

CONCLUSION

Dynamic urban order and the rise of residential clubs

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The first conclusion we wish to draw from this collection of papers is that private neighbourhoods are beyond doubt a highly significant feature of post-modern urbanism. They are a global phenomenon, they signify a distinct shift in the way cities are organised, they represent an extreme decentralisation of decision-making, they create new socio-spatial divides, their popularity has spawned a commodified neighbourhood industry, they create micro-territories with their own local constitutions, they represent a new model of collective action in the coordination of demand for public goods, they break down traditional social geographies and create new ones, they provide an alternative model for financing civic goods, they do for home buyers what the package-tour industry has done for individual holiday buyers, they enhance the conspicuousness of home-based consumption, they alter patterns of urban insecurities and they create new micro-societies.

For all these reasons and more, they should be taken seriously and studied for their potential impacts on cities and societies. The authors in this book have chosen to emphasise these themes and issues in various ways. Some are pessimistic in their overall assessment of the effects of gating; others are more optimistic. One of our purposes in compiling a range of commentaries from writers taking contrasting perspectives is to challenge readers to reflect on the differences in approach and, in particular, to distinguish between normative and positive arguments; private and social cost considerations; behavioural, action-oriented, discourse-oriented and structural analysis; deterministic and methodologically individualistic institutional analysis; local and global explanations and prognosis; and short- and long-term analysis. In the following section we select some of the key themes in the book and reflect on the importance of time in the analysis of urban change. Then we consider the configuration of local and global factors that have contributed to the rise of the residential club as a popular institution of urban governance. Finally, we conclude with some reflections on the complexity and entropic nature of urban evolution.

Stasis or dynamism?

Virginia Postrel (1999) has suggested that the old left-right ideological divide is being replaced by a division based on a preference for stasis versus dynamism. Some people are more comfortable with change than others. This also amounts to saying that people take positions on the basis of what time frame to use in assessing social costs and the need for government intervention. This cuts several ways. Sustainability as an ideology demands an intergenerational time frame and urges restraint on present consumption for the sake of future consumers. On the other hand, threats to present order are often considered within short time frames that give inadequate consideration to the ability of social systems to adapt.

Evan McKenzie's analysis of US common-interest developments (CIDs) illustrates well the importance of the time frame (McKenzie 2003). It stands out among the more pessimistic commentaries because of its focus on the current operational problems of contractual communities and the problem of spiralling private, as opposed to social, costs. But its context is historical and dynamic in the sense that it conveys something of how institutions of the state and the private neighbourhood co-evolve. From what McKenzie has so far observed, he is not convinced that public and private institutions will be able to control adequately and allocate fairly the costs of running private cities. He notes that state laws are emerging which, for example, attempt to keep CID litigation out of the public courts and require developers and homeowners' associations (HOAs) to reserve adequate reinvestment funds. But privatopia through McKenzie's lens still looks like a costly model of organising urban society. One implication of his argument is that the phenomena may be short-lived. Once individuals discover just how costly it is in real terms (taking into account the probability of having to take or fight legal action, including eviction proceedings, and the likelihood that the costs of CID litigation will become increasingly internalised within the sector and therefore passed on to CID residents) then CID popularity may wane. More than this, where future private costs are not adequately planned for, private neighbourhoods may implode with bale-out costs to the wider public. The crucial variables in this analysis include the degree to which the costs of HOA litigation and reinvestment can be internalised within the industry and the degree to which the state needs to regulate. The latter includes the regulation of municipal governments by higher authorities to mitigate the dangers of municipal-government opportunism. The time frame is crucial to any analysis of the institutions governing the private-neighbourhood industry. Over time, McKenzie's commentaries have shown us that things are getting both better and worse. The number of horror stories about HOA governance and private regulations grows with the number of CIDs – leading to a critique of HOAs as 'shareholder democracies' (Glasze 2003b). On the other hand there is a better understanding of the failures of the private governance market and a growing raft of laws to address some of these. Detailed accounts of the problems that eventually give rise to new state laws,

and of those that for one reason or another do not, are essential. What really matters in the long run is the degree of institutional responsiveness, the institutional gaps that may emerge, the reasons for and consequences of those gaps and the costs of supporting these institutions. It is possible, for example, that the legal infrastructure needed to support private urban government may be as cumbersome and costly to society (or more so) than that needed to support public government. In the end the main advantage offered may be greater choice of local government – for those who can afford it. But as the industry matures and explores ever more sophisticated products it may be that private cities grow in size (including by merger, partnership and federation of non-contiguous communities) and that choice and competition diminish. What we would then be left with is something that looks very much like conventional public government.

Fred Foldvary's optimism about such matters rests on his libertarian ideology. Voluntary government over urban affairs is, for him, better than coercive government. The high private cost of private governance is a matter for individuals to assess and markets to sort out over time. He would want to compare these costs with the hidden costs of publicly governed neighbourhoods – which are largely unknowable. Herein lies an interesting challenge to the position Foldvary represents. Faced with the full costs of managing their own affairs, including the costs of private mediation, private courts and infrastructure renewal, residents may prefer to offload some of these responsibilities back to the state. Given the freedom to choose between private and publicly governed neighbourhoods, homeowners may choose to free-ride, or to cherry-pick liabilities, keeping those that are within their means and offloading those that are not. This is a prognosis consistent with the political economy of public-choice writers and sits a little awkwardly with a strongly libertarian position. The same tension is there in the analysis of the social costs of private neighbourhoods that so many writers make so much of. Individuals may be expected to prefer forms of socio-spatial organisation that minimise the balance of net social costs they themselves bear. The markets in gated communities around the world have arisen with little acknowledgment of any social costs that may be imposed on other communities such as displaced crime and displaced traffic (interestingly, the issue of displaced tax spend should in principle be a positive spillover effect – unless, of course private communities are so successful at lobbying for tax exemptions or reductions, or at cherry-picking liabilities, that the net value of tax-funded urban services in publicly governed areas goes down). The welcome given to consensual local government by libertarians and indeed by the millions of homeowners now living in private neighbourhoods must be tempered, therefore, by an honest appraisal of the net social costs and benefits borne by wider society. It is true that equally consensual means of tackling some of these externality problems may emerge. Walls and gates are a consensual (market) solution to supplying security to a group of well-off Santiago residents, for example, but the development of a rich community abutting a poor community creates positive externalities of employment and service

opportunities. Such locational externalities can be captured by individuals through private (voluntary) labour contracts (poor people working as maids and gardeners) and through loyal patronage (rich people patronising the services supplied in the poor neighbourhood) (Salcedo and Torres 2004). Contractual solutions to negative externalities caused by gated communities are less easy to find or imagine. This is so because of time and space dimensions. The problems of displacement, fragmentation and disruption are typically alleged to be longer-term social costs and the only agency that could negotiate on behalf of those affected would be government. Governments, however, represent present, not future, constituents. On the other hand, those who would suffer from the costs of any displaced urban problems are dispersed and are individually unlikely to perceive any marginal costs to them as being significant. The externalities caused or likely to be caused by gating should not therefore be sidestepped just because there is no immediate public outcry from the rest of the city. A spillover effect from a city's enclosed neighbourhoods is, like any other externality, an issue of missing markets (Arrow 1951, 1970). A resource valued differently by different groups but not governed by clear ownership rules cannot be efficiently traded or negotiated and gives rise to costly competition (Webster and Lai 2004). That competition is worked out by competing social groups over time and only over time can the nature of the problem and the value and fairness of alternative solutions be judged – often with a degree of private and public experimentation. An urban externality problem is likely to prevail until such time as it becomes sufficiently costly to some group or another for rules to emerge to address it. When that happens, the rules will never be acceptable to all parties (Arrow's impossibility theorem) but will reflect dominant interests and prevailing decision-making processes.

The evolutionary perspective in which institutions arise in response to externalities is not necessarily a fatalistic one. There is scope for analysis of the processes involved in order to inform public and private responses including market responses and policy at different levels of government.

An aspect of this dynamic that is of particular pertinence to the current debate is the idea that the institutional gaps that may grow while a social response is awaited may set in motion inferior patterns of socio-spatial development that are hard to reverse. Here is a Gordian knot that seems to have to be cut on the basis of ideological preferences and presupposition. Do we take present action to avert an imagined future problem even though we know neither the likelihood nor the size of the problem, nor the manner in which urban society will adapt to the problem if it is left to manifest more fully? Societies with liberal democratic constitutions and cultures that elevate the rights of individuals are likely to give private neighbourhoods the benefit of the doubt. Societies with democratic traditions which emphasise the common welfare, it may be assumed, may play safe and seek to limit the growth of a socio-spatial pattern of resource allocation that risks longer-term harm to society as a whole. In societies with missing or very deficient institutions assuring democratic decision-making it is likely that the emergence of private neighbourhoods serves the

interests of those with the power to influence their emergence. This includes both the alliances of political and business interests that gain from the land development process and individual investors and home-buyers who gain use or investment value from buying into such schemes. Many critiques of gated communities view them as shifting urban resources in favour of more powerful groups (represented in our volume, for example, by Wehrhahn and Raposo's study of Lisbon and Madrid and Giroir's chapter on Beijing). This kind of analysis is valuable for describing new socio-spatial patterns of consumption and inequalities. In particular, several authors have made a link between the rise of private cities and the crisis of Fordist economics, the global economic restructuring process and the resulting shift in socio-spatial class structure. As a consequence of economic restructuring, labour categories and incomes become increasingly polarised, with a growing underclass on the one hand and a highly qualified transnational elite on the other. In urban debates this has become the dual-city hypothesis. It is not dissimilar to other dualist analyses that have focused on changing group boundaries and power balances, for example between urban and rural, inner and outer city, black and white, and male and female. Viewed as evidence of change in the patterns of wider social structures, private neighbourhoods are characterised as 'citadels' (Friedman and Goetz 1982) and 'touching-down places' (Marcuse 1997) of the transnational elite. Dear and Flusty (1998), Soja (2000) and others have extended the idea to that of a fragmented city. Los Angeles, for example, is said to illustrate how a deregulated and flexible economy and a pluralisation of lifestyles leads to the development of a 'postmodern urbanism' made up of enclaves, which are socially and functionally largely autonomous. In 1998 Dear and Flusty published a model that visualised these new urban spaces. The 'gated communities' are presented as one enclave alongside spaces like theme parks, shopping centres or ethnically defined quarters.

There is a sense in which this style of analysis is dynamic but insufficiently so. It presents a comparative static view of society in which a new state is compared unfavourably with an old state in a limited set of dimensions. It is non-dynamic in a number of important respects. One is the feedback effects that interlink international and domestic housing markets. Another is its failure to consider the possibility that private neighbourhoods may in some situations be a locally emergent phenomenon, explained more powerfully by local cultural values and the inadequacies of extant institutions. A third and related respect is the lack of consideration given to local institutional evolution. Urban policy, government regulations and the laws that govern private transactions are never static. Neither are the organisational structures that deliver them. They respond to efficiency and equity problems of resource allocation as defined by specific groups in specific cultural and constitutional contexts. An analysis that views gated compounds merely, or only, as enclaves of the rich is institutionally static. Domestic housing markets will adapt to the presence of high-end estates and if, as seems to be the case, the genre appeal crosses income divides, entrepreneurs will surely find a way of providing neighbour-

hood clubs to other income groups. Studies in the US (Frantz 2000) and elsewhere (Kanitschneider 2002; Kohler 2002) have shown that it is not only the elite who are moving into gated housing estates but that the trend is followed also by many households of the medium income range. At least in societies with a certain degree of democratic decision-making, municipal, state and national governments are unlikely to sit back and watch private neighbourhoods impose unacceptable costs on wider society. The interface between private institutions within contractual neighbourhoods and public institutions will co-evolve in complex and unpredictable ways (see for example Chen and Webster 2005).

The argument of a global economic restructuring leading to new fortified elite spaces stands in the tradition of neo-Marxist political economy. This macro-theoretical approach may offer an explanation of guarded housing estates targeted at the international market and may well partially explain why private neighbourhoods re-emerged so strongly at the end of the 20th century. However, empirical studies have shown that the dualisation of societies might not be the most important factor for the development of gated housing estates. The development of income distributions in some of the so-called global cities is not consistent with the idea of the dual city (Hamnett 1994). There are many regional variations in the style and extent of private neighbourhoods that are not adequately explained by this thesis. This includes the sparseness of such developments in some global cities like Tokyo or Paris and the presence in many cities of a strong contemporary domestic market, with historical antecedents, catering for middle- and low-income residents (Yap and Sakchai 2000; Webster, Wu and Zhao in this volume). To understand these more subtle local causes and consequences of private cities a stronger model of individual and state behaviour is required; one that permits an institutional analysis of both governments and markets over time as for example presented by Glasze's chapter on the relation between confessionally segmented patterns of social interaction in Lebanon and the rise of guarded residential complexes.

The final theme we wish to reflect upon is the discourse of fear, emphasised in this volume particularly in the chapters by Setha Low and by Ulrich Jürgens and Karina Landman. Jürgens' and Landman's analysis in this volume and elsewhere is a considered response to well-evidenced growing insecurities in South Africa. Low's work is based on conversations within gated communities and captures important subjective evidence that contributes to a dynamic understanding of the causes and consequences of gating. However, in as much as analysis which focuses on 'insecurity' laments sometimes the loss of some previous era of peace and harmony and stresses the divisive potential of legal neighbourhood boundaries, then it shares something in common with the dual-city hypothesis. It risks presenting a comparative static analysis that misses vital processes of social adjustment and evolution. For us it seems very important that research on the relations between insecurity and private neighbourhoods clarifies the distinction between objective risks and subjective insecurities. Research in critical criminology and critical criminal geography

has shown that many societies show a trend towards growing (perceived) insecurities while statistics on crime are stagnant (see for example the contributions in Glasze, Pütz and Rolfes 2005). In many cities around the world there is a growing discourse on insecurity which shapes individual and social perception of risks. This discourse on urban insecurities seems to fuel the growth of private neighbourhoods and at the same time seems to be fuelled by this radical transformation of urban space. Therefore research on private neighbourhoods should seek to avoid simplistic analysis which uncritically ascribes a rise in security-related infrastructures and services like gates and guards to a rise in objective risks. Empirical work on the social costs of compounded fear and security is as important to informed debate as the empirical work on private costs represented by McKenzie in this volume and elsewhere (see also Briffault 1999; Walters and Kent 2000; Deng 2002, 2003a, 2003b). If private neighbourhoods cause irretrievable social fragmentation and a rise in the fear of others, then we need to know about it. Similarly, if the net effect of privately organised security is less total security in society then this should be evidenced and the story told. As with other alleged social costs, however, the questions are subtle and need to be guided by well-formed theory. We would like to know, for example, how the discourse on urban insecurities differs from one region to another and how this influences the acceptance of and demand for secured neighbourhoods. Several authors have asked if children socialised in private and socially homogeneous neighbourhoods might develop a greater fear of others than children growing up in 'normal' neighbourhoods – here, long-term interdisciplinary research projects seem to be necessary. The fundamental question is a comparative one: does territorial enclosure fuel fear of others through a dynamic qualitatively different to similar processes working in conventional neighbourhoods and cities?

As private neighbourhoods change patterns of segregation another question arises: do the functional ties that can develop between proximate neighbourhoods, especially with different income levels, mitigate rising fear? Given that nobody wants to live with fear, do practices and institutions emerge naturally within cities of residential 'clubs' that seek to address this negative by-product? The study by Salcedo and Torres (2004) is interesting in this respect. It is ethnographic, like Low's, but finds that residents in two neighbouring communities, one poor, one rich, have positive attitudes towards people in the other community based on a sense of mutual dependency. Here is a suggestion that spatial scale of segregation and functional social ties may matter more than walls and gates.

Clubbing together in cities – local and global explanations

Local gated housing markets have to be understood in a dynamic framework and this means understanding the changing local institutional contexts that give rise to and shape the institution of the residential 'club'. The economist

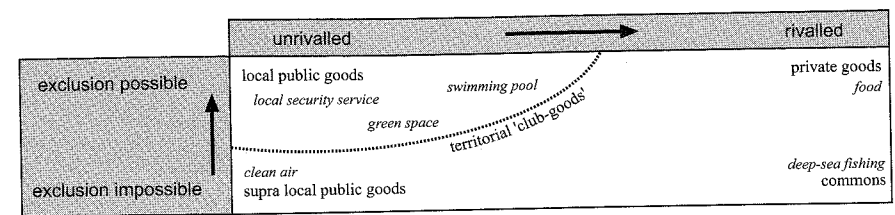


Figure 15.1 Private goods, public goods and 'club goods'. Source: Glasze 2003a

Charles Tiebout has shown in his seminal 1956 paper that some of the collective goods generally referred to as 'public' are better described as local public goods. Citizens (and neighbourhood residents) form spatially defined markets and consumption of shared resources falls off with distance. Green spaces, local security patrols or public swimming pools effectively serve only those people located near enough to enjoy them without incurring costs of travel that outweigh the benefits of consumption. The economic function of a private neighbourhood is to supply local public goods in quantities and mixes, and at a quality, that should match the preferences of residents. A gated community or a condominium apartment complex is a residential club with a territorial boundary. The economic theory of clubs was first formalised by James Buchanan (1965) who was interested in generalising Paul Samuelson's economic theory of public goods (Samuelson 1954, 1955). The latter made unrealistic assumptions about the degree of 'publicness' of most co-consumed goods and Buchanan's work established the idea that shared goods could be supplied efficiently so long as the number of consumers, access to the good and the quantity of it could be controlled (figure 15.1).

The entrepreneurial club, with rules governing membership (exclusion/inclusion), the payment of fees and collective behaviour of members, is an institution capable of supplying shared goods more efficiently than the institutions either of private commodity markets or of government. What Buchanan demonstrated theoretically the real-estate industry and home-buyers were quick to discover in practice, where and when the conditions were right for these markets to develop. The legal right to exclude non-contributors and the obligation to pay fees on a regular basis solves the problem of free-riding. Local decision-making should in principle make the continued supply of local public goods responsive to the preferences of residents and manage congestion more accurately. The manner in which neighbourhood goods are supplied and consumed and the physical and to some extent social environment within the club is governed by contractual rules. This should reduce many of the risks to quality of life and property investment borne by residents. The club is designed according to the specification of developers, landowners, investors and any regulating government agency and if its benefits are accurately pitched and costed it acquires members. The design specification may subsequently be modified by residents within the constraints of the initial constitution.

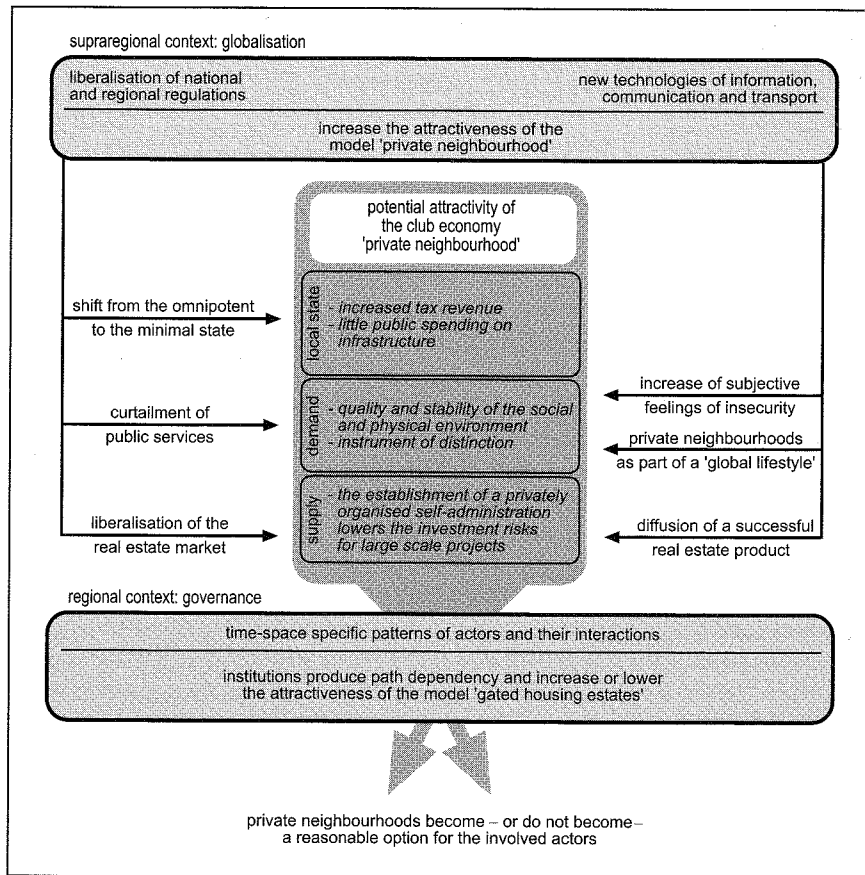


Figure 15.2 The attractiveness of clubbing together in cities. Source: Glasze 2003b

Where there are many club communities in a city and a competitive market develops, the price of the various packages of club goods and services may be expected to reflect the economic cost of supplying them and both choice and economy should be improved as a result.

As well as being attractive to home-buyers and renters and to the firms who develop, sell and manage private neighbourhoods, the residential club as an institution also offers advantages to the local state (figure 15.2). It frees the state from the obligation of supplying civic goods and services in certain localities. It also transfers some of the costs of local land-use control and other environmental and social regulations to the private sector.

The rapid development of gated housing estates in many regions of the world suggests that there are globally diffused and possibly global-scale processes at work. And yet the local variety captured by the chapters in this book and in our other work (see for example the collection of papers in *Environment and*

Planning B, 29 (3), 2002) clearly also suggest strong local influences. We find it helpful to understand these processes by focusing on the emergence of the club as a new device for organising interaction in cities (see Webster 2003; Webster and Lai 2004: chapters 5 and 6 for a theoretical discussion). What shift in conditions made it possible for the residential club to become an urban governance institution with mass appeal in many regions of the world? Three major factors can be pointed to (figure 15.2; Glasze 2003a).

First is the shift towards a minimal state and the associated trend towards decentralised governance. During the second half of the 20th century a model of the state developed under the influence of the political economic doctrine of Keynesianism. The welfare state rapidly spread into municipal affairs and the security function of government was extended to ensuring the security of minimum standards and more generally of 'opportunity'. Provoked by a crisis of finance and legitimacy, and by an ideological shift towards a pro-market doctrine, the interventionist state retreated, however. The breakdown of the communist systems in Europe weakened intellectual and political resistance to this retreat, and deregulation, privatisation and decentralisation became dominant trends in the evolution of governance institutions in countries the world over. All this may be understood as a process of experimentation with the mechanisms by which society orders its affairs (following the seminal ideas of institutional historians such as Douglas North – North and Thomas 1973; North 1990, 1992 – and earlier ideas of the Austrian and Chicago economists). The experimentation was not coordinated or planned, nor has it been systematic or comprehensive. It is made up of local initiative and invention; of local political solutions and popular movements; of trial and error in the making and changing of policy and laws; and of the actions of firms, individuals, governments and government agencies searching for the means to improve themselves and those whose needs they seek to meet. The process of rediscovering or refining what is understood to be good government is global. If one wanted to suggest a universal reason for it, the idea that societies will tend in the long run to look for forms of organisation and governance that tend to reduce the costs of social cooperation, including resource transaction, is a worthwhile direction to explore (Webster and Lai 2004: chapters 1–4; Webster 2003). Short of this, however, it may simply be observed that models of governance have constantly evolved throughout the history of civilisation and that the dominant search in contemporary societies of all political hues is for an acceptable boundary between state and market.

The growth of a private-neighbourhood industry may be understood in this context. In some countries, the liberalisation of real-estate regulation and urban planning has enlarged the margin of manoeuvre for private investors and permitted experimentation with an exotic idea. The attraction of a European and, more lately, a US lifestyle seems to have been a strong influence on historical and contemporary gated developments in Latin America (see the Latin America chapter in this volume). In transitional economies such as eastern Europe (see the chapter on Russia) and China, private neighbourhoods

are variously an exotic implant, an adaptation of existing institutions and an experiment in market-sensitive urban governance.

In many regions, especially in the developing world, private residential complexes have become important substitutes for the local state, providing civic goods and services including regulation and security. Many studies have shown that the secured provision of high-quality infrastructural services (electrical power, drinking water, communication, local environment and education) plays a crucial role in making private and gated housing estates attractive to home-buyers (see for example Janoschka 2002; Leisch 2002; Glasze 2003a; and chapters in this volume). For many in the developing world's burgeoning professional and middle classes, buying into a private neighbourhood is the surest way of ensuring the kind of local amenities that their counterparts in industrial nations have come to expect from public government.

The second reason why residential clubs have assumed growing importance as an urban governance institution is the growing feeling of insecurity in cities throughout the world. In the course of growing social differentiation and individualisation grow fundamental uncertainties. Informal social networks, like kinship or other traditional forms of community, are getting weaker and are no longer available with certainty in times of crisis. At the same time, in many countries, formal systems of social security are also weakening. Uncertainties and fear are compounded by a competitive media industry that leads to a growing 'scandalisation' of media coverage. Adding to these factors is the global flux of migration, which increases the visibility of strangers and rouses new feelings of uncertainty (Siebel 2003). Against this background many inhabitants of guarded housing estates seem to be looking for security – the security of living in an environment in which the physical and social qualities are regulated by private contracts and perceived to be more stable than in 'normal' neighbourhoods.

In this context, it is not surprising that residential clubs have flourished. They are in many ways an institution for our time. They are solidly a capitalist institution in that they exist to assign property rights more clearly. In so doing they apparently reduce some of the perceived risks of living in open neighbourhoods – risks to continued enjoyment of certain levels of security and well-being. Their ingenuity is that they provide a mechanism for assigning rights over collective goods without compromising the institution of private property. Being part of a 'smaller public' helps residents feel more secure. Many studies report that a sense of community is a consideration in moving into a CID, though not necessarily a strong one. Having said this, it is interesting to note that contrary to much of the media coverage about secured communities, security seems to be only one motivation for moving into this form of neighbourhood. It is often not as important as the desire to secure the supply, more generally, of a bundle of rights including the rights to goods and services and freedom from risk of all kinds, such as the risks associated with neighbours who have different preferences and behaviour.

A third reason for the success of residential clubs is that the institution has

become successfully commodified, marketed and subsumed into global and local cultures. Guarded housing estates are part of a global culture. Throughout the developing world they are marketed as places of modernity and of Western cultural values. Giroir's chapter in this volume captures this particularly well. In industrialised countries they are marketed with cultural references to tradition (as in neo-historical complexes or in schemes constructed around historical buildings); to modernity (as in chic central city schemes) or to particular lifestyles (like the 'golf-communities' or 'active-adults communities' in the USA and Canada). Usually there are references to elite or prestige values and these vary with local culture. The adverts in newspapers in Shanghai, Beirut and New Orleans would attract little interest if used to sell a scheme in London or Frankfurt but the adverts in the UK and German press do much the same thing using different cultural references. The role of the real-estate industry in spreading the culture of club-living is viewed critically by many commentators, including some of the authors in this book. Any such analysis should distinguish between good and bad practice and between market failure and firm or product failure, however.

Bearing in mind the general retreat of the state, and public governments' inability to supply adequate levels and mixes of civic goods and services, including security, entrepreneurs have naturally been active in looking for business in the voids. We characterised externalities above as missing markets. With appropriate technological and institutional invention, missing markets can be turned into markets – as with toll roads and quota trading. This happens when mechanisms are devised for controlling access and collecting payment. Externalities are business opportunities waiting to happen. The development, finance, marketing and management firms that created private-neighbourhood markets have made a business out of local public goods and externalities – positive and negative. By territorially enclosing and legally constituting a group of neighbours into a contractual community, revenue can be made from neighbourhood conflict and from neighbourhood agglomeration benefits. Regulations and communal services can be supplied according to price and preference. In designing their wares, residential-club entrepreneurs obviously need to pay close attention to the kinds of regulation, goods and services that their consumers want. This leads to niching and specialisation and to product packaging and standardisation.

The economic rationale for packaging and standardisation needs to be understood accurately – rather than being summarily dismissed for normative reasons (in the same way that burger chains tend to be). Packaged neighbourhoods are successful for similar reasons to packaged holidays. Neighbourhoods, like holidays, are what economists term 'experience goods'. Their value to a consumer can only really be gauged through the experience of consumption. This is not so with simpler goods with more singular qualities such as fuel and chocolate. Private-neighbourhood suppliers have discovered that packaging a bundle of neighbourhood 'products' (goods and services) and giving the bundle a distinctive theme and brand name saves buyers costs incurred when

searching for a place to live or invest in and saves the even greater costs of experimentation. The chances of a satisfactory holiday experience for many are increased when selecting a clearly branded and contractually secured bundle of holiday attributes (location, style of hotel, view from room, on-site facilities, car hire and local excursions) from the brochure of a respected firm. The package holiday industry has flourished as entrepreneurs have discovered ways of giving consumers value for money and choice of a selection of holiday purchases in a way that lowers the risk of loss.

Economy of consumer search costs is a strong explanation for the rise of industries which bundle, package and brand complex multi-attribute commodities. This should be distinguished from the discussion of bad practices. McKenzie's work reveals many examples of the latter, including impenetrably long, complex and sometimes misleading contracts; bullying and unreasonableness in the exercise of HOA governance powers; poorly designed constitutions; and unreasonable municipal government pressure on communities to gate and incorporate. The manner in which a holiday is designed, marketed, sold and organised may have faults, particularly in the early days of the package tour industry. As more operators get involved, however, the industry becomes more competitive and this tends to weed out poor products and processes and bad practices. The housing market is certainly more constrained than the market for tour operators – choice is highly dependent on financial, cultural and social capital; the transaction costs are very high so that 'wrong decisions' are not easy to change; and, in the end, housing is a special good in so far as nobody really can abstain from consuming it. Nevertheless, there is competition between developers offering private neighbourhoods so that one might expect to some degree comparable processes in the housing market as in the tour operator market. It may not, however, and this is an interesting line of empirical enquiry. In an industry with strong scale economies, monopolistic practices can inflate price above marginal cost and restrict consumer choice and quality. This is a latent danger in the packaged neighbourhood industry for obvious reasons and may ironically be more of a problem where the scale of the industry in a city is constrained by regulation.

Packaging and advertising can also conceal the hidden health hazards in a product that has otherwise compelling immediate attractions. Exotic beach holidays entice consumers to overdose on ultraviolet radiation and burger chains encourage the consumption of harmful amounts of unsaturated fats. But herein lays another illustration of how society adapts in unpredictable ways. Government and private campaigns have been important in shifting the cultural attitudes towards smoking, fast food and sunbathing following public discussion of the evidence.

Concluding comments

The chapters in this volume point to a range of concerns about the use of clubs as institutions of urban governance. The volume also demonstrates why they are

so appealing to so many. Having read hundreds of papers addressing these issues, visited gated communities the world over and interviewed expert academics, residents, government officials and industry professionals, we take the view that the focus of debate and investigation should be not only the immediate processes of urban change associated with gated developments but also the wider adaptation of cities. There is a subtle but important distinction. Much analysis of urban change is comparatively static and fails to consider changes happening in other parts of the system. Regulation might have counter-intuitive outcomes and is expensive. Research on private neighbourhoods needs to help build the evidence base for enlightened public discussion. This will require well-formed theories of markets and governments, households and firms, institutions and organisations. The theory needs to be explicitly spatial since the private and social costs and benefits are sensitive to distance. It also needs to be explicitly dynamic, understanding that organisational, institutional and spatial order co-vary in complex ways over time, as society searches for cost-effective ways of organising itself in pursuit of shared, but contested, goals. The idea that many different urban societies and many different income groups within them are choosing the ultimate form of decentralised urban governance is an intriguing one. Among the effects are the redrawing of boundaries of contestation, a new spatial and organisational tier of collective action and transaction, a reduction in conflict over shared resources as property rights become more clearly defined and, at the same time, an intensification of conflict as disputes arise at the boundaries of these more finely grained entitlements. Something like entropy seems to be at work and its dynamic has a distinctly fractal dimension. Residential clubs have the effect of establishing property rights over public-domain urban resources and in so doing they reduce dissipative competition but at a price. More closely defined ownership means more proprietary boundaries, however, and boundaries are inevitably the scenes of dispute. Thus a society with deepening institutions and deepening proprietary order spawns deepening conflict – for the contracts that define boundaries of ownership can never be complete. The growth path can probably be described mathematically by a power function. The potential for conflict rises according to some power of the number of subdivided ownership rights. In a grid-square pattern of urban land parcels, the number of ownership boundaries in a piece of land subdivided into four separately owned plots, for example, increases from four to sixteen. Each new boundary is a site of potential public-domain dispute (Webster and Lai 2004: chapter 7). The increasing cost of establishing social order is entropic. Increasing degrees of order as a result of institutional evolution is not of course entropic – quite the opposite. But if that order is only achieved at an expense and if that cost rises at a rate greater than the welfare it secures, then in the long run the process is dissipative. This is the curse of the city: benefits of agglomeration at the expense of crowding and congestion. At the extreme, unrestrained competition (for road space, housing, clear air and water and so on) can completely dissipate the benefits. Only investment can avoid this – investment in infrastructure and in the institutions of market and government that produce

greater order. Private neighbourhoods are part of this evolutionary story. They resolve conflict but they generate different forms of conflict. They raise the predictable costs of urban living and raise the benefits commensurately but create unpredictable costs and benefits. They are not unique in this at all; the same may be said of all inventions that try to reverse the entropy of the city. Some may be more stable and more cost-effective than others.

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