

WALT DISNEY WORLD AS A RENT-FUNDED COMMUNITY, PART II

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WDW's Psychic Goods

The physical goods provided by WDW, however impressive, constitute only the surface of its public-goods provision. Families do not typically travel 3000 miles merely to experience a fancier carnival ride. The more psychic and emotional characteristics of WDW's public goods - the value of being in the WDW space itself, apart from "consuming" rides and exhibits - need to be analyzed as well in order to provide a comprehensive understanding of the success of WDW. Moreover, these psychic goods contribute to the land value of WDW.

As Sharon Zukin (1991, p. 221) explains, Walt Disney sought to transform the amusement park from mere physical entertainment; "he wanted to project the vernacular of the American small town as an image of social harmony." It would provide not just enjoyment, but a message. Disney was the "son of a disappointed utopian" (p. 222). Both Disneyland, California, (established in 1955) and Walt Disney World, Florida, are images of utopia. One of Disneyland's planners stated that its Main Street is "what the real Main Street should have been like" (*ibid.*).

Main Street is actually an image of what one would wish it were like rather than a realistic reconstruction. The buildings are built to from 5/8 to 7/8 of full size, a movie-set technique that renders them friendly to children while creating the illusion to adults that everything is smaller than they remembered (Stern, 1986, p. 211). The street recreates Disney's home town, Marceline, Missouri. Main Street is the heart of WDW, the "key to the secret of the Disney vision," a time when America was simpler and more coherent (*ibid.*).

Walt Disney was an example of an entrepreneur whose vision superseded narrow conventional profit calculations but ultimately provided greater profits than conventional wisdom would have likely gained. Amusement park owners in 1953 criticized the small number of rides in the Disneyland plans, as well as the large amount of open space and the expensive maintenance (Zukin, 1991, p. 223). However, Disney was selling not merely animal figures that run in circles, but a whole make-believe landscape. Making up for the reduced conventional vehicles of profit were the psychic elements of the park, a combination of myth and fantasy. The high-cost maintenance was necessary to prevent garbage and litter from spoiling the carefully-imaged environment.

Disney pioneered the concept of charging an admission fee to an amusement park rather than by individual ride (Allen, 1989, p. 11). The Disney environment has a rental value, collected as entrance fees for a number of days. Indeed, Disney has a copyright on many of its identifiable buildings; published images require Disney's permission (Sehlinger, 1991, p. 306).

Theme park tickets are priced per number of days. The

prices vary by age, day, season, and theme park. Peak prices occur in June and July. For August 2016, the price is \$102 per day to August 21, and \$97 per day afterwards, for ages 10+. A year of admission to all parks starts at \$749. Florida residents enjoy discounts; for example, a 4-day pass costs \$56 versus \$96 for non-residents. For 10 days, the price per day starts at \$40. A one-year pass is also available. Disney hotel packages also include admission to the parks. (Walt Disney World, 2016).

Bob Garfield (1991), a journalist and disgruntled visitor, reported the total cost, not including airfare, for his family of four at \$1700. Calculating 6 hours and 47 minutes of actual "fun," i.e. excluding the time waiting in line, riding in buses, eating, etc., his \$1700 amounted to a \$261 "cost per hour of fun" for the family, by his reckoning. The fact that he paid it nevertheless demonstrates his revealed preference for the experience.

According to Garfield, the Disney Company does not furnish elapsed-time figures for its attractions. One spokesman on the grounds is quoted as saying that "It's not our policy to reduce a visit to Disney World to mundane statistics." Garfield did do so, calculating his family cost per hour of fun in the Magic Kingdom to \$579. However, he does not take into account that just being there is supposed to be part of the fun; he is paying rent during his entire stay. Hence if the \$1700 is divided into their total stay of 120 hours (five days), that would be \$14.17 per hour for the family, or \$3.54 per person per hour for the use of space and facilities in Walt Disney World. For pure admission, a 4-day pass of \$186 would be \$3.87 per hour for 12-hour days.

Charging at the gate is more appropriate for the Disney idea of selling an environment as well as the rides. As noted by Allen (1989, p. 12), charging at the gate also keeps out opportunists - the pickpockets and trouble makers that infect some carnivals. A fixed charge also provides for a more predictable expense than a per-attraction fee. Fixed fees also avoid the costs of charging at each attraction, which would also decrease the fee that the guests are willing to pay at the gate.

The mere existence of congestion does not necessarily make it more profitable to charge a user fee. Hotel elevators are crowded in the morning, but hotels still do not charge for their use. A fee that eliminated waiting could produce disgruntled guests who grudgingly use the stairwells. Culture and custom also play a part in what is charged for. There is also the desire of hotel owners to make the features of the premises available, which implies making transaction costs as low as possible, e.g. not charging for elevator service. These factors would apply to transportation at Walt Disney World as well as its attractions.

The lines evidently do not grossly detract from the enjoyment of the park, since WDW surveys the guests as they leave the park, and on a scale of 1 to 10, satisfaction ratings were about 8 to 9 (Grover, 1991, p. 64). The Walt Disney Company is conscious of the (continued on page 6)

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queuing problem and had substantially reduced waiting time with new attractions, operating efficiencies, and longer park hours (Walt Disney Company Annual Report, 1990, p. 7).

Visitors to WDW can gear their plans to avoid much of the congestion cost, if they wish to, since attendance has annual, weekly, and daily cycles. The least crowding occurs early in the morning, on Fridays and Sundays, and between Thanksgiving Day and December 18 (Sehlinger, 1991, p. 19). The weeks between Easter and June are also less crowded (p. 25). In early December, the daily attendance of 20,000 is about a third that of the peak summer season or during holidays (p. 30). Main Street often opens a half hour before the announced time, and WDW maintains a flexible opening schedule to accommodate variations in attendance. A guest who seeks to avoid waiting can save a significant amount of time by careful planning, or by following suggestions such as published by Sehlinger (1991), who provides detailed plans for time-efficient touring of WDW. Tests conducted by Sehlinger found that with attendance at 48,000 a guest could save an average of 3.5 hours with his plan over those wandering about on their own, and thus experience more attractions (p. 59). Visitors can also save time by avoiding lines for food by buying from vendors rather than restaurants (p. 90). Hence, if time has a high opportunity cost for a visitor, there are ways to economize on it.

An anthropological insight into the Disney parks' success is provided by Alexander Moore (1990). The form of WDW, he says, is borrowed unconsciously from the pilgrimage center, such as Mecca. It symbolically replicates the baroque capital, playful pilgrimage being appropriate to the secular "technologized" society of today. A pilgrimage involves a rite of passage in which the pilgrims undergo some change. Moore calls attention to the myth-evoking name, "Magic Kingdom." To enter the Magic Kingdom, the visitor goes through symbolic entrances such as the ticket gate, trams, turnstiles, and monorails. Main Street is lined with Victorian shops, an evocation of "Main Street America." Frontierland reflects the "heroic mytho-historical American past" (p. 212). The themes are journeys in mythical time, past and future. To heighten the image, Disney characters wander around at random, encountering the guests. "The reigning ikon" is Mickey Mouse (p. 215).

"Spectators behold five North American utopias: that of Main Street towns; that of the fantasy of childhood; that of the fantasy of adolescence; that of the epic history of the founding fathers, frontier and Lincoln; and finally that of the space travel of the North American future." WDW "evokes the supernatural in a context within which the supernatural has been banished" (p. 214).

The idea of a pilgrimage is echoed even by the disgruntled visitor, Garfield (1991), who describes it as "an overwrought Mecca of mass-market escapism..." Only half facetiously, he states that Disneyland and Walt Disney World have become, for parents, childhood institutions, "somewhere between an entitlement and a sacred duty... the middle-class American hajj." This was his second family trip, lest his older child be denied the expected rite. In fact, two out of every three Americans visit a Disney Park sometime (Kobliner, 1990, p. 152), lending evidence to the view that there is more to the Disney experience than mere amusement.

In Walt Disney World, the environmental atmosphere is maintained throughout the resort. The hotels have an "entertainment architecture" and are "theme parks in themselves" (Zukin, 1991, p. 228). The new Dolphin and Swan hotels, transient communities for 10,000 persons, have the animal motifs invoked by their names. Giant dolphin and swan figures sit atop the roofs, symbols of Florida fauna, water, the tropics, and Disney cartoon figures. The exterior walls are covered with waves and banana leaves, "an imaginary landscape for visual consumption" (p. 229).

The importance of the psychic elements and the environment are illustrated by a description by one visitor: "Most of us live all year long in a world that is ugly and dirty, filled with worry and hard work. My annual visit to the Magic Kingdom, Epcot Center and MGM-Disney Studios [sic] gives me a chance to become part of a world where everything is clean, everyone is friendly, nothing is broken, and no matter how tired or grumpy I am, people are still glad to see me" (Ross, 1991). It is utopia for rent, per diem.

WDW Property Taxes

Florida's average property tax rate is around 1%, slightly lower than the U.S. average of 1.2%. The exact property tax levied depends on the county in Florida the property is located in. The Orange County Property Appraiser's office assessed the value of Walt Disney World real estate at \$1.3 billion in 2011 (Reference, 2016).

The District does pay county and state taxes on the land, but the tax assessments are not kept at the market value (Clark, 1973, p. 37). The land value stated in the Walt Disney Company consolidated balance sheet for 1990 was only \$67 million, compared to a total improvements (buildings, etc.) value, less depreciation, of \$3250 million (Form 10-K: Walt Disney Company Annual Report, 1990, p. 43), which would put land at only 2% of the real estate value, even excluding the value of construction in progress. In 2014 land value was reported at \$1.238 billion, in contrast to "attractions, buildings and equipment" at \$42.263 billion, with depreciation at \$23.722 billion (The Walt Disney Company, Fiscal Year 2014 Annual Financial Report And Shareholder Letter).

Since the Walt Disney Company does pay some property taxes, it is not evident that it is being subsidized by the state and local governments for the use of their public works. WDW pays \$566 annually in taxes to Florida. Walt Disney World Resort pays "approximately \$105 million annually in ad valorem taxes; an estimated \$92.7 million is paid to Orange County and more than \$10.9 million to Osceola County. Disney generated approximately 33 percent of the Tourist Development Taxes collected in Orange County and approximately 24 percent of these taxes in Osceola County in 2013. Disney paid or collected more than \$495 million in state sales, use and communications taxes and local resort taxes for the surrounding communities in 2013. In addition to the county taxes, Walt Disney World Resort paid more than \$77.8 million in taxes to the Reedy Creek Improvement District in 2013. (continued on page 13)

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These tax dollars go toward building hundreds of millions of dollars worth of public infrastructure at no cost to taxpayers" (Walt Disney World News, 2016b).

The exemption from regulations and some taxation (e.g. on District bonds) amounts to the elimination of barriers and imposed costs, rather than necessarily constituting a subsidy. Clearly WDW benefits relative to the other enterprises in Florida, but this does not constitute a subsidy per se but the imposition of costs by the state on these other businesses, which in a world of proprietary communities would not be the case.

The importance of being free from such costs and restrictions was brought out in the case of the Walt Disney Company's plans for a \$2 billion theme park in Long Beach, California, which was cancelled due to regulatory hurdles and the opposition of environmental groups ("Digest," 1991, p. D2).

WDW has a large area, and much of its land value derives from its own development. As a significant expense, the Walt Disney management seeks to keep its property taxes low. In 2010, following the recession, Disney officials succeeded in having their assessed land value reduced by 7.1% in Orange County. In 2011, WDW paid over \$87 million in property taxes to Orange County for 40 square miles of land. WDW also pays property taxes to Osceola county and to the Reedy Creek Improvement District. The value of Disney World's land had risen by more than 30 percent between 2003 and 2007. The six WDW parks had a total assessed value of over \$1.3 billion in 2011. An Orange County property appraiser's office spokesman stated that Disney routinely asks to have its land values reduced, and that those requests are often denied.

Walt Disney World is in the city limits of Lake Buena Vista. This prevents the city of Orlando from obtaining property taxes from WDW. A number of Disney Cast Members (employees) live in Lake Buena Vista. The mayor and the city government are all Disney Cast Members. Disney security is actually a defacto police force!

The Disney property straddles the counties of Orange and Osceola. The Disney company went to the Osceola County Board of Commissioners and stated that Disney would build its own roads if they got a break on taxes. Osceola said road improvements were the counties responsibility and Disney had to pay their taxes. Disney made the same proposition to Orange County, and Orange County agreed. As a result all land in Osceola County is preservation and wetlands and makes no money. If fact it receives a tax credit and federal grants. All money making ventures are in Orange County (Shaw, 2006).

The Influence of WDW on Communities

The various elements of WDW have been influential on other communities. First of all, the Disney rivals in Florida have copied some of the Disney characteristics, such as "theming" with a decorative scheme (Allen, 1989, p. 12). Some of the competition, especially the older resorts too far from Orlando for the typical WDW tourist to travel to, went out of business or are barely surviving (Sehlinger, 1991, p. 6). In the "Orlando Wall," satellite attractions have formed (p. 7).

EPCOT created a second shock to the Orlando tourist industry, taking up one or two days more of the tourist's vacation week. Disney created multi-day admission prices, which were effective in keeping the guests in WDW territory for several days (p. 8), another reason for charging admission rather than relying more on per-ride fees. When Disney-MGM opened, the three-day pass was discontinued and the guests could either buy a one-day pass for one park or multi-day passes for four or five days, which takes up most of a family's vacation week (p. 9).

External to Orlando, WDW has stimulated the development of tourism combined with real estate development, as well as residential communities (Zukin, 1991, p. 230). Housing developments have borrowed Disney's "abstraction of the Main Street vernacular" (p. 231). Andres Duany, a Miami architect, said that "The newest idea in planning is the nineteenth-century town" (ibid.). The Disney Company itself has moved deeper into the residential field; The Disney Development Company, begun during the mid 1980s, plans to build residential communities near WDW (p. 231-2).

Zukin describes the creation of city landscapes a "creative frontier" of highly-industrialized society. This new landscaping "requires neither centrality nor monumentality" and instead, "it visually reconciles the tension between public and private consumption, global and local capital, market and place" (p. 241). The theme of proprietary developments as reconciling public and private, market and place, echoes the thought of MacCallum. Walt Disney World is thus much more than a resort or even a secular Mecca. It is, for Zukin, a model for residential communities of the future, the model being a "multi-use exurban complex." WDW has already served as a model for communities such as Seaside, Florida, and Mashpee Commons, Massachusetts, both designed by "historicist post-modern architects" (p. 265).

As Zukin (p. 268) states, space is not just a place to hold objects but also "structures people's perceptions, interactions, and sense of well-being or despair, belonging or alienation," and, as he notes, these characteristics determine land values. Walt Disney World's financial success is a result of its shaping of the spatial environment, complementary to its other goods.

The Disney Products

To understand the variety and extent of the proprietary activity in WDW, a brief description of some of its parks, resorts, and other goods is outlined here.

The Magic Kingdom Park, the heart of WDW, opened in 1971 and contains Main Street and 43 attractions within six other theme "lands": Adventureland, Frontierland, Liberty Square, Fantasyland, Tomorrowland, and Mickey's Starland. The park is designed so that at any of the lands, one has the feeling of being in one specific environment - each is visually closed off from the others (Sehlinger, 1991, p. 166). The park has 35 food outlets and 56 stores selling merchandise. All 300 retail outlets in the three Disney resorts have some kind of theme, reflected (continued on page 15)

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in props, store design, and music ("Disney World: Putting..", 1991). The Disney services extend to labor as well, with its friendly employees and the cartoon-character figures that walk around.

The EPCOT (Experimental Prototype Community of Tomorrow) Center, dating from 1982, is an international show-place with 23 attractions, 13 exhibits, 36 food outlets, and 66 stores. Prior to opening, Disney landscapers planted 12,500 trees and 100,000 shrubs. The two theme areas are Future World, featuring science and the prototype community envisioned by Walt Disney, and World Showcase, featuring country exhibits similar to those in world fairs.

EPCOT was to be an actual utopian city with a population of 20,000. Walt Disney said that EPCOT "will be a city that caters to the people as a service function. It will be a planned, controlled community, a showcase for American industry and research, schools, cultural and educational opportunities. In EPCOT there will be no landowners and therefore no voting control. No slum areas because we will not let them develop. People will rent houses instead of buying them, and at modest rentals. There will be no retirees. Everyone must be employed" (Zukin, 1991, p. 224). The town was to have a 50-acre central hub enclosed by a dome, the tall buildings rising up through it. Transportation spokes would carry people to the outlying residential and industrial areas. The civic goods planned included a monorail, trash disposal through tubes, underground utilities, and a central computer system. It would be open to paying visitors (Taylor, 1987, p. 33).

Disney died on December 15, 1966, and the company decided that such a residential community would involve too much legal responsibility, and it instead turned EPCOT into a "temporary haven" (Zukin, 1991, p. 224).

The Disney-MGM Studios theme park opened in 1989 and has eight attractions related to motion pictures and television, two exhibits, 11 food outlets, and 20 stores. It includes working motion picture and television studios, which offer tours.

Disney's Animal Kingdom Theme Park opened in 1998. As the world's largest theme park, it covers 580 acres (230 ha). It has over 2000 animals in 300 species. The park consists of 6 areas: Oasis, Discovery Island, Africa, Rafiki's Planet Watch, Asia and DinoLand U.S.A.

There are two water theme parks. Typhoon Lagoon has streams, a lagoon, a wave pool, and saltwater snorkeling. River Country offers a swimming hole, white-water rapids, a nature trail, heated swimming pool, and white-sand beaches.

Besides its theme parks, WDW has an employee recreational area at Little Lake Bryan. The company also rents townhouses as retreats at Lake Buena Vista, a town by Interstate Highway 4.

In 1990, the 634-room Disney Yacht Club Resort and 580-room Beach Club Resort opened, both located by a 25-acre lake. These add to the 6200 rooms in seven resorts previously available, including 785 camp sites and 407 rental trailers. Disney's Village Resort has 585 family units, including villas and club suites. The Disney Village Hotel Plaza has an additional 5820 rooms, making a total of over 12,000 rooms. There also a conference center that accommodates 350 per-

sons.

Pleasure Island, opened in 1989, offers evening entertainment for one cover charge (continuing the price policy practiced in the theme parks), with six themed night clubs, shows, films, and restaurants (Sehlinger, 1991, p. 14).

The resort facilities also include six golf courses (including two minis), pools and lakes, boating, a nighttime entertainment complex, a shopping village, a conference center, and campgrounds. The Walt Disney World Village Office Plaza, at Interstate 4, contains 100,000 square feet of office space (Facts and Figures, 1990; Younger, 2014)).

The Disney Company sells its own products in WDW, but it extracts revenue from the products of other firms as well. Most products sold at WDW have a name-brand cosponsor that pays Disney Company for the exclusive right to sell the type of product (Allen, 1989, p. 8). In effect, WDW charges them a rent for the privilege of selling within the grounds.

Conclusion

Walt Disney World is a proprietary community that provides public goods to its guests and residents. Its major source of revenue is rentals collected from the visitors, in contrast to the taxes on wages, capital yields, and goods extracted by typical governments. Unlike land trusts which are explicitly and consciously Georgist, Walt Disney World follows Georgist principles implicitly, because that is the efficient and practical way to provide public goods in a competitive economy in which, rather than being coerced, customers have to be attracted to benefit from WDW's club goods.

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