



**Socology Ph.D.  
Program**

**THESES OF PH.D. DISSERTATION**

**Elvira Gyorgyovichné Koltay**

**Private urban governance in Hungary**

**Based on Research of Residential Park Organisations in the Metropolitan  
Area of Budapest**

**Supervisor:**

**Dr. Anna Mária Bartal**

**Dr. Lilla Tóth**

Budapest, 2019

**Institute of Sociology and Social Policy**

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# **1 Choice of the research topic, summary of previous research in the field**

In the suburbs of Budapest and in the capital itself, the 2010s have witnessed a flat and gated community building boom<sup>1</sup>. Triggered by the Hungarian Government's policy to grant funds to families who would invest in building their own house or flat in a newly built house. This gave way to a real estate (/property/ tenement) take off similar to the late 1990s and early 2000s, widely known as the Hungarian build-a-gated-community-fever<sup>2</sup>. Drawing to its close, my Sociology research thus gained substantial material due to the intense revival after the economic depression.

The way of living marketed by every detail in a home, conveying primarily the American Dream, gained popularity in Hungary in the 1990s, after a short decade of its coming into existence. Already it emerged in and around the capital. Investments in building gated communities peaked in the early and mid-2000s, then plummeted due to the 2008-2009 world economic depression (Bajmóczy 2014, Schuchmann 2015:332). From the point of view of Sociology, reurbanization and suburbanization provide a framework for people's choice of this way of living. Since the depression profoundly / thoroughly impacted the real estate market, it is to be noted that one instance of this reshaping is the trend of divestitures from building suburban gated communities. Parallel to this, a trend of relocating from the suburbs into the capital slowly unfolded. To the sociologist, it seemed back then that Hungarian gated communities would be the primary material to research as representatives of the economic and social era.

Sociogeographic research on Hungarian gated communities was published first in the early 2000s (Béres 2002, Puskás 2002), applying theoretical and experimental results from the field in other countries. These studies looked into the questions of where and in what form gated communities appeared in Budapest and in Kecskemét. More profound analysis dates

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<sup>1</sup> Statistics show a considerable growth in the number of newly built real estates: real estate market displays continuous growth. In the first three quarters of 2018, 10,218 new flats were built. Compared to Q1-Q3 2017, there is a 28% plus difference (source: KSH). Lacking KSH statistical data specific for gated communities, we may refer to publications accounting for a large-scale growth in the number of gated communities. This year (2018-19), 10-13 thousand flats are currently being built. (Source: mfor.hu)

<sup>2</sup> The 2011 census data accounted for 84% of the gated community flats in the agglomeration of Budapest having been built after 2001. (Source: KSH)

from 2008, right before the economic and social decline of gated communities. I refer to the 2008 volume by Csizmady Adrienn, with a dominant sociological aspect. Csizmady's argument for gated communities being a site in the service of segregation is based on the documented similarities with Housing Estates, and heavily relies on international segregation/integration literature. Csizmady (2008) mainly deals with multiple flat blocks in the capital, placing less emphasis on single family homes bundled together in a gated community. Zoltán Cséfalvay (2008) takes the Political Science's and the Economics points of view in his international vs Hungarian trend analysis. In his PhD study, Gábor Hegedüs (defended in 2011) provides three socio-geographical case studies from Piliscsaba, Szeged, and Kecskemét, all gated communities in the agglomeration.

Furthermore, publications on suburbanization can be extensively relied on (Csanádi et. al., 2010; Gergely, 2013; Schuchmann, 2013), due to the fact that they account for the considerable use of agglomeration territory for the building of gated communities.

My study aims to look into how the gated communities came into existence in the agglomeration around the capital, as well as their governance and their links to host settlement. More specifically, I analyse the organizations and the functioning of private urban governance which support the gated community way of life; identify the needs for which these are created; describe their role in facilitating relations of a gated community as a whole with the outer, local society. My point is that the catalog of services provided on a gated community facility, which are typically definitive for any gated community, come into existence because of the organization and the private urban governance. Presumably, living in private urban governance, living in this type of establishment, may affect the shapes gated communities take and the roles gated communities play in fiscal governance, protection of interests, nurturing a community.

By analysing the above mentioned aspects, a catalog of gated communities may be outlined, types inherently defined on the basis of 1. services available on the site, 2. site governance forms, and 3. functioning within the larger community. My goal is to take Sociology a step further on the way to resolving the public good – private good dilemma. Also, to provide fresh insights on the topic of dooming gated communities as spaces promoting segregation.

Research challenges which I, having read the literature, knew I would need to face, are as follows.

1. First, emerging Hungarian gated communities do not all have controlled entrance, common facilities and services accessed on the basis of ownership, and private urban governance -- all of which constitute the international definition of a gated community (Cséfalvay, 2008). Investors, city municipalities, and most of all, real estate buyers/owners could not resume their governance and functioning in a gated community, and could not proceed in any law or policy-governed manner.

2. Secondly, there is a *definition challenge*. Interpretations used by the economic, municipal and real estate owner stakeholders differ, and, similarly, in previous Hungarian research (Cséfalvay, 2008; Csizmady, 2008; Hegedüs, 2011). The main challenge for the present study is that the KSH collects statistical data based on a very limited definition of the gated community (KSH 2013). We lack reliable statistical data for the 2003-2018 period for separate houses comprised into gated communities, predominantly built in the agglomeration cities.

3. Third, choosing any one theoretical framework for the current analysis seems impossible. Social psychology and Sociology focus on the homogeneity and enclosure aspect, which raises concerns. Economics and Social Economics view gated communities as clubs enjoying common goods and services. Thus, these can and do generate local public goods, which is assessed as valuable. Lastly, research on self-governing gated communities can yield insights on private urban governance. Historically, the crisis of the welfare state brought a social and economic perception shift in private governance and private urban governance. After the 1970s crisis of welfare state, gated communities were providing space for 'governance without government' (Rosenau and Czempiel 1992), 'exit and voice' (Hirschman 1970). Citizens had the opportunity to take ownership of local governance. With the spreading of the ideology of 'good governance' in the 1990s, private urban governance forms gained presence.

To sum up, socio-economic traits of the countries where studies are conducted as well as the point of view each study takes shape the research findings. One cannot but *take into account all the competing theoretical frames* when searching for explanatory power. My finding is that Hungarian gated communities are sensitive to the socio-economic environment and its shifts.

The dissertation is a functional analysis, taking as its material the gated communities and their private urban governance units existing in the Budapest agglomeration. I outlined the below goals and research questions.

**GOAL 1. Gain findings on the motivations for creating gated communities and forms of private urban governance, and explore how they function.**

Upon reviewing international literature, a set of approaches can be listed as offering a valid explanation for the emergence of gated communities. Sociology brings to our attention the wealthy citizens' strive for seclusion (Lasch; 1995, Atkinson and Blandy, 2005), the wish to avoid exposure to criminals (Low, 2003), and a way to protect the interests of investors, municipalities, and real estate owners (McKenzie, 2003). Social Economics (Cséfalvay, 2008; Foldvary, 2006) highlights the redistribution process of local public goods (Cséfalvay and Webster, 2012, James, 1987), and club goods theory (Buchanan, 1965). The above set offers the possibility for testing their explanatory validity on Hungarian material.

**1.1 The explanatory power of various theoretical approaches.**

Research in the Hungarian area needs to take into account the peculiar circumstances in the country (Glasze, 2005; Le Goix and Callen, 2010; Cséfalvay and Webster, 2010). Which takes us to the next question.

**1.2 Identifying local and socio-economic conditions favouring emergence and popularity in Hungary.**

Two types of gated communities are defined by their location. In the process of reurbanization, blocks of flats are built into a resident community in large cities. In the process of suburbanization, settlements on the suburban ring typically host gated communities comprising multiple family houses (McKenzie, 2003). I examine the second type, including blocks of multiple flats.

**GOAL 2. Explore the characteristics and the functioning of the organizations within the gated communities which have private urban governance.**

International publications account for the organizations realized in communities with private urban governance (McKenzie 2006). My previous research on such organizations in Hungary has shown a correlation between the types and functions (Koltay, 2010), to be discussed in detail in the methodology section.

### **2.1 Explore the organizational forms and functions of private urban governance, tap into correspondences.**

Hungarian literature (Csizmady 2008, Cséfalvay 2008, Koltay 2010, Hegedüs 2011) displays a definitional insecurity. Adrienn Csizmady (2008) compares gated communities to Housing Estates; Zoltán Cséfalvay (2008) argues for the defining trait being control of entrance. I argue here for the validity of a continuum between two endpoints: closed vs open gated communities.

### **2.2 Assess the descriptive relevance of the closed vs open continuum. Private urban governance interpreted in the context of closed vs open community types.**

## **GOAL 3. Analysis of the relationships with the social environment.**

My study being a sociological one, the main goal is to analyse the effects on local society which arise due to the gated community being a new way of life for its residents, and to look into how this novel form of private urban governance impacts the distribution of local public goods, which in turn has locally measurable social effects.

Internationally, publications in the field account for segregation, seclusion, quitting redistribution originally motivated by solidarity, and assess the gated community phenomenon as inherently having negative social capital. Based on this, I need to proceed with:

### **3.1 Interpreting the effect on the municipality and on the social environment from the segregation – integration aspect.**

The question of whether gated communities host social capital which is rather 'bonding' or rather 'bridging' implies the last step:

### **3.2 Interpreting and assessing social capital in Hungarian gated communities.**



## 2 Research methodology and tools

### 2.1 Conducting the research

The first step was gathering data for supporting statistical figures on the phenomenon of gated communities in Hungary. *Gated community* is a category defined by KSH (2007) as *'premises hosting multiple flats on a single plot registered under one topographical number, created to display a unified architectural image.'* This rather narrow definition excludes the multiple single homes built on one plot, thus the quoted KSH data can be relied on for merely exploring tendencies. KSH data from the 2011 census is discussed in Section 3.2. My study comprises the Budapest agglomeration, and here, gated communities are hosting mainly single family houses.

Agglomeration around the capital was taken as the primary focus. Choice was motivated by the fact that various types of private urban governance are existent, and that there is a socio-economic diversity in Budapest agglomeration. This makes way for more detailed insights. Longitudinally, material in my Master's Thesis (Koltay, 2010) serves as a starting point.

### 2.2 Defining the research material

To aid the discrepancy between my and the KSH definition, I collected and formed a database of gated communities. At the outset, my working definition was that the municipality and/or the investor should clearly identify the plot as such<sup>3</sup>. In the agglomeration of Budapest, there are 58 cities hosting altogether 150 real estate sites registered as 'gated communities'. Please find the full list in the Appendix).

The next focus was on existing organizations managed by gated communities. 48 gated communities have traces of organizations founded by the community. 21 gated communities have or had in the past their own NGOs, in some cases supported by a web-based discussion forum. 27 of the gated communities have online discussion forums which provided material for documenting intracommunity relations between residents. Out

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<sup>3</sup> Sources: municipality data disclosed for the purpose of this study, municipality minute-books, interviews, web advertisements.

of the 21 NGO-s, 18 legal entities were surveyed and interviewed, these are located in 15 cities.

### **2.3 Measurements**

Quantitative as well as qualitative methodology was applied on the above mentioned statistical census data, the municipality documents and the material found via online discussion forums.

NGO and municipality leaders were interviewed. The number of interviews is: 18 NGO leader talks, plus 11 municipality talks. Results are thus based on the qualitative analysis of 31 interviews in total.

Furthermore, I outlined a quantitative survey addressing all residents. From Spring 2016 until Spring 2017, my survey was accessible online via [www.lakoparkkutatas.hu](http://www.lakoparkkutatas.hu). Unfortunately, I had to address residents in more than one ways to elicit response from the targeted population. I requested NGO leaders and site maintenance to distribute my survey invite via their resident member lists. One resident submitted a printed survey. To raise awareness, I tried putting my survey invite into resident mailboxes on three sites. I contacted all NGO leaders three times in a row and requested them to follow up with their fellow residents via email. Via social platform, I requested distribution from administrators of closed FB resident groups. In some gated communities, e.g. in Fótliget, no surveys are allowed, which made it for my contacts impossible to invite survey attendance. Finally, other contacts ignored their promise to me and did not cooperate.

Low response rate around 6.5% amounted to #162 surveys (compared to 2011 KSH census data). I could not rely on the survey as representing the targeted population, but only as control material to be compared to the qualitative results.

The 2011 KSH census data was incomplete for the scope of my study, due to data protection regulations, and due to the blurred boundaries of the open type of gated communities. Additionally, I visited the sites, scanned newspaper articles, viewed online advertisements and read through online discussion forums.

### 3 3. Summary of results

Below are the most important results of the study.

**3.1. Valid results come from placing gated communities along a closed – open continuum. International definitional criteria can be taken as a basis for categorization, settlement strategies can be mapped onto the categories in the detailed analysis.**

The results of my study validated the use of the closed vs open continuum. The assessment of closedness or openness was performed by taking the defining criteria (Cséfalvay 2008:13): **level of enclosure, types and specificities of club goods** generated, and the **NGO functions** along with **traits of private urban governance**. Based on the prevalence of the above mentioned criteria, I assigned each gated community a place on the closed vs open continuum. It is to be noted here that enclosure is not purely coming from the control of entrance but it rather manifests that the site and the residents are spatially and socially isolated from the host settlement. Their generated club goods and specificities of their NGOs align to this isolatedness, forming 5 well-defined groups of gated communities. The five groups are:

***Closed gated communities.*** Gated communities which display all the criteria of the international definition: surrounded by a wall or a fence; common space within the site is privately owned; offering a wide variety of goods and services; managed by a self-governing body which can be interpreted as private urban governance. Located at a large distance from city centres.

***Virtually closed gated communities.*** All but one criteria are displayed in the gated communities in this category. For instance, surrounded by a fence, but common space within the site is owned by the municipality. Or, no fence, yet private territory is not guarded. Offering a wide variety of goods and services, managed by a self-governing body which can be interpreted as private urban governance.

***Semi-closed gated communities.*** Gated communities separated in space from the host cities, operating surveillance cameras for entrance control. Infrastructure on their sites is managed by the municipality; offering a minimum variety of goods and services, while

residents do share ownership to a certain level; their NGO-s operate in a way not fully resembling private urban governance.

***Virtually open gated communities.*** These are located at a large distance from the city centres, which affects the residents' way of life and their participation in local social life. Offering a minimum variety of goods and services, common space is owned by the municipality, their NGO-s operate in a way which is different from private urban governance.

***Open gated communities.*** These sites are merely named 'gated communities'. They are located within the host city, there is no control of entrance, and no services for the residents. NGO-s managed in the area do not aim at self-governance.

### **3.2. The theory of club goods has explanatory power in the analysis of the emergence and the functioning of gated communities in Hungary.**

The theory of club goods, proposed by Buchanan (1965), accounts for the creation and the functioning of gated communities in Hungary (Cséfalvay 2008 :130). Arguments are as follows.

- *Local public goods are created and maintained here.* Public goods on the gated community sites are: roads, parks, lighting, playgrounds, sites for sports, receptions, fences, gates, surveillance cameras, and some sites have equipment for events (stages, benches, tents). Common services are offered in relation to the listed goods. Hiring a receptionist, facility maintenance, and organizing waste collection. Closed gated communities offer the widest range of club goods. Open gated communities offer a minimal set of club goods.
- *Public goods are funded and used equally by all members.* Monthly collected funds are a must in a closed gated community. The private urban governance body plans the cost budget, controlled by the residents themselves. In some cases, cost budget planning can be challenging. Namely, in virtually closed gated communities, the residents' body is comprised of voluntary members. Residents may opt out from membership and not pay any monthly fees.
- *Clubs have control of access of internal public goods.* This applies only in closed gated communities. Control of access raises the variety of private goods offered. There are documented cases, however, of non-compliance to paying monthly fees (e.g. in Magdolna-völgy).

- *Effectiveness in generating goods and service levels are higher in closed gated communities than in municipality-provided goods and services.* This mirrors insights on clubs in the literature. Quality of infrastructure of the common space at the sites played an integral role in the marketing and (pre-)sales process. This is why the investors funded creating a higher quality semi-closed site than the surrounding area in the host city. Semi-closed site maintenance, later, was delegated to the municipality.
- *Limited club membership count.* The European average is 300-family gated communities. Hungarian gated communities display varying member count, on average less than 300 families each. Closed gated communities host a minimum of 200 families. Semi-closed communities comprise even less flats/houses. Virtually open gated communities, which are mainly blocks of flats, incorporate much more than 300 flats.
- *Voluntary club membership.* All gated communities are voluntarily chosen. Residents' choices are based on location, quality, and style.
- My previous results show that, from a social perspective, resident community is homogenous as for the members' income levels and preference sets. Also, the level of closedness in their way of living correlates with their sociologically characterizable middle class types.

**3.3. The theory of clubs accounts only for the emergence of gated communities. Further analysis on governance forms and their functioning needs to consider country-specific socio-economic conditions.**

*The gated community way of life was enabled by the change of the political system, and the ensuing economic and market transformation:* namely, liberalization and privatization in the 1990s (Glasze 2005). Cséfalvay, Zoltán and Chris Webster (2010) point out that Hungary faced liberalization and privatization at a time when it was still in need of economic development. Overcrowded cities prompted residents to move and get relief from the crowd. The social gap started to expand. Local taxes were collected in low amounts, which enabled offering a low level of public goods. This climate favoured the emergence of gated communities as *providing new opportunities for redistribution of goods*. It is to be pointed out, however, that *private urban governance never replaces municipality operations, but always functions as a complementary to it*. In Hungary, fiscal centralization and legal decentralization took place at the same time. Cséfalvay and

Webster (2010) argue that, municipality budgets traditionally centralized favours the emergence of gated communities across countries. This is valid, in my findings, for Hungary, too. At the same time, I argue that the Municipality Law of 1990 (LXV) granted municipalities a higher level of freedom in decision-making, along with more responsibilities. With city municipalities in charge of territory planning, creation of gated communities became easier.

From the 1990s, *suburbanization* gained pace, and citizens started to move to the surrounding places from the capital. From the early 2000s, this dynamics was fuelled by the government policy actions and the real estate market situation. *Making stakeholders (investors, municipalities, and prospective owners) interested in paving the way to spread this way of living.*

Investors, I find, funded gated community building to *gain profit*. Newly assigned plots were bought at a low price, then marketed – without external control – and sold for higher prices than what the quality of the newly built sites would have normally allowed. Municipalities extended their inhabitable territory at free will, and happily, with the prospect of quick revenues aiding their cash flow. In retrospect, this *'laissez faire'* attitude (Szabó 2003) is proven to have been wrong: infrastructure should have been funded by not only municipality but the investors. Lack of municipal strategy in a population boom had its longitudinal cost effects. Provisions were suddenly insufficient, costs had to be born by the municipality otherwise unnecessary, original inhabitants faced new difficulties daily. Social and political conflicts ensued. New residents, who generated demand, in turn were drawn by the natural surroundings, lower flat and house prices, high quality of living, and crime prevention. They opted for the public goods affordable to themselves.

Quality of infrastructure and local public goods offered implies the need for private urban governance. My study shows that private *urban governance is found in closed gated communities*. All the analysed closed gated communities had self-governing bodies.

Family home type gated communities (Mckenzie, 2006) or corporate-type gated communities (Glasze, 2005) are in Hungary the closed and semi-closed gated communities, displaying a level of private urban governance. Residents own their real estate (house, garden, or flat), while common space is owned by the self-governing entity. This makes all residents own the site's events, issues, decisions. Organizational form is in all cases non-profit. Mostly unions, a few foundations. In four gated communities, an Ltd was operating alongside the non-profit organization, in charge of maintenance.

Choice of the non-profit organizational type was motivated by the following. Fewer requirements to be met, can be launched with a smaller amount of money than any for-profit organization type. Residents' unions are even more easy to launch and operate. Apart from this, the non-profit operation makes room for the generated goods being enjoyed by the residents. Aiming at generating public goods is inherent in non-profit organizations. On the open vs closed continuum, the study finds that generating public goods becomes more limited as we look into the examples of the semi-closed and the virtually closed category, and non-existent in closed gated communities. Lastly, there is no difference in a legal sense between the analysed non-profit organizations. Legally, all public goods organizations are entitled to invite contributions in the form of 1% personal income tax.

Functions of private urban governance take many forms and are articulated with different focal points. Closed gated communities articulate the self-governance and the maintenance of privately owned property, that is, their club goods. Most of the closed gated communities have their own non-profit Ltd-s in the Budapest agglomeration. Protection of residents' interests is dominantly prevalent, much more than forging a social community. The latter motivation is widespread among open gated communities. I could observe secondary functions besides the goals which were present from the outset. Responsibilities vary, however, there is a tendency to be observed for taking on social community responsibilities with time. The intensity of relations with the wider host environment, promoting social integration, negatively correlates with the categories.

**3.4. Gated community site planning and way of life yields segregation, in close correlation with the gated community category. At the same time, the level of seclusion documented in each gated community is influenced by the circumstances of its creation as well as the strategy followed by the host settlement.**

The creation of Hungarian gated communities cannot be said to have been motivated solely by the desire to seclude. Segregation effects are results, and not motivational elements of prospective residents. Homogeneity is found in various parts of any city, simply due to real estate affordability. Still, virtually closed and closed gated communities undergo *segregation caused by spatial enclosure, and distance from the host settlement, as well as by residents commuting*. My analysis has shown that in closed gated communities,

residents are intentionally reclusive, even within their own community. Semi-closed gated communities host residents who are more inclined to work locally, and send their children to a local school. My research shows that schools have real integrating power. Schools which can care for educating sufficient student numbers, and in high quality, trigger the integration of gated community residents. Open gated communities display a low level of segregation.

The next most important factor in establishing social relations with the host communities is municipalities' attitude to the gated communities. Suburbanization policy of the municipality has shaped the quality of these relations from day one. Long-term planning cycle and a thought-out strategy provides for taking care of the new population, which then paves the way for mutually satisfactory relationships between the municipality and the private urban governance bodies. Dövényi–Kok–Kovács (1998) describe the above municipality attitudes as fully promoting or promoting. Land owned by the municipality is sold to investors with the provision that investors contribute to funding, and building infrastructure on the plot. The aim of integrating residents socially is planned in a long-term way. Accepting reclusion, municipalities expect closed gate community residents to take charge of their own decision-making and maintenance. Open gated communities are considered to be an integral part of the host city, and get all maintenance and infrastructure which are offered throughout the area.

In the Budapest agglomeration, unfortunately, fully promoting or promoting attitude is rarely documented. Limited promoting, indifference, and even hostility (Dövényi–Kok–Kovács 1998) mixed with 'laissez faire' (Dövényi–Kok–Kovács 1998) are attitudes much more prevalent in the studied area of Hungary. Predominantly resulting in short-sighted decision-making, municipality leaders not acting in an accountable way, overloaded infrastructure, all obstructing the way for social integration. Private urban governance serves as promoting gated community interests against municipality priorities.

### **3.5. Social capital has a specific role in the life of gated communities and their private urban governance.**

Potentially, social capital may accumulate in gated communities. Resources may be relied upon in decision-making when operating their private urban governance. As mentioned in



the interviews, it is frequently the case within the gated community that human resource is present and can voluntarily fill professional roles (e.g. accountant, IT personnel, legal counsel), thus lowering the management costs. Also, recruiting sponsors is easy, as they told me. *Bonding* social capital arises when this is for their own gain. *Bridging* social capital arises as resource at many sites in numerous host settlement. Wider society may benefit from it. Social behaviour of members of the wider society is another facilitating factor. Organizations in gated communities provide otherwise segregated residents with an opportunity to accumulate bridging social capital. All studied organizations provided this opportunity. Addressing residents to participate in issues of the local city is much easier than in gated communities lacking an organization. This topic was recurrent in the interviews conducted with municipality leaders.

To sum up, one can argue that the gated communities in Hungary do display types of social capital other than bridging. The assessment of social capital prevalent is not dominantly negative.

Creation of social capital, as my findings show, is not inevitable in gated communities. Similarly, its manifestation in private urban governance is not prevalent in the Budapest agglomeration. In all five types of gated communities, resident participation comes never easy, and it is true that the personal involvement is the most powerful motivation in social gathering. I observed, however, that social capital is functioning differently in semi-closed, virtually open, and open sites versus in closed and virtually closed sites. The first three gated community types display bonding and bridging social capital far more powerful than those of the closed gated communities. I have identified the reason for this: their existence can be linked to the system capital emerging in the gated community. There is always a cause, an event or a problem in the past due to which common action was necessary. With time, the more open than closed gated communities can decide to manage a non-profit organization. On the contrary, the closed gated community's common private ownership creates the need for an organization. In more open than closed type sites, the recurring cooperational events yielded system capital, coming from the connection between residents. This connection, in turn, reforms system capital into launching an organization. In the life cycle of these organizations, I observed that, after reaching their interest protection or site development goals, a few were annulled. Most of them, however, were

redefining their aim: to forge a community. This process is found in the work of Coleman, who postulated social organizations which can be 'privately owned'. In Coleman's description, the resident community's system connections (terminus) remain and even get enhanced from the point in time when the social organization becomes 'privately owned'. Lin (2001a:193) argues that 'resources embedded in society become social capital when, e.g. a person activates, that is, mobilizes one of their chain of connections to reach a goal, e.g. get employment'. Similarly, I argue that when gated communities' non-profit organizations make use of system capital found among the residents, only then are they mobilizing this resource, which finally becomes social capital. The social capital, thus emerging through reaching out, enables the creation of further goods and further common action, thereby lifting the quality of life at the site. Goods created in this process are club goods by definition: local public goods accessed and enjoyed by all members alike.

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