The Half-Life of Policy Rationales

How New Technology Affects Old Policy Issues

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A Cato Institute Book

New York University Press

NEW YORK AND LONDON

The Entrepreneurial Community in Light of Advancing Business Practices and Technologies

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It is generally assumed that local government must be a tax-funded authority. The argument is that so-called market failure necessitates the government's oversight and regulation of community resources. In subdivided areas, which is the traditional settlement pattern in American towns and cities and their suburbs, this may be the case. However, in some areas, land is parceled into its various uses not by selling off lots to form a subdivision but by leasing them.

Such areas, in which the underlying land is owned in one title and the parts are leased, are called, in British terminology, *estates*, and in American, *multiple-tenant income properties* (MTIPs). In these areas, management of the common areas and amenities in the United States is almost invariably private. It may be argued that this is all right as long as the areas are small but that if they were to approach the size and texture of a community, then private management should give way to governmental management. This chapter shows that such areas are indeed approaching the size and texture of communities and that the argument that they ought not be managed privately is being progressively undercut by advancing technology.

The discussion has significant policy implications. Land-lease areas—MTIPs—were once insignificant in the United States, but that is no longer the case. Over the past century, they have grown greatly in number and size. Common examples are hotels, office buildings, apartment complexes, marinas, professional parks, shopping centers, combinations of all these, and more. But as the examples suggest, this explosive growth has taken place almost exclusively in commercial rather than residential real estate. Residential housing is dominated instead by the planned subdivision, which enjoys a virtual monopoly by reason of discriminatory tax policy and federal subsidy. The MTIP has shown great viability in commercial areas, there competing easily with subdivisions. With equal treatment under the law, it might be expected to do the same in the housing field. In doing so, it would offer consumers attractive housing choices beyond the planned subdivision with homeowners' association.

Beyond these policy questions, however, the matter of MTIPs has broader sociological implications that have not been adequately explored. MTIPs are a part of our daily experience, exemplified in familiar forms that resemble local communities in important respects. But because they are relatively prosaic, nonheroic developments of the marketplace, not ideologically inspired as intentional or utopian communities are, they have received little scholarly attention. Nonetheless they have thrived, springing up with the hardiness of weeds. Their success is partly due to their unique organizational strengths. To understand these strengths, we must look at the fundamental difference between subdivision and land lease.

A necessary first step toward forming a community of any kind is to parcel a tract of land into exclusive occupancies while retaining common areas such as parks and access ways. Such parceling can be accomplished in either of two ways. One is to subdivide the landownership into separate fees. The other is to let out the parcels as leaseholds, keeping the land title intact. These two logical possibilities do not have equal merit. The first alternative, subdivision, destroys the locus of authority and certain incentives that are requisite for effective social organization.

Shortcomings of Subdivision

Land subdivision, the familiar pattern of real estate development in the United States, has a robust and profitable business record. When carried out on a large scale, it is frequently called *community development*. But the phrase is misleading. The entrepreneurial interest that gives birth to the subdivision development is not sustained; it dries up as the project progresses and vanishes completely when the last parcel is sold. The "community builders" who practice subdivision are builders, as their name implies, but they are builders of houses—glorified framers, carpenters, bricklayers, plumbers, electricians. To sell their houses, they put in streets and curbing, drainage, utility lines, and the like and landscape the areas. But they do not build communities. They have no commitment to organize, operate, and administer the community assets enjoyed in common. When their inventory of improved lots is sold, these "community builders" move on, leaving the management of the community to the residents, who most likely have no preparation for or expertise in managing and sustaining community resources and have no decisive authority to do so. The residents' continuing community needs, social and physical, are of little concern to the subdivider, to whom it is sufficient that he create a salable product. He may set up a homeowners' association, which is largely boilerplate mandated by the government to qualify the homes for federal mortgage insurance.[1] Thus the entrepreneur who constructs the physical artifacts abandons his customers as they are about to become a community, leaving them to fill the gap as best they can with political devices and institutions.

Because the ownership of the land is fragmented, there can be no concentrated entrepreneurial interest in the management or improvement of "the commons." It follows that as consumers of community services, the residents must provide for themselves the community services they require. The entrepreneurial vacuum leaves just two options. Management must be political or volunteer, and usually it is some combination of the two. Either approach can hire managers, but there is no entrepreneurial interest or effective equity oversight.

Virtually every American city, town, and neighborhood is a subdivision and, as such, exhibits this weakness. The resulting political institutions, whether they are called municipal governments or homeowners' associations, do not differ substantially. Some writers extol homeowners' associations as "privatized" local government.[2] But as David Friedman pointed out, the difference between traditional government and homeowners' associations is largely illusory.[3] Already, as the novelty of homeowners' associations wears off, this is becoming apparent.[4]

Politics and volunteerism, the two options subdivision residents have for obtaining their common services, lack the profit incentive that makes the market an ever evolving process of serving customers competitively in new and different ways. Not only is the vigor of ownership lacking, but the political or bureaucratic administration that attempts to fill the vacuum is irresponsible. Who, for example, in the traditional public-works establishment is liable for injuries caused by water contamination? Democracy affords no answer to this problem; voting, far from being an adequate substitute for responsible proprietary interest, is beset with problems of public ignorance. Moreover, citizens free-ride on the job of holding government accountable—if such a thing as government accountability exists.[5] For all of these reasons, the subdivided community represents, evolutionarily speaking, a dead end.

Multiple-Tenant Income Properties (MTIPs)

The obvious need is for some means of introducing proprietary authority, responsibility, and incentive into community management, including the production and administration of those amenities that traditionally have been provided by politically created monopolies. Such a means is not unknown. It has been discovered, empirically and independently, not once but many times during the past 200 years. It is the application, in an urban setting, of a formula of land tenure that for millennia characterized agrarian societies in many parts of the world. The method, familiar to commercial property managers, is to retain the land title intact, parceling sites among land users by leasing.

Multiple-tenant income properties are relative newcomers in the evolving world of business.[6] From the second quarter of the nineteenth century, and accelerating after World War II in the twentieth, multiple-tenant income properties grew in number, kind, complexity, and size as entrepreneurs in this new kind of business created myriad environments reflecting the specialized needs of a seemingly endless variety of clientele—merchants, travelers, manufacturers, residents, and professionals of every variety. Each specialized type of environment that met with success in the market and so persisted defined an economic niche. In succession, we saw the rise of hotels, apartment buildings, office buildings ("skyscrapers"), luxury liners, commercial airports, shopping centers, RV/camp grounds, mobile home parks, marinas, research parks, professional parks, medical clinics, theme parks, and land-lease manufactured-home communities, as well as, increasingly, integrations and combinations of these and others to form properties more complex and, overall, less specialized. Such an adaptive response to new conditions and opportunities stands out sharply against the stasis of subdivision.

The rapidity of this growth and development of MTIPs is striking. The shopping center at the close of World War II was experimental; fewer than a dozen existed in the United States, and the name had yet to be coined. But by the end of the century, the number of shopping centers in the United States alone exceeded 45,000 and accommodated more than half of the nonautomotive retail activity of the nation.[7]

Each specialized type of MTIP has its characteristic management requirements, differing in emphasis from all others, arising out of and reflecting the needs of the clientele to which it uniquely caters. The shopping center, for example, emphasizes the leadership required to forge a collection of merchant tenants into an effective retailing team. Teams need a coach, which in the shopping mall is the manager. His coaching role includes maintaining peace among highly competitive merchants.[8] The merchants recognize that the manager is uniquely positioned for such a role; he represents the concentrated proprietary interest in the land and consequently has two qualities to be found nowhere else in the center: he is *disinterested* and at the same time vitally *interested* in the success of the center as a whole. Unlike the tenants whom he serves, who inevitably are partisan and to that extent have an incentive to exploit the center as a commons, his direct and personal business interest is the success of the center and every tenant's enterprise in it.

MTIPs resemble a community, and the dividing line is not always clear. Although they have grown larger and more complex over the past century, becoming more like a community as the term is commonly understood, the popular notion of a community implies both a more heterogeneous population and land subdivision. Even so, MTIPs have many of the same features as a community, and when the full range of types is considered, neither the rate of turnover of population nor the degree of social interaction among members sets them apart consistently from what we are accustomed to think of as communities.

Among other notable features of MTIPs is the fact that parceling by leaseholds obviates any need for eminent domain. Whereas subdivision rigidifies the layout of a neighborhood so that it cannot easily be redeveloped short of invoking public powers (or waiting until increasing obsolescence brings down land values to a point that it can be economically reassembled), leasehold permits gradual and continuous change as leases run out and come up for renewal. It preserves for the neighborhood a quality of organic flexibility and growth.

Before discussing their business rationale, I should emphasize that MTIPs are defined by the leasing of sites, without regard for improvements on them. The latter may be constructed and owned independently by either the lessor or the lessee (if the lessee, then the lease generally is for a longer term). This holds true even in the case of an apartment or office building, where the sites are the bare spaces leased or rented: artificially created land stacked up vertically. Furnishing or installing fixtures in such a space, like constructing improvements on a lot, is a separate consideration.

The MTIP's Rationale

However they may be provided, common services and amenities like streets, utilities, parks, and public safety pertain to sites rather than to individuals as such, and individuals enjoy their benefit by occupying those sites. Thus when those who own land sell or lease sites in exchange for price or rent, they are acting as the market purveyor of not only the public services and amenities in that place but of all the locational advantages of that site with respect to things beyond it such as significant natural features and human activities or enterprise.

What landowners actually sell is location with respect to a specific environment. Apart from its context, a site has no ascertainable land value; it comes into demand only if its environs have relevance for the activity that is to take place on the site. A prospective home site for a young family gains in desirability if there is a school nearby; or a mine site if there is a railroad accessible to transport its ores; or a retail site if there are residences nearby, not to mention parking spaces, utility grids, and many other things. A given site is thus valued or disvalued according to its location relative to other things. Although it may have much in common with neighboring sites, each site is the locus of an environment uniquely its own. When a site is sold or leased, what is transferred is exclusive enjoyment of that location and the unique environment defining it. For that reason when we buy or sell land, we are buying or selling what might be called *placement rights*, the rights to place or position ourselves in relation to specific other people and things. It is a cliché among realtors to say that the land's three main factors in land value are location, location, and location. Yet location has no meaning except by reference to environment; the two are correlative terms. Consequently, an aware landowner is closely attuned to and concerned about environment.

An entrepreneurially inclined landowner can create value where before there was little or none, by customizing the environment for its occupants or users, that is, by improving the *location* of a site or sites for specific uses. The majority of landowners have been traditional and conservative, doing little in the way of creating or modifying the environments they lease or sell. But in a growing sector of the economy this is decidedly changing, as private landowners undertake not only the distribution but also the production of common goods and services and into the bargain bring about the spatial integration of complementary land uses. Instead of continuing in the old, atomistic pattern of subdivided lots on Main Street devoid of any unifying proprietary interest, a major portion of retail shops and stores in the United States have moved into arrangements where land is managed under single ownership. Here the landowners (of whom there may be unlimited numbers by virtue of owning stock or other undivided interests) provide many of the services such as streets and parking, sewerage, storm drainage, power distribution, policing, landscaped parks, and public areas that they once would have looked to governments to provide. Nor has retailing been alone in adopting this formula.

The MTIP formula is for the owners of a tract of land intended for multiple tenancy to enhance the value of the sites into which it is parceled by improving the environs of each site from the standpoint of its intended use. The possibilities of upgrading the environment of a site are endless, extending (albeit with diminishing effect) indefinitely beyond the immediate neighborhood of the site itself and even the MTIP of which it is a parcel. That is the overriding reason that entrepreneurial landowners will often cooperate in joint projects.

Having made environmental upgrades, either singly within their own property or jointly over a wider area, a field of competing owners or managers then bid down the rents they ask while a field of prospective tenants, similarly competing among themselves, bid up the rents they are willing to pay. If an owner has succeeded in creating a desirable environment for the sites he offers the public—both social and physical environment which, among other things, will motivate people to be more productive in that place—then the rents will finance the common services and amenities and also return a profit to him.

Thus MTIPs are self-supporting. Because they yield a market revenue, their owners need not resort to taxation, which indeed would destroy the very values they are in business to build. Market revenue not only finances the administration of the MTIP. It also enables the accumulation of reserve funds from which to renovate it as required, even completely rebuilding it to the same or another use, to stay competitive with other locations in the market. This illustrates the immortality of productive capital.

Outgrowing Government As We Know It: Entrepreneurial Communities (Entrecomms)

Sixty-five years ago my grandfather, Spencer Heath, reasoned that if a new town were developed under a unified land title by parceling its land among the occupants by means of long-term ground leasing while maintaining suitable common areas and amenities, it would be a wholly contractual community resembling in principle a hotel carried out of doors on an enlarged plan. Indeed, he perceived hotels as prototypes of the cities of the future.[9] The very scale and complexity of today's larger hotels add plausibility to that novel view. The MGM Grand in Las Vegas is one of many hotels that promote themselves as a "self-contained city." The Grand accommodates not just one or several land uses such as retailing or bedrooms or medical services—following the usual pattern of MTIPs—but also shopping malls, professional offices, convention facilities, restaurants and cafés, chapels, theaters and art galleries, medical services, a security force, a monorail station, and the list goes on. Residents could, if they wished, satisfy nearly all their daily needs without ever leaving the complex. In terms of population size alone, it is interesting to note that the MGM Grand is larger than the city of Boston was at the time the United States became independent of England.

Today it would not seem an altogether radical departure, even though it has never been done, if an enterprising real estate firm developed a standalone town on a land-lease basis and operated it as an investment property for income, in other words, developed a wholly nonpolitical, proprietary community, as distinguished from one that was in any way dependent on taxation. The developers of such an enterprise would avail themselves of a new income opportunity, one alien to current "community development" practice: they would offer the residents a full spectrum of on-site utility services. Rather than plugging into political grids for a relatively undifferentiated, generic product, they would instead provide by means of an onsite, integrated, energy management system a selection of highly customized, consumer-driven utilities.

The present reliance on the traditional practice of "plugging into the grid," connecting to whatever utility umbilicals might be extended to their property by local governments, entails a significant loss of flexibility and opportunity for the owners of MTIPs. A substantial part of the cost of land development today is for the escalating list of compliance requirements imposed by municipal authorities. Typically this includes such obstacles as permitting, architectural review, zoning, environmental impact studies, citizens' meetings, and allocation of land to various "public purposes." Most costly of all are the delays and uncertainties at each step of the process. The result of these imposed costs has been to price much land out of the market, resulting in less developable land and inflated land costs for what remains.

The hold of local governments over land developers in this unequal contest, and their main justification for taxing the public, is their monopoly of essential utilities that they have the power to grant or withhold. A generalized MTIP that provided its own utilities on-site with zero discharge into the environment, thereby freeing itself altogether from the grid, might appropriately be called an *entrecomm*—shortened from "entrepreneurial community"—to distinguish it from traditional, tax-dependent communities.

A further defining step, then, in the development of MTIPs in the direction of entrecomms is for their owners to expand the complement of services they now offer their customers by developing an integrated, on-site utility system. Such a step should enable them, with greater dependability and at significant cost savings, to provide utilities tailored to the needs of the users. The requisite technology for the construction and operation of such systems has been progressing steadily for decades in partially self-contained or isolated "community" applications like oil rigs, ships at sea, space vehicles, and arctic workstations, and today no longer presents an insurmountable engineering, economic or financial challenge (see chapters 9 and 10 in this book).

Theoretical Implications

The notion of entrepreneurial communities has relevance for the theoretical discussion of "perfect competition" of "clubs," or private communities, in the technical literature of economics.[10] In the pure competition models, private communities optimally provide local services, thereby achieving efficiency in every sense. However, some of the assumptions of such an arrangement might be challenged. People do not shop for communities in the same way they shop for clothing. A location is not portable. Unlike other goods that can be carried about, a place can be enjoyed only by attaching oneself to it. People make commitments that tie them to a community, and exit is not costless, especially when alternatives are limited or information about how well existing alternatives would satisfy is not readily available.

The concept of entrecomms has relevance in another discussion area. In 1970 Albert Hirschman made the seminal distinction between exit and voice as two kinds of response to unsatisfactory conditions in firms, organizations, and states.[11] While advancing technology clearly strengthens the option of exit, it might also increase the effectiveness of voice and thereby the level of resident participation in a community. An unhappy resident who felt a grievance or, to reverse the coin, a visionary resident who had a constructive suggestion to make about the community, could speedily research, generate, transmit, store, and retrieve information by electronic means. This capability is equally available to residents of subdivisions, including traditional town settings, but residents of an entrecomm would have the advantage of being able to specify a responsible individual, the community entrepreneur, to whom he could direct his voice with the reasonable expectation of a response. Unlike an elected official, who has none of his own property at risk and is in the comfortable position of spending public funds, the landlord of an entrecomm would be a private businessperson dependent on making a profit. He could not let his competitive edge become dull. Finally, it is likely that the entrecomm setting would be conducive to building social capital more effectively than would a subdivision setting. Combined with the benefits of technology, this could also translate into more effective voice and participation.

The Argument against Entrecomms

Because entrecomms are still only a theoretical possibility, no one has either advocated or denigrated them. But we do have something closely resembling them in some respects, namely, company towns. Moreover, company towns have been the target of social criticism in a long spate of popular books, music, and art.[12] They serve very well, therefore, as a straw man for the purpose of argument.

Company towns still exist, but they had their heyday a century ago. These were entire towns often built in remote and unsettled areas by mining, timbering, and other kinds of businesses to provide housing for workers. Frequently they were well built and well managed as an inducement for workers to stay in such areas. As portrayed in the popular literature, however, the interests of the company and its workers were opposed, as the relationship was exploitative. The company store, often lacking competition from independent stores, supposedly gouged the workers by charging high prices while the company charged high rents for substandard housing. But if a company built a model town and manifestly did not exploit the worker/residents, it might be charged with paternalism. The company had to tread a narrow line. Sometimes the charge of paternalism had some basis, as companies have been known to limit drinking or require church attendance with the idea of making the town more attractive to families and the families more stable. Hershey, Pennsylvania, was a model company town attractively laid out with parks, gardens, public library, zoo, amusement park, sports stadium, and well-designed homes. It is said that the elder Milton Hershey could not understand their disloyalty when the workers struck in 1937, seeming to show no appreciation for his efforts on their behalf.[13]

The usual argument against a single ownership town is that the landlord enjoys a monopoly position with a captive clientele and so has an opportunity to be exploitive, patronizing, or neglectful. Having invested in moving to such a town, putting down roots, and making it their home, a family finds it costly to leave. Knowing this, the landlord can exploit them by cutting costs and/or raising the rent at lease-renewal time. Writing long-term contracts to protect against opportunism is costly.[14] In regard to shopping, the family may find it less than satisfactory to buy from an encompassing monopolist. But short of moving elsewhere and establishing roots all over again, they cannot readily know what conditions might be like in another place. Moreover, if the family has built and owns its home, it might be difficult to sell. Hence the argument that community ties, illiquidity of real estate, ignorance of employment and living conditions elsewhere, and difficulties of physically moving conspire to keep a family immobile, making it possible for an opportunistic landlord to raise the rent above what it would be in a more competitive market.

Employee housing is never a company's main product. It is always a sideline activity, a part of its employee benefits package. The fact that the company town, submerged in a larger enterprise, is not an independent profit center constitutes an inherent weakness with two important effects. It makes its manager less sensitive to competition, and it blurs his business role as a community provider. To the extent that this happens, it raises the likelihood that he will indulge any personal idiosyncrasies, ranging from petty tyranny to paternalism.

Changing business practices and advances in technology have all but nullified these traditional arguments against land-lease communities, which today are chiefly found not in company towns but in the myriad varieties of specialized MTIPs in commercial real estate.

Changing Business Practices Favor Entrecomms

MTIPs offer a sharp contrast with company towns. Not only are they operated for profit and stand or fall accordingly, but they compete directly in the market with other MTIPs. Therefore consumer satisfaction becomes a primary rather than a secondary consideration. The desire and need to make a profit allow less room for eccentricity, exploitation, or neglect and create incentives to consistently maintain and upgrade the common services in order to stay competitive.

The contrast with the company towns of a century ago has been further heightened by changing business practices. Corporate organization has widely displaced sole proprietorships throughout the economy, especially in regard to heavily capitalized projects. A corporate firm is more able to pursue a single objective than is a family, which necessarily has a mixed bag of priorities, and it has greater assurance of continuity of policy, being less affected by individual death or inheritance. It is also subject to the discipline of the equities market, where new investors can acquire a controlling interest in a failing or suboptimal venture and restore its profitability. The liquidity of share ownership facilitates this process, since assets can be capitalized in the market. Conversely, certain immaturities in the stock market work against MTIPs, such as the valuation of equities on a quarterly basis, which is too short for most income properties in real estate.

Unlike the company town, the MTIP's dedicated business is building land value as measured by its capitalized revenue stream. Whatever success it has in this direction will of course benefit the owners of improvements as well, since the demand for land readily translates into a demand for improvements on the land. This takes some of the speculation out of home ownership, as the promise of protected value and greater liquidity in one's home makes the prospect of moving less daunting.

The twin goals of profitability and competitiveness have improved the design of MTIPs over that of company towns and have led to better management practices, resulting in a greater liquidity of real estate with respect to both land and improvements. These same goals have also led to better and longer-term leases, offering greater security and satisfactions for both tenants and owners. The writing of leases in itself has opened a whole new area for innovation and competition among MTIPs.[15]

Advancing Technology Favors Entrecomms

Revolutionary advances during the past century in mobility, information, and communications have combined to enhance competition among MTIPs to an altogether unanticipated degree. Improved mobility technology, represented most dramatically by the automobile, has simplified the physical task of moving and dramatically lowered its cost. Nor do families need to live close to work or school if their automobiles can carry them rapidly to and from these destinations. In 1990, vehicle access was nearly universal in the United States, even among the poorest households.[16]

Meanwhile, technological advances in information handling and communication have lessened the psychological costs of moving. It is daily becoming easier to relocate without disrupting established relationships, and soon we all may have the option of virtual travel without leaving home. Some 83 percent of American workers who vacationed for seven or more days during the summer of 2000 remained in contact with their office.[17] The ability to keep in touch while traveling, and the growing option of working at home, which is a second reason why home need no longer be within easy commuting distance of work, have further loosened people's ties to a location. With more freedom and more information about alternatives, a dissatisfied tenant in an MTIP can more readily relocate to a place more to his liking. The costs of moving, both economic and psychic, are incalculably less today than a century ago, and the technological trend shows no signs of abatement.

By lowering the cost of gathering and evaluating information about alternatives and thereby making the market far more transparent than it was a century or even a decade ago, communications technology has increased tenant mobility. Advances in gathering, storing, retrieving, and disseminating information have enormously facilitated comparison shopping. With a minimal investment of time and expense, it is possible from home via the Internet to become informed about not only work opportunities in different places but also lifestyles over a wide range of MTIPs. It is possible to read general posted information, query managers, or interview tenants in cyberspace. An opportunistic landlord creates dissatisfied tenants, and it is they in turn who create his reputation—a reputation ever easier to access and transmit to others. Advances in communications make landlords more accountable than ever before.

The flip side of the technology coin is that the same ease and economy of mobility, information, and communication that enable tenants to comparison shop also enable managers of MTIPs to better customize an inventory of sites for a targeted clientele. Not only can managers, with increasing ease and diminishing cost, discover the needs and preferences of their market, but they can keep apprised of their competition. Furthermore, they can improve their competitive position by a more discriminating selection of tenants. Compatibility and synergy among tenants are significant competitive factors among all classes of MTIPs, from residential apartments to shopping centers. So essential, indeed, is "tenant mix" to the success of shopping centers that it ranks with location. The same technologies of mobility, information, and communication that enable a tenant to comparison shop and then relocate if he chooses also enable a manager to shop the field for tenants who will make compatible, even synergistic, neighbors. This leads to more refined specializations among MTIPs, more options for residents, and hence more competition.

Conclusion

Advancing mobility, information, and communication technology have made MTIPs incomparably more competitive than their country cousin, the company town. This same competitiveness will surely characterize the still hypothetical field of entrepreneurial communities, since these will be but an extension of and a more generalized form of MTIP. Beyond this, technological advancement in a wholly different direction, that of integrated, on-site utilities, promises to make it possible for MTIPs to take the remaining step toward becoming fully self-sustaining local communities administered not politically but voluntarily as other goods and services are, responsive to the pricing system of the marketplace.

Changing business practices and technological advancement have largely dissolved the traditional arguments against single-owner communities. They have done this by lessening the distinction between common goods attaching to sites and other kinds of goods in the market. This trend is significant because it suggests that the way may be opening to an attractive and profitable, exclusively market technique of providing common goods and services. Should this promise materialize, public administration at the local level will be viewed no longer as a paralyzing social problem but as a virgin field of opportunity.

NOTES

1. Evan McKenzie, *Privatopia: Homeowner Associations and the Rise of Residential Private Government* (New Haven, CT: Yale University Press, 1994), 89: "In 1963 FHA released an influential manual entitled Planned-Unit Development with a Homes Association. . . . The manual makes it clear that it will not approve applications for PUD [planned unit development] mortgage insurance unless the developer creates a homeowner association with the power to enforce 'protective covenants.'" See also James L. Winokur, "Choice, Consent, and Citizenship in Common Interest Communities." In *Common Interest Communities: Private Governments and the Public Interest*, edited by Stephen E. Barton and Carol J. Silverman, 98–99 (Berkeley and Los Angeles: University of California Press, 1994).

2. For example, Robert H. Nelson, "Privatizing the Neighborhood," *Liberty* 11, no. 4 (March 1998): 13. Also his "Costly Liberty?" *Liberty* 12, no. 1 (September 1998): 47–50. Nelson so favors the "privatization of government functions" represented by the homeowners' association that he advocates federal enabling legislation that would permit homeowners' associations to be imposed by vote in developed, older neighborhoods nationwide. In his *Edge City: Life on the New Frontier* (New York: Anchor Books, 1988), esp. chap. 6, "Phoenix: Shadow Government," 183–204, Joel Garreau also describes homeowners' associations as "private-enterprise government" but finds the trend deeply disturbing.

3. David Friedman, "Comment: Problems in the Provision of Public Goods," *Harvard Journal of Law and Public Policy* 10 (1987): 505–20, says on p. 506: "Is not the residents' association, with compulsory membership, compulsory dues, and democratic voting rules, simply a local government under a different name? Will it not face exactly the same sorts of problems in running its community—bureaucracy, rational ignorance, corruption, rent-seeking—that make government seem, to many of us, an unattractive and inefficient mechanism for producing goods and services?"

4. For a more thorough discussion of the shortcomings of homeowners' associations as a means of community organization, see Spencer Heath MacCallum, "Entrepreneurship versus Politics in American Life: The Case for Leasing Instead of Subdividing Land." *Critical Review*, forthcoming.

5. Gordon Tullock, "Public Decisions as Public Goods," *Journal of Political Economy* 79 (July/August 1971): 913–18.

6. For a general history of MTIPs before 1970, see Spencer Heath MacCallum, *The Art of Community* (Menlo Park, CA: Institute for Humane Studies, 1970).

7. International Council of Shopping Centers web site 2000 (http://www.icsc.org/srch/ rsrch/scope/current/index.html).

8. Spencer H. MacCallum, "Jural Behavior in American Shopping Centers," *Human Organization: Journal of the Society for Applied Anthropology* 30 (spring 1971): 3–10.

9. Spencer Heath, *Politics versus Proprietorship*, privately published by the author in 1936. See a fuller development of this idea in Heath's major work, *Citadel, Market and Altar* (Baltimore: Science of Society Foundation, 1957). Now distributed by the Heather Foundation, Box 180, Tonopah, NV 89049.

10. James M. Buchanan, "An Economic Theory of Clubs," *Economica* 32 (1965): 1–14; Charles M. Tiebout, "A Pure Theory of Local Expenditures," *Journal of Political Economy* 84 (February 1956): 416–24.

11. Albert O. Hirschman, *Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge, MA: Harvard University Press, 1970).

12. For a review of company towns, see Price V. Fishback, *Soft Coal, Hard Choices: The Economic Welfare of Bituminous Coal Miners, 1890–1930* (New York: Oxford University Press, 1992), chaps. 8, 9. See also James B. Allen, *The Company Town in the American West* (Norman: University of Oklahoma Press, 1966).

13. Mary Davidoff Houts and Pamela Cassidy Whitenack, *Hershey*, Images of America Series (Charleston, SC: Arcadia, 2000).

14. Victor P. Goldberg, "Regulation and Administered Contracts," *Bell Journal of Economics* 7 (autumn 1976): 426–48; Oliver E. Williamson, "Transaction-Cost Economics: The Governance of Contractual Relations," *Journal of Law and Economics* 22 (October 1979): 233–61.

15. For some of the kinds of possibilities this opens up, see Spencer Heath MacCallum, "Orbis: A Heuristic Exercise in the Private Provision of Public Services," chap. 13 of a book in preparation by the author, *Environment and Community for the 21st Century*, available from the author at <sm@look.net>.

16. Of the 6.4 percent of the population of the United States living in zero-vehicle households in 1990, the majority were retired, older people living in the central part of a large urban area with good transit access who as a rule preferred to walk to errands, social activities, and shopping. See Richard Crepeau and Charles Lave, "Travel by Carless Households," *Access* 9 (fall 1996): 29–31.

17. "Americans Stayed Connected to Their Offices on Summer Vacation," *Business Wire*, September 6, 2000. "According to a survey commissioned by Andersen Consulting . . . some 83 percent of American workers who vacationed for seven or more days since April remained in contact with their office." The article gives the survey results in detail.