
The Hong Kong Policy

A strategy for 'free enterprise zones'

by Lonnie Wolfe

Like the generals of a plundering occupation army, the bankers and real-estate interests that run New York have devised a plan for the nation's bombed-out urban areas. The plan, called the "Urban Free Enterprise Zone," is embodied in legislation recently introduced by Reps. Jack Kemp (R-N.Y.) of Buffalo and Robert Garcia (D-N.Y.) of the South Bronx.

The Kemp-Garcia bill prescribes tax breaks and similar devices to attract low-wage, labor-intensive industry to locate in devastated and abandoned urban areas. Its key point of saleability to the gullible White House is its "free market" orientation: it is low cost and emphasizes job creation through the private sector. The plan has already received the tacit endorsement of the administration, and Kemp's office expects a full endorsement to come some time in the fall. New York City's mayor, Ed Koch, was among the plan's earliest and loudest backers.

Almost any 20-block ghetto area could qualify for enterprise-zone status. Kemp's office openly boasts that their plan would turn the nation's ghettos into "thriving" economies modeled on the low-wage, dirty-money economy of Hong Kong.

Fabian authorship

The plan was developed by and for the same British banking networks that run Hong Kong. Its originator and loudest proponent is Peter Hall, the former chairman of the British socialist Fabian Society. Hall relayed the plan to Conservative Chancellor of the Exchequer Sir Geoffrey Howe, who passed a version of it through Parliament last year. Conservative Howe and Fabian Hall collaborated on pushing the plan in the United States as proposed policy for the Reagan administration, dispatching Hall's associate Stuart Butler to the Fabian Society's conservative trojan horse, the Washington, D.C.-based Heritage Foundation. Butler worked with supply-side proponent Kemp on drafting the legislation and selling it to the White House. Hall himself was brought in last winter and stationed at the University of California at Los Angeles to help direct implementation of the Butler-Hall plan.

As Hall described the enterprise zones at a Heritage Foundation-sponsored conference in Washington last fall, they represent "guild socialism." The model for the zones is the kind of work-camp economy described in Jeremy Bentham's *Panopticon*. Butler emphasizes that the concept is small, low-wage shops, like the sweat shops in Hong Kong, where unskilled workers can be recycled at barely survival wages.

Butler and the framers of the bill hope that the poor will eventually create self-sufficient communities, insulated from the rest of the city. As such the Kemp-Garcia proposal represents the ultimate in the "community-control" schemes devised by the Ford Foundation and others in the 1960s.

The bill would designate such areas as "free trade zones," opening the door to Hong Kong-style foreign investment. A company could locate light assembly operations in the zone, taking advantage of the cheap labor and tax breaks, and then export its product for further assembly or for sale without paying any duty. Butler prefers a variation of this—contracting out such assembly to small enterprise zone-based companies. Other sources note that such arrangements are notoriously used as money-laundering investments—as Butler and his cothinkers privately admit.

Sources in the real-estate industry expect major benefits, even before the legislation is passed. Currently, real-estate values in such places as New York City's South Bronx are, in real terms, zero; yet they are kept on the books at inflated values. The promise of the enterprise zones is expected to trigger a new speculative boom in these worthless property titles.

Butler and his Fabian colleague Peter Hall would prefer that the legislation creating the zones wipe out the minimum wage, rent control, Social Security requirements, and so on. Kemp's office is more practical. They say that such measures, however desirable as a "social experiment," would politically jeopardize the bill. Already the AFL-CIO has denounced Kemp-Garcia, and additional opposition might paralyze the bill. In a nearly six-month mark-up process, the more politically odious components of the Hall-Butler plan were discarded. Kemp's office adds that many individual zones may decide to "democratically" waive such things as the minimum wage once the zones are in operation.

This pared-down bill is now scheduled for congressional action some time in the fall. If Kemp's schedule holds, the enterprise zones could be created nationally by 1982. Even if that doesn't occur, efforts are under way in several states to create zones modeled on the Butler-Hall plan. Already such legislation has passed the Connecticut legislature. If the national Kemp-Garcia bill gets bogged down, Ed Koch's backers plan to have a "New York State" bill introduced.