilitarian methods in the implementation of public policy. Consequently, popular demands become less relevant and have little capacity to impose themselves, hollowing out the democratic process. Wolfgang Streeck (2017) provides a similar analysis within the context of the European Union. His central thesis is that the privatization of public debt provides a political advantage to private capital holders, now transformed into the state’s creditors. This power shift allows the increased imposition of policies in private corporate interest, regardless of electoral outcomes.

Foucauldian and Marxist readings are not necessarily mutually exclusive and can be complementary. However, what seems to evade both of them is the global power asymmetry over which neoliberalism operates, something that Slobodian (2018) and Whyte (2019) bring to the forefront of the analysis.

Slobodian (2018, p. 6) suggests that “the real focus of neoliberal proposals is not on the market per se but on redesigning states, laws, and other institutions to protect the market.” He further states, “What neoliberals seek is not a partial but a complete protection of private rights over capital and the ability of supranational judiciary bodies [...] to override national legislation that might disrupt the global rights of capital” (2018, pp. 12-13).

In their search to protect private capital, one of the most radical proposals advocated by neoliberals in the post-war period was the end of the nation-state. In its place, they suggested the creation of a global federation, or a “global constitutionalization” of capital, led by members of former European empires. Neoliberal thinkers were concerned about international disorders that could emerge

with the disintegration of the old empires. Such anxiety fostered alternative ideas to maintain the global hierarchy within the new international order. Their goal was to prevent new nation-states from establishing regimes that could weaken the free market, whether through redistributive social policies, protectionism, or the planning of non-capitalist economies. The envisioned solution was simple: the creation of a legal infrastructure that would allow capital to overcome borders, operating in its own “normative space.”

The end of the nation-state is, of course, not a simple goal. However, neoliberal thought managed to influence the creation of an increasingly articulated supranational infrastructure over the decades, independent of the national sphere.

This same thesis is articulated by Whyte (2019), who highlights the shift from the old empires’ civilizational agenda to an economic one. Newer vocabulary surges to articulate this shift in the international legal environment. Instead of “civilization,” terms like human rights, liberal democracy, and free market were used to posit a universalist moral framework. A change in semantics justified the endorsement or at least complacency of the international community towards military and economic interventions “to bring democracy” to countries perceived as “backward.” In this imaginary, as described by Whyte, civilization is equated with economic development and economic development is defined as an environment attractive to the investment of private capital. This leaves democracy itself hollowed out from key significations, such as the capacity for self-determination or even the ability to collectively decide on an economic agenda.

The 20<sup>th</sup> century initiates a planetary process of temporal-spatial and financial-informational reorganization (HARVEY, 2005), which tends to be centered on the infrastructure of urban centers and their conditions of articulation with global capital. Despite being global, this process occurs at different speeds and patterns. The Global South is generally characterized by enormous internal and external inequalities, accentuating tensions between political power, capitalist economic reproduction, precarity, and urban violence. As Henri Lefebvre (2008 [1968]) writes, the city

of the 20<sup>th</sup> century has become the center of political power and capitalist reproduction. The “urban underdevelopment” of the Southern region becomes an investment opportunity for foreign capital conglomerates.

The number of new cities and special economic zones in the South starts to peak as urban zones become essential for the neoliberal financial-informational economy. A significant urban phenomenon of the early 20<sup>th</sup> century, new cities return as a solution to perceived underdevelopment. However, as already mentioned, while new cities of the past were an attempt by the emerging field of urbanism to redesign society through innovative urban forms, the new cities of the 21<sup>st</sup> century rely on the design of legal infrastructure to achieve the same goal. The present challenge is to create normative spaces for capitalist financial market development, following the neoliberal doctrine that pointed to legal boundaries as the decisive trench for capitalism’s survival (SLOBODIAN, 2018).

The possibility of developing urban areas with foreign capital and implementing legal regimes tailored to favor a free-market economy becomes a powerful strategy for the expansion of neoliberalism in the South. Additionally, they serve a rhetorical-ideological role by reimagining the urban future from a neoliberal capitalist perspective. One of the most radical projects to date is Charter Cities (CC), with its most concrete realization being the city of Prospera in Honduras.

#### **4 Charter City Prospera: The Case of Honduras**

Charter Cities (CCs) are presented as a developmental solution for the Global South, inspired by the colonial regime of Hong Kong (ROMER, 2010). They entail the construction of new cities constituted by their own governing norms – a charter – making them partially independent of the country in which they are located. The Nobel laureate in economics and vice-president of the World Bank, Paul Romer, is the precursor of the idea.

The goal of a CC is to create a special economic zone with differentiated regulations. Experts would design this charter to

favor foreign investment and economic development. These regulations include their own labor, environmental, and urban planning laws, special tax regimes, and even their own justice system. The latter point is crucial, as Romer believes that countries in the Global South are socially prone to having bad rules and not ensuring contracts (ROMER, 2010, p.6). Moreover, Romer proposes that political-democratic rights, such as direct elections, should be suspended. Since all administrative decisions and budget allocations are made in advance by experts, there is no need for popular participation. Hence, Romer suggested that residents should “vote with their feet,” leaving the city if the regime is unsatisfactory, something akin to changing banks.

The consequence is reducing political rights to consumer rights. It becomes evident that CCs emulate various aspects of neoliberal rationality and governmentality. However, CCs can be appealing as they address real social demands like safety, employment, and economic growth – even though they do so through an authoritarian repertoire. After all, their veneer of legitimacy comes from their exceptional nature. The proposal is not to occupy entire countries, nor to create these territories by force. They are portrayed as innovation sandboxes, small special zones for investment and governance experimentation.

Ample criticism surged, pointing out the neocolonial aspects of Charter Cities, as well as skepticism about their feasibility (CHAKRABORTTY, 2010; WETHERELL, 2014). Yet, the project took root in Honduras.

Juan Orlando Hernández, President of the National Congress, and Porfirio Lobo, then-President of Honduras, invited Paul Romer to lead a Charter City project in the country, shortly after the coup d'état in 2009 (SPANN, 2014). In February 2011, the Honduran Congress passed a constitutional amendment to enable Charter Cities in Honduras, which at that time were called *Regiones Especiales de Desarrollo* (REDs). In July, the governance statute for REDs was approved (HONDURAS, 2011). According to this document, REDs were special zones with broad administrative, fiscal, legal, and regulatory autonomy, provided with a transparency commission appointed and overseen by the President. In 2012, the

Honduran government reached an agreement with MGK Group<sup>1</sup> to develop the first RED (MASON, 2022). This agreement was made without Romer's knowledge or the involvement of the transparency commission, leading to Romer's abandonment of the project (MALKIN, 2012).

However, in October, the Honduran Supreme Court declared the REDs unconstitutional in a 13-1 vote, stating that the law violated Honduras' territorial integrity, sovereignty, and independence, consequently dissolving the agreement with MGK (DOHERTY, 2012). Shortly after, in December, Congress removed four of the Supreme Court judges who had voted for the unconstitutionality of REDs. Hernández, the President of Congress, appointed replacements aligned with the government's plan (ARCE, 2012). The move was described as illegal by commentators. Less than a month later, in January 2013, a new constitutional amendment was approved without any consultation or social participation, amid fierce opposition from indigenous islander communities (BURGOS, 2021a, b; MOLINA, 2021). The Zonas de Empleo y Desarrollo Económico (ZEDEs) were established, with an almost identical text to that of the REDs (HONDURAS, 2013).

The first ZEDE in Honduras was named Prospera and registered by the company Prospera LLC, based in Delaware, a tax haven in the United States. Its main investor is NeWay Capital, a financial group based in Washington, DC. This company, in turn, is linked to the Tipolis Inc. group, led by Titus Gebel. Gebel is a German economist, founder of the non-profit organization Free Private Cities, and author of a homonymous book promoting private cities as a solution for those dissatisfied with national states' rules (GEBEL, 2018). Alongside Gebel, the project attracted entrepreneurs associated with neoliberal and libertarian activism, including the then-president of the Hayek Institute and prominent figures in the cryptocurrency space (MASON, 2022). The ZEDE was implemented on indigenous lands without consultation with the Garifuna people

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1 A company associated with Michael Strong, a well-known libertarian. See: DOHERTY, 2013.

(despite legal prerogatives) and faced widespread opposition (ALFORD-JONES, 2017).

Prospera, the first ZEDE in Honduras, embodies many of Romer's ideals. The new city is an autonomous zone both financially and administratively, with its own governance system. The city is managed by non-elected councils and even features its own justice system. A private court for conflict resolution was developed and operates under rules distinct from the national legal system. Furthermore, Prospera's court functions through a software created by an investor and advisory board member of the same company that manages the ZEDE.

Legal experts point out that a significant number of constitutional protections have been weakened, such as guarantees of free speech, protections against forced labor, discrimination based on gender and race, and even the right to Habeas Corpus (CARASIK; INGRAHAM; MARTIN; QUESINBERRY; SULLIVAN, 2014). Land ownership is one of the most undermined rights, as the regulatory decree stipulates that "no precautionary measure shall be implemented that prevents or delays land expropriation" (HONDURAS, 2013). Expropriations must be compensated monetarily, but only in cases where there is a formal title of ownership, and even then, decisions cannot be appealed.

The mechanism is widely unsatisfactory, considering that a significant portion of the land appropriated for the ZEDes belongs to indigenous populations, such as the Garifuna, whose land ownership is often informal (CARASIK, 2024; CARASIK; INGRAHAM; MARTIN; QUESINBERRY; SULLIVAN, 2014). As traditional occupants are displaced, luxury condominiums by international "starchitect" Zaha Hadid are being built to replace the traditional fishing communities. Prospera is a new city, but more importantly, Prospera is a normative innovation, semiautonomous from Honduras and oriented towards the interests of a transnational class of investors.

There is yet another dimension to how ZEDes constitute a long-term vector of de-democratization. Their legal form is supported by a Honduras-United States bilateral agreement (CAFTA-DR). This agreement protects U.S.-origin investments, which is the case

for Prospera (MASON, 2022). Therefore, even though Honduras elected the socialist Xiomara Castro in 2022, who is vehemently opposed to ZEDEs, the national government is unable to dissolve the agreement with NeWay Capital without facing indemnity proceedings. Additionally, ZEDEs have vested rights under the Honduran constitution. Even if the legislation is repealed, which would also require joint efforts from Congress, all concessions will continue to exist for the minimum duration determined by their establishment contract, which is 10 years. While this entire process is lengthy and cumbersome, three new ZEDEs are already under construction, firmly anchoring the de-democratization process in Honduran territory.

### **Concluding Remarks**

Neoliberalism has been consistently linked to democracy's decay, whether from a political economy, sociological, or historical perspective. These perspectives provide valid contributions and are not necessarily mutually exclusive, at least in their core claims. Neoliberalism is a strategy of accumulation pertaining to a specific stage of capitalism and has constituted a mode of government by infiltrating and reshaping social institutions. In turn, social institutions act on subjectivities, contributing to the creation of a specific form of rationality and social valuation. In general terms, these perspectives demonstrate that as a political project, neoliberalism has been incompatible with egalitarian, emancipatory notions of democracy from its beginning.

The case of Honduras points to the continuous process of hierarchical "othering" accused by the critical literature on modernity, post-colonialism, and historical perspectives of neoliberalism. Those construed as "others" lie outside what the dominant rationality has defined as civilized, rational, and capable of (a specific kind of) progress. Such a 'backward' label ensures a more radical form of interference. This is why the historical perspective on neoliberal thought and institutional advancement presented by Slobodian (2018) and Whyte (2019) is so relevant to understanding the neoliberal unfolding in post-colonial realities.

The neoliberal project of a “global constitution of markets” does not treat the globe as a board of equal players, presenting distinct roles for countries in the North and South. As Slobodian points out (2018, p.146-182), early neoliberals vigorously advocated for the international division of labor and argued that Southern countries lacked the “moral infrastructure” or “intellectual development” necessary to thrive under a democratic regime. This approach to the Global South perpetuates itself in hegemonic institutionalized neoliberalism, producing policies and governance models based on cultural, political, and economic domination, often wrapped in a cloak of “development”, as perfectly exemplified by Paul Romer’s ideas.

The proposal to create Charter Cities with a pro-market normative environment, partially autonomous from their host country, is probably the closest existing model to the capital-insulating legal framework idealized by neoliberalism. The project of small city-states in countries with low state capacity and international influence is particularly suitable for capital in its financial form. We must consider that the infrastructure of financialized capitalism is heavily informational-communicational and relies less and less on national industrial production or its connection to trading routes. In this new stage of capitalism, what makes cities – or any geographical space – attractive to capital is their normative configuration. Desirable features include laws and regulations favorable to the circulation of money, such as special taxation regimes and flexible labor laws. The material condition of the urban form, land quality, or even location become a secondary aspect. This change paves the way for bold urbanization projects that have nothing to do with improving locals’ access to urban infrastructure. Outside the axis of central economies, these projects serve to expand “investment opportunities” in the South, where historical conditions have built unequal power relations, weak democracies, and often deficient urban and social systems.

Thus, the possibility of urbanization by neoliberal capitalism in the South takes on a particular character. In the North, neoliberal urbanization has often been described as “spaces of consumption and the consumption of spaces” (BRENNER, MARCUSE, MAYER,

2012; BRENNER, THEODORE, 2008; LEFEBVRE, 2008B), employing mechanisms of creative destruction and promoting housing market bubbles. However, in the South, neoliberal rationality goes further, creating radically anti-democratic enclosures in their legal nature. What is at stake is not just gentrification, but more radical, less nuanced forms of accumulation by dispossession, where the state itself is an agent – not just a tool – and the main victims are traditional populations whose ways of living are on the margins of capital.

The case of Prospera shows that the process of de-democratization by neoliberalism has elements that both corroborate and escape global theories. On the one hand, the Honduran de-democratization process is intimately linked to the expansion of private control over public democratic interests through judicial means, as pointed out by Dardot and Laval (2016). However, these legal mechanisms have both a national and a supranational origin. At the national level, they were perpetrated by Porfirio Lobo's administration, which came to power through anti-democratic means. At the international level, they were perpetuated by economic trade agreements, which reduced the capacity of his democratically elected successor to act.

De-democratization in post-colonial contexts, where democratic rule is still susceptible to military coups, does not require all the subtlety implied in the hollowing out of democracy depicted in the global literature. Authoritarian governments can act more freely through violent repression and explicit dismantling of state institutions, as was the case in Honduras. Furthermore, despite being in the interest of an economic elite, the ZEDEs have not advanced through the purchase of corporate influence in the media or parliament, as described in the English case by Crouch (2011). Nor do they seem to have any connection with Honduras' public debt, which is only 43% of GDP<sup>2</sup>, unlike the German case studied by Streeck (2017). Moreover, the ZEDE approval process took place with total disregard for popular will, demonstrating a

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2 Even though that figure has been growing year by year. Data by Statista (STATISTA RESEARCH DEPARTMENT, 2024).

certain limit to Brown's thesis (2015), which points to the neoliberal antipolitical rationality emanating from the people as central to de-democratization.

Finally, none of the studied authors is attentive to the trend of creating territorial zones with normative autonomy from the national state and the possible consequences of this process for politics. Therefore, Prospera highlights a central feature of post-colonial, southern sociopolitical realities: the pervasiveness of open state violence against minority populations, disrespect for democratic institutions, and inequality in access to citizenship and constitutional rights.

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