

Some Reflections on the Economic and Political Organisation of Private Neighbourhoods

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ABSTRACT *The spreading of privately organised and often gated neighbourhoods in many regions of the world has triggered a widespread discussion about the relations between social and urban development. This paper presents some reflections on the economic and political organisation of this type of housing. First, the club goods theory is used to explain the potential attractiveness of this form of housing for developers, local governments as well as residents. However, the club goods theory alone does not enable one to understand the global but regionally differentiated development. Therefore, second, this paper proposes to view the analysis of private neighbourhoods as club economies against the background of historically and regionally differentiated patterns of urban governance which render urban development path-dependent. Third, in order to evaluate the political and social consequences, the private neighbourhoods are analysed as a new form of political organisation and are compared with a territorial organisation with public municipalities.*

KEY WORDS: Private neighbourhoods, urban governance, territorial club economics

The Spreading of Private Neighbourhoods: A Global Success Story?

The spreading of private and often gated neighbourhoods in many regions of the world has triggered a new and widespread discussion about the relations between social and urban development. In the USA, according to the figures of the Community Association Institute (CAI), the number of private neighbourhoods grew rapidly from around 10 000 in 1970 to more than 200 000 in 1998. As membership in the CAI is voluntary, that list probably even underestimates the number of private neighbourhoods. At the turn of the century, at least one out of six Americans is living in a private neighbourhood. Every fifth of these private neighbourhoods in the US is gated and guarded (Community Association Institute, 1999). A first analysis of the American Housing Survey 2001 reveals that 5.9 per cent of all households stated they live in a walled or fenced neighbourhood—3.4 per cent reported that their neighbourhood was access controlled

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by guards or electronic devices (Sanchez *et al.*, 2003). Studies in other regions of the world allow the assumption that there is also a growing trend towards private and often guarded neighbourhoods in many countries of the world (see the contributions in this volume and in Glasze *et al.*, 2005), especially in Latin America (Borsdorf *et al.*, 2002; Coy & Pöhler, 2002), Africa (de Montclos, 1997; Jürgens & Gnad, 2002; Landman, 2000) and Asia (Giroir, 2002; Leisch, 2002). On a smaller scale, some European housing markets show a tendency towards private and guarded housing estates as well, for example, in England (Blandy & Parsons, 2003), Turkey (Perouse, 2003), France (Madoré & Glasze, 2003), Portugal (Raposo, 2003) and Spain (Wehrhahn, 2003). First studies in metropolises in the former communist states even indicate a rapid increase of this kind of housing, see for example, in Moscow (Lentz & Lindner, 2003), and in Warsaw (Glasze & Pütz, 2004).

Many authors have interpreted the private neighbourhoods as a privatisation of former public spaces (e.g. Connell, 1999; Gmünder *et al.*, 2000; Judd, 1995; Lichtenberger, 1999). The value of 'public space' and its endangering through 'privatisation' became a much-quoted theme within the critique of contemporary urbanism at large (Feldtkeller, 1995; Ghorra-Gobin, 2001; Kazig *et al.*, 2003; Lichtenberger, 1999; Mitchell, 1995). The reason may be that the concept of 'public space' is related to powerful normative ideas of equal rights and political emancipation (Habermas, 1990, p. 20). However, 'public space' and 'privatisation' are extremely vague analytical categories. Therefore, it often remains unclear what exactly is privatised and how privatisation is carried out. The writings describing private neighbourhoods as a 'privatisation of public space' tend to dichotomise between a public realm and a private realm; they often focus unilaterally on material changes in space and therefore risk blocking from view a more profound and differentiated analysis of the complex socio-economic and socio-political changes which are under way with the spreading of private neighbourhoods. Therefore, after presenting a typology of private neighbourhoods in the next section, the paper proposes three analytical approaches that heuristically might be more fruitful. In order to understand the economics of private neighbourhoods, the club goods theory will be used. This approach helps us to understand their potential attractiveness for developers, housing seekers as well as local governments. However, the question remains: why do we see a spreading of private neighbourhoods especially in these days and especially in certain parts of the world? For that reason, the following section discusses the interplay between the socio-economic and socio-political changes, usually seen as effects of globalisation on the one hand and nationally or regionally differentiated governance patterns on the other hand.

In order to portray the political changes under way, private neighbourhoods are described as private residential governments in the next section. In this perspective, the spreading of private neighbourhoods might be described as the establishment of a 'new' territorial organisation on a sub-local level which enables the exclusive consumption of collective goods, and in which political decisions are taken in a kind of shareholder democracy. However, several authors have argued that the economic and political functioning of private neighbourhoods might not be as different from public municipalities as usually assumed. The last section picks up their arguments and uses the club goods approach and the idea of shareholder democracies to discuss in detail the consequences of a shift from a public to a private organisation of local and sub-local territories.

Organisational Types of Private Neighbourhoods

In traditional neighbourhoods the open spaces such as streets or parks, as well as many common facilities such as public libraries or swimming pools, are owned by public authorities and governed by local government. In the private neighbourhoods, the open spaces and the common services are managed and regulated by a self-governing organisation. In spite of differing national juridical contexts, three main organisational types of private neighbourhoods can be described which differ in the way that property rights for the open spaces and facilities as well as for individual housing units are assigned (Glasze, 2003a, p. 238; McKenzie, 1994; Treese, 1999):

- **Condominiums:** In addition to the individual property of their piece of land and house or their apartment, the owners hold titles to an undivided interest in the common property of streets, green spaces, facilities etc. Thus every owner automatically becomes a member of the homeowner association. The members of the association elect the board of directors, most often on an annual basis.
- **Stock-co-operatives:** The co-operative owns both the housing units and the common spaces and facilities. Individuals purchase a share in the entire complex. That share offers the right to use an individual unit as well as the common areas and facilities and gives voting rights in the assembly of the co-operative.
- **Corporations:** The common spaces and facilities are the property of the corporation. In those cases where a covenant attached to the deed for a residence or a residential lot 'automatically' makes each owner a shareholder in the corporation with voting rights according to the amount of his share, this type is often also called a homeowner association. In other cases, where the shareholders are not identical to the people owning or renting the housing units, Foldvary has labelled this form 'proprietary neighbourhoods' (1994). In a 'proprietary neighbourhood' the people living in the neighbourhood do not have any political input concerning the development of their neighbourhood. The relation to their environment may be best compared to the relation of hotel guests to the development of the hotel.

Private Neighbourhoods as Club Economies

The self-administration of private neighbourhoods provides the inhabitants with many collective goods, such as green spaces, water supply and recreational facilities. Economists have justified the fact that even in market economies some collective goods are traditionally provided by public organisations due to market failure. That is to say, the market fails to provide goods when nobody can be excluded from consumption and when there is no competition, no rivalry in consuming. Free-riders could profit from goods such as clean air or urban green spaces without paying for them. Consequently, these goods are not sufficiently provided by the private sector and the public sector has to step in. For private goods such as food there is rivalry about the consumption and third parties can be excluded from consuming. Sometimes, commons are differentiated as a third category of goods that are competed for but for which the exclusion criteria are hard to meet. Consequently, these goods often suffer from overuse, as for example, the fish population in the deep sea.

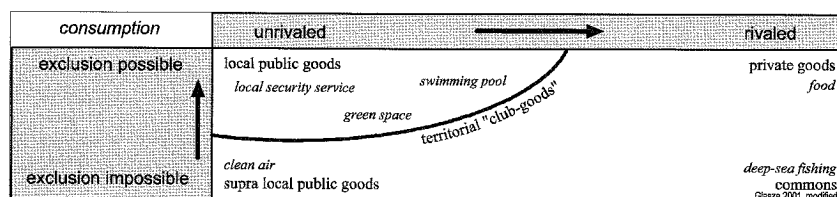


Figure 1. Private goods, public goods and club goods. Source: Glasze 2001, modified.

However, the American economist Tiebout already pointed out in 1956 that many collective goods which were generally described as public goods are 'local' public goods in the sense that they bring benefits primarily to people who stay at a certain locality. It was Foldvary who showed in 1994 that the self-administration, and as the case may be the enclosure, of private neighbourhoods solves the free-rider problem for local public goods and renders them excludable. Therefore, he and several other authors have judged the spreading of private neighbourhoods as an institutional 'innovation' which ensures a market driven and efficient supply of local public goods for the inhabitants (see for example, the contributions in: Beito *et al.*, 2002). Those who profit from the collective goods within the neighbourhood pay the respective fees (Figure 1).

Groups which collectively, but exclusively, share the consumption of specific goods on the basis of ownership-membership arrangements have been named 'clubs' and the excludable collective goods 'club goods' (Buchanan, 1965). Therefore, the establishment of private neighbourhoods with their self-governing organisation may be interpreted as the creation of club economies with territorial boundaries. The analysis of private neighbourhoods as club economies makes it possible to explain the potential attractiveness of these complexes for developers, local governments and inhabitants (Glasze, 2003c).

Developers may profit from the fact that the establishment of a neighbourhood governance structure with the power to exclude free-riders, as well as the power to regulate the use of common spaces and facilities, reduces the risk of an economic degradation of the neighbourhood. Thus, the long-term risks in investing in large-scale projects where the process of selling takes several years are reduced and the developers are able to invest more in creating and maintaining shared facilities (Weiss & Watts, 1989, p. 95). Furthermore, they can market not only the individual home but also the club goods within the neighbourhood as contractual tie-ins (Webster, 2002, p. 405). Local governments may profit from private neighbourhoods being established within their boundaries as they obtain a development which is self-financing and which may add to the local tax base. McKenzie (1994) has shown examples in the US where local governments encourage and even demand the establishment of private neighbourhoods as 'cash cows'. House seekers and inhabitants may profit from the level and the quality of local public goods supplied in private neighbourhoods. They usually offer a range of services such as maintenance, 24-hour security or waste collection as well as artificial and natural amenities such as beaches or green spaces. Furthermore, the individual owners may profit from stable home values as the self-administration assures a strict control of the social and physical environment and tries to create or keep a prestigious image of the neighbourhood.

The Global Spreading of Private Neighbourhoods and the Role of Regionally Differentiated Governance Patterns

The analysis of private neighbourhoods as club economies helps us to understand their potential attractiveness. However, the question remains: Why do we see the spreading of private neighbourhoods especially in these days and why do we see it in many parts of the world — while in other parts like for example in Scandinavia or in Germany this form of housing is almost unknown? Often, the international spreading of private neighbourhoods is vaguely related to globalisation. If one defines ‘globalisation’ as a ‘time-space-compression’, triggered through new technologies of information, communication and transport as well as the liberalisation of national and regional regulations I think it is indeed possible to identify some economic, political and social changes which render private neighbourhoods more attractive for developers, housing seekers and public organisations these days (Glasze, 2003a, p. 262) (Figure 2):

- The shift from the model of an omnipotent state to a minimal state: Particularly since the breakdown of the communist systems in Europe, ideas of deregulation and privatisation dominate the political discourse in many countries around the world.

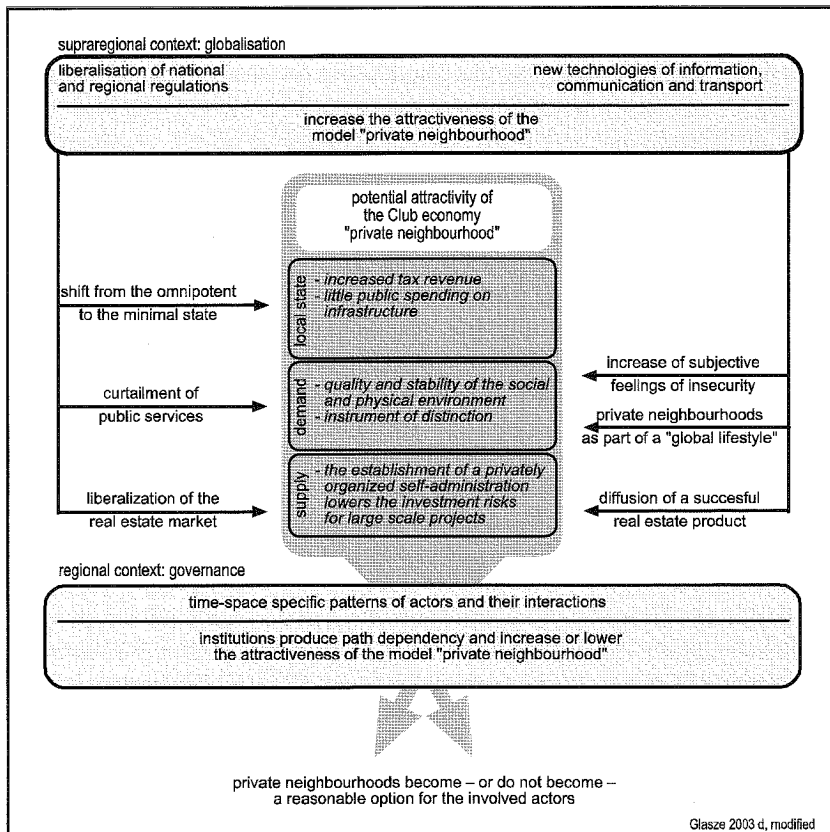


Figure 2. Globalisation, urban governance and the spreading of private neighbourhoods. Source: Glasze 2003a, modified.

The idea is to replace the steering through politics and public administration through the supposedly self-regulating forces of market mechanisms instead. Thus, Fischer & Parnreiter (2002, p. 247) show with examples in Latin America and Raposo (2003, p. 299) with examples in Portugal, that the liberalisation of real estate regulations has widened the scope for private investors and facilitated the development of private and guarded neighbourhoods. The regulation of subdivisions in Portugal has facilitated the establishment of private neighbourhoods and the liberalisation of the land market in several Latin-American countries has opened new opportunities. In a more general perspective, Graham (2000, p. 185) describes an increasing differentiation between places with an unsatisfactory (public) infrastructure and 'premium networked places' established by the private sector in many cities around the world. Empirical research in Southeast Asia (Leisch, 2002), in Latin America (Janoschka, 2002; Pöhler, 1998) as well as in the Arab World (Glasze, 2003a, p. 183) has shown that the private supply of high-quality services (such as electricity, water supply and communication services) often is an important motivation to move to a private neighbourhood. In many regions, in particular in the so-called 'Third World', the private neighbourhoods substitute public supply and regulation, however, only for a clientele with sufficient means.

- Growing feelings of insecurity: In the course of an ongoing modernisation of societies, a growing social differentiation and individualisation develop 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. In societies which experience a rapid transformation, as in the former communist states (Glasze & Pütz, 2004; Lentz & Lindner, 2003), or in South Africa (Jürgens & Gnad, 2002), this point seems to be particularly important. At the same time, in many countries it can be observed that systems of social security are reduced. Furthermore, in many regions the establishment of competing private media leads to a growing 'scandalisation' of media coverage (Siebel, 2003). Against this background, many inhabitants of private neighbourhoods look for 'security'—the security to live in an environment whose material and social qualities are regulated by private contracts and therefore promise to be more secure than in 'traditional' neighbourhoods.
- Guarded housing estates as part of a global lifestyle: Particularly in countries of the so-called Third World, the private neighbourhoods are marketed as places of a modern and Westernised elite and many inhabitants perceive their place of residence in this way (Caldeira, 2000, p. 263; Glasze, 2003a, p. 162).
- On the supply side, a diffusion of new real estate products can be observed. Coy & Pöhler (2002) and Raposo (2003) report on an 'export' of private and guarded residential complexes from Brazil to Portugal. In Lebanon, several developers of private neighbourhoods knew of this concept from professional experiences outside of the country (Glasze, 2003a, p. 145). And new electronic media like the internet further boost the international spread of new concepts. Similarly to shopping centres, private neighbourhoods are part of a repertoire to which actors of both the demand and the supply side are able to refer.

The examples show that the attractiveness of private neighbourhoods as territorial club economies is increased by several socio-economic and socio-political transformations,

often described as effects of globalisation. Nevertheless, the question of whether private neighbourhoods actually do become an individually reasonable option for the actors involved in a specific housing market can only be answered by analysing the historically and geographically differing governance patterns on a national or regional scale.

Formal institutions like laws or contracts as well as informal institutions such as traditional social values and arrangements make urban development path-dependent and increase or lower the attractiveness of private neighbourhoods. This will be illustrated with three short examples: the US, a country of the Third World, the Lebanon and two European welfare states, France and Germany.

The spreading of private neighbourhoods in the US may be interpreted as a continuation and aggravation of 'the culture of privatism' (Judd & Swanstrom, 1997, p. 426), a liberal urban development, which reflects an individualistic concept of democracy. The idea of individual freedom takes the priority over the idea of solidarity (see the discussion between Holzner, 2000 and Priebs, 2000 on the role of public planning in the US and in Germany).

In many countries of the Third World the state does not assure a coherent urban development and is not able to assure basic services. For example, the Lebanese state does not fulfill the idea of an organisational unit, where public authorities have certain autonomy in relation to the particular interests of individual groups and orient their acting at the public interest. Most employees in the public service owe their posts to a confessionally determined preference by a patron. Therefore, they remain clientelistically connected with this patron. The state is used as a tool, which serves to implement particular interests. Public regulations are interpreted as an illegitimate use of the clientelistic structures by participants of another segment and hardly find acceptance as legitimate implementation of a public interest. The confessionally segmented governance patterns lead to a laissez-faire regulation and a weak state supply, creating an environment that makes private neighbourhoods an attractive option for developers and households who can afford to move there (Glasze, 2003d).

The 'non-boom' of private neighbourhoods in the European welfare states may also be explained to a large extent by specific governance patterns. First, the relatively strong position of public planning limits the options of private developments. The developer of a luxurious gated apartment complex on the outskirts of Berlin, for example, failed to establish a private marina for the development as the municipal land use plan prescribed the public access to the lakeside on his private property (Glasze, 2001, p. 40). Second, the idea of 'public space', although a very vague concept, seems to be deeply rooted in the political discourse in the European welfare states. Thus, the developers of a private and gated neighbourhood in the hinterland of the Côte d'Azur had to face a lot of local opposition which has been picked up by regional and national media (Glasze, 2003b, p. 12). Third, as Charmes (2003, p. 107) has shown for the example of France, the regulation of urban development by public authorities seems to find a lot more acceptance than regulations by homeowner associations, and he explains this fact by the dominating idea of a 'republican' political organisation.

Private Neighbourhoods as Shareholder Democracies

In the 1990s, a discussion about the self-administration of private neighbourhoods as a new form of territorial organisation arose in the US. The lobby association of private

neighbourhoods, the Community Association Institute, judged the self-administration of private neighbourhoods to be an ideal organisation of local democracy: "... the most representative and responsive form of democracy found in America today".

The decision making in private neighbourhoods follows the model of stock-corporations. In such shareholder democracies, the standards of equality and open decision making are less rigid than in public politics. For stock-corporations this is hardly seen as a problem assuming one dominant joint interest. However, even though most private neighbourhoods are socially quite homogeneous, there are differing interests. There are disagreements between inhabitants and the developer, for example on warranty issues, between absentee owners and inhabitants, for example, on the charges for common facilities, as well as between households with children and households without children, for example, on the construction of a playground. In short: there are politics within private neighbourhoods.

Looking at the constitutions of Western nations, several basic democratic principles organising political life on a national, regional and local scale can be found, for example, the principle of equality, the principle of the sovereignty of the people, as well as the principles of public and pluralistic decision making. In private neighbourhoods, the imbalance between differing interests and missing democratic institutions often leads to the infringement of such basic democratic principles (McKenzie, 1994, p. 122; Scott, 1999, p. 20; Silverman & Barton, 1994, p. 141).

- Violation of the principle of equality: In contrast to public municipalities, the suffrage for the board of directors is not bound to the place of residence and citizen rights but to the property. Therefore, tenants are excluded from decisions concerning their proper neighbourhood. Furthermore, in many countries the voting rights in condominiums and corporations are distributed according to the value of the property: Instead of 'one man one vote', decisions are taken on the basis of 'one Dollar one vote' (Frug, 1999, p. 171).
- Missing 'opposition': There is no institutionalised opposition or any other organisation assuring pluralistic decision making in private neighbourhoods as it is or at least should be assured by parties in a territorial organisation with public municipalities. Thus, the members of the councils have privileged access to information and a privileged power to determine the agenda. Minorities risk being dominated.
- Dictatorial and oligarchic structures: In proprietary neighbourhoods, the former investors keep the majority of the property. Thus they are able to control the development of the open spaces, facilities and services as well as to manage the complex in a profit-oriented way (e.g. to rent out restaurants, shops or leisure-time facilities at maximum costs). However, even in 'normal' homeowner associations the former investors often dominate the decision making by keeping a part of the apartments or houses or by making use of the voting power of friends, relatives or employees.

In view of these deficiencies it is hardly surprising that studies in the USA (Alexander, 1994, p. 148; Blakely & Snyder, 1997, p. 129) and in Lebanon (Glasze, 2003a, p. 238) have found a lot of clashes and frustration within the private neighbourhoods. Consequently, the commitment of the inhabitants to their homeowner association often is very limited.

Are Private Neighbourhoods so Different from Public Municipalities?

Nelson (1989) and Webster (2002, p. 398) have argued that in an economic perspective private neighbourhoods are not as different from public municipalities as it is usually assumed. Regarding the supply side, it has to be said that the differences between municipalities and private neighbourhoods are at least shrinking: municipalities are turning away from direct public provision, instead contracting for these services with private suppliers just as private neighbourhoods do.

Focusing on the consumption, different types of municipalities have to be distinguished with regard to the following two characteristics: first, the financing and second, the socio-economic homogeneity or heterogeneity.

In a pure federal system, where the municipalities are exclusively or predominantly financed by local property or income taxes as in the US, the funding is quite similar to private neighbourhoods: "a set of shared goods is ... financed by a shared cost arrangement" (Webster, 2002, p. 400). Consequently, municipalities with mostly affluent inhabitants are rich and municipalities with mostly poor inhabitants are deprived. The rich municipalities are able to supply collective goods in a higher quantity and quality than the poor municipalities. The wealthy inhabitants who finance these collective goods with their taxes profit from their high quality and quantity not only by consuming but also through stable or increasing home values. Therefore, they are likely to try preventing free-riding by less affluent households, who do not generate 'adequate' tax revenues. If they are able to dominate the decision making of the council, they may use legal instruments to hinder the in-migration of poor households. Danielson has shown that many rich suburban municipalities in the US use exclusionary zoning as such an instrument (1976, p. 1). Their councils establish public regulations that restrict the development of multi-family buildings and thus limit the in-migration of less affluent households. Consequently, the local public goods in these municipalities become quasi club goods. Hence, many rich, small, socially homogeneous and mostly suburban municipalities in the US work *de facto* much like a private neighbourhood. "Zoning provides the property right [over open spaces, common facilities etc.], local property taxes provide the membership fees, and the city council is *de facto* a private board of directors" (Nelson, 1989, p. 46). Charmes shows for several examples in France how many of the small and socially quite homogeneous municipalities on the outskirts of metropolitan areas follow a policy that he labels as 'municipal egoism' (2003, p. 134).

With regard to bigger municipalities, Webster is certainly right in stating that "few civic goods are shared equally by all within a city and inclusion and exclusion are facts of urban life" (2002, p. 409). Even a public library or a public swimming pool *has* to exclude in order to avoid over-use and therefore has "club-like consumption characteristics" (Webster, 2002, p. 398). The access may be limited to people living in the specific municipality or regulated by entrance fees.

However, if the financing of the municipalities is not based exclusively or primarily on local sources as it is the case in countries with a centralised system or if there are vertical or horizontal perequations as in the German 'co-operative federalism', the mechanism described above does not work: the quantity and quality of supplied collective goods does not vary enormously from one municipality to another. Therefore, the motivation to prevent free-riding and to exclude less affluent households may still exist but is smaller. In socially heterogeneous municipalities the decision making of the council has to

focus not only on the economic interest of the municipality as a whole but also has to balance internally the different interests of the voting inhabitants.

Thus, there seems to be a fundamental difference between club economies established as private neighbourhoods—and some small and homogeneous municipalities as described above—on the one hand and club economies organising the consumption of public facilities in every city on the other hand. In a private neighbourhood, only the people who are able to afford living in the neighbourhood are allowed to use, for example, the recreational facilities. The use of a public swimming pool in a city also has to be regulated, but the rules defining the rights of use are taken in a city council where, ideally, the interests of different groups of the society are represented. Therefore, in socially heterogeneous municipalities with functioning democratic institutions, it is more likely that the city council takes into account the interests of social groups with little economic power. For example, a council might decide that every school class in the city is allowed to use the public swimming pool for 1 hour a week, thus, enabling children with a deprived family background to learn how to swim.

The example of many suburban municipalities in the US shows that it is not appropriate to dichotomise between 'open, democratic and socially balanced' public municipalities and 'closed and secessionist' private neighbourhoods. For that reason, the paper proposes to evaluate case by case to what extent a given territorial organisation assures an efficient supply with collective goods, allows a democratic decision making, provides equal life chances and does not endanger social coherence on a regional or national scale. This summary will try to sketch out such a critical analysis.

The efficiency argument speaks for the establishment of small club economies with a direct connection of shared consumption and collective cost arrangements. Formalised institutions organise the property rights in these club economies and therefore enable a more efficient (private market) supply of local public goods as in heterogeneous and bigger municipalities where there are no such direct and formalised arrangements (Webster, 2002, p. 409). Consequently, several urban economists judge private neighbourhoods as a 'natural evolution' of urban institutions (Foldvary, 1994; Nelson, 1989; Webster, 2002). However, the focus on 'preferences' as the main variable explaining the differences between neighbourhoods blocks from view that "most public services [are] regarded as desirable" (Frug, 1999, p. 171) and that it is the economic and to some extent social and cultural capital which determines the options on the housing market (Whiteman, 1983, p. 346). In the long run, the spread of private neighbourhoods, and of small and homogeneous municipalities, would lead to a territorial organisation where everybody lives in autonomous enclaves according to his financial capacity. The provision with basic services would directly depend on the individual wealth. Basic life opportunities would be distributed in highly unequal ways, even on a local scale. With regard to the question of democracy, there has to be differentiation between the internal decision making and the external politics of private neighbourhoods concerning their social environment. Internally, the social homogeneity, the small scale and the institutionalisation of a neighbourhood organisation may foster a sense of community and voluntary engagement. However, several studies have shown that the internal decision making in private neighbourhoods often violates basic democratic principles. While the basic ideals of contemporary civil democracies are "equal rights and chances for every citizen", the private neighbourhoods can be interpreted as territorial shareholder democracies, which bind political influence and individual life opportunities closely to individual economic strength—the shares in the neighbourhood (Figure 3). Therefore, the political organisation in private neighbourhoods is returning to the days of a census suffrage where political influence was

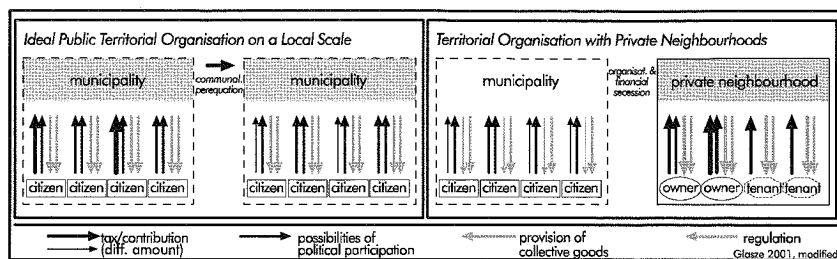


Figure 3. Citizen, public municipality and private neighbourhood: an diagram of territorial organisation. Source: Glasze 2001, modified.

institutionally based on status and class. It must be remembered that Alexis de Tocqueville has labelled the local arena as the ‘school of democracy’, so the question has to be asked whether the private neighbourhoods are a good place to learn democracy.

With regard to the external politics, the voices seem justified who fear that the politics of socially homogeneous municipalities and private neighbourhoods will be absorbed by the search for an optimal satisfaction of the inhabitants and will not bother with concepts aiming at a social balance on a bigger scale (Frug, 1999; Keating, 1991). The attempts of several homeowner associations in the US and other parts of the world to secede from wider public territorial organisations validate that fear of a ‘secession of the successful’ (Reich, 1991). The institutionalisation of a new form of a local or sub-local territorial organisation complicates the perequation between wealthy and deprived municipalities and therefore risks (further) complicating the social balance and raising new social barriers.

Conclusion: Club Economies and Shareholder Democracies

The analysis of private neighbourhoods as territorial club economies explains the potential attractiveness of this form of housing for developers and local governments as well as residents. However, the writings relating the club goods theory with the spread of private neighbourhoods tend to overlook the social construction of institutions, the differing interests in society and the unequal distribution of power. Consequently, first, these writings are not able to explain why private neighbourhoods actually do spread in specific regions of the world and not in others and second, they are not able to evaluate the economic, political and social consequences of private neighbourhoods. Therefore, this paper has proposed first to analyse private neighbourhoods as club economies against the background of historically and regionally differentiated patterns of urban governance and second, to critically evaluate the private neighbourhoods as shareholder democracies.

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