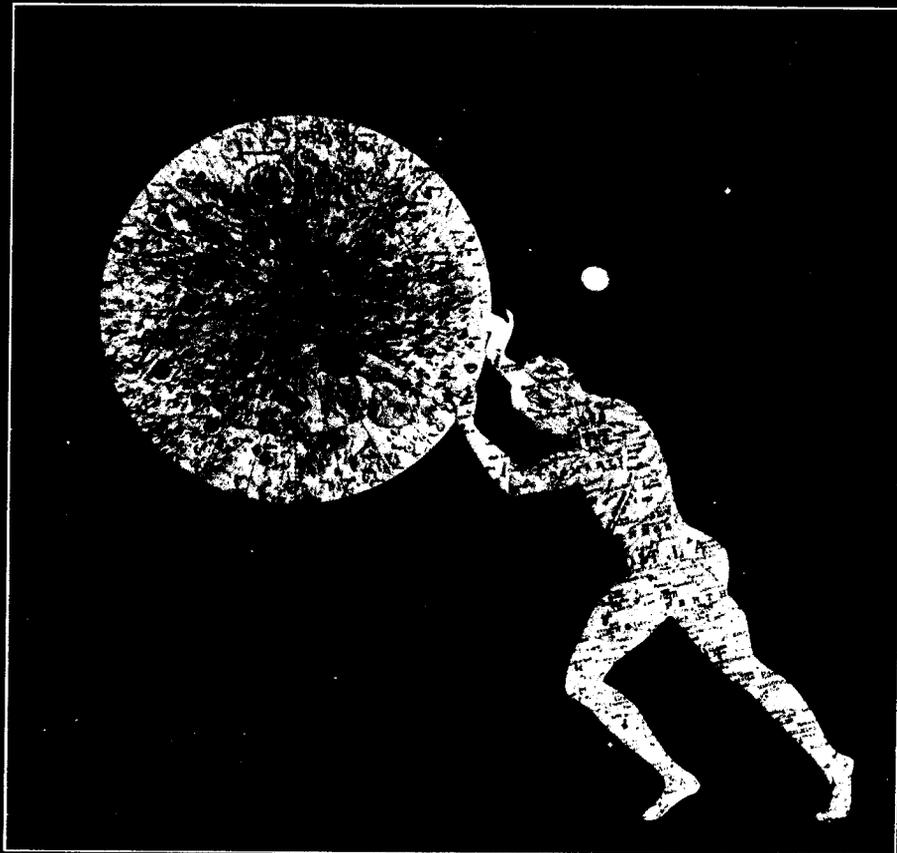


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## Private Parks and Walkways under Free Enterprise: A Geographical Economic Analysis

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**ABSTRACT** *This paper attempts to answer the question of whether or not government is needed to build walkways near bodies of water such as rivers and lakes, or whether private enterprise can supply such needs. In it we argue that the market is indeed capable of instituting such amenities, despite the fact that there are either none such or at most very precious few in existence at the present time. This occurrence is explained on the grounds that government has preempted the market that would otherwise have taken place in this regard. We also claim that the likelihood of private walkways being built is proportional to the population density of the surrounding habitat, on the grounds that privacy in densely populated regions is already compromised, and thus the costs of such walkways is lowered.*

**KEY WORDS:** Private enterprise, free market pathways alongside bodies of water, population density, privacy, safety

Perhaps the most beautiful walkway in North America is the one that encircles Stanley Park, in Vancouver, British Columbia, Canada. It is about 6 miles long, and during a trip along its length, whether by foot, bicycle or skateboard, one can view gorgeous mountains, a beautiful cityscape, a primeval forest, sailboats and cargo ships in the Pacific Ocean, in an ever-changing panorama.<sup>1</sup> A contender for this honorific is the River Front Walkway along the Mississippi in New Orleans, which goes on, end to end, for about three-quarters of a mile. Here, one can peruse tugboats, paddle wheelers, jazz bands and jugglers. Yet another is the Inner Harbor of Baltimore, three-quarters of a rectangle in shape, stretching for about half a mile, and featuring an 18th-century sail ship, a submarine, water taxis by the score, dozens of fine restaurants and a world-class aquarium. Nor must we leave out

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the walkways in Battery Park at the southern tip of Manhattan with their views of the Statue of Liberty and New York harbor, nor, possibly even better yet, the view of the New York City high-rises from walkways in Brooklyn Heights. As well, walkways overlooking San Francisco's Golden Bridge offer the sights to behold.<sup>2</sup>

But none of these will avail for the purposes of the present paper, which is to explore not public sector, e.g. socialist walkways, but rather private enterprise counterparts to these amenities. Specifically, we seek to understand the motivations operating on private owners of land abutting waterways: under what conditions will they reserve the land directly touching the water for a walkway or park, and under what conditions will they not do this, e.g. allow private individual plots to extend right up to the water's edge.

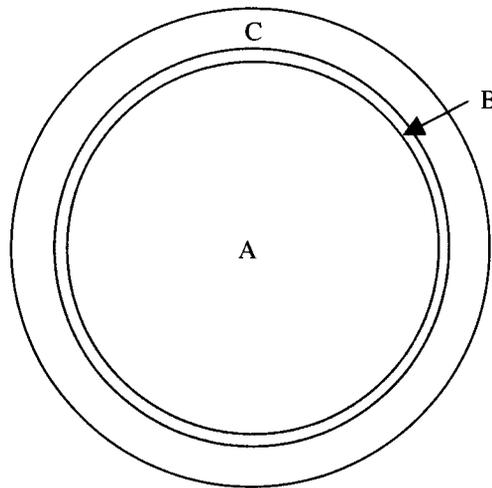
We are motivated in this quest by the consideration that markets and private property are the only ethical ways to make these and all other institutional arrangements, given that they are not based on the compulsion which necessarily accompanies all such governmental enterprises (Oppenheimer, 1975; De Jasay, 1985; Stringham, 1998–99; Tinsley, 1998–99; Sechrest, 1999) and are far more efficient, to boot (Woolridge, 1970; Rothbard, 1973, 1982; Friedman, 1989; Hoppe, 2001, 2003).

We face one undeniable problem at the outset: private enterprise walkways of this sort are scarcer than hen's teeth. A full exploration of this state of affairs would take us too far afield from our present task. Suffice it to say that there is a bias in modern society against private enterprise for goods and services in general, and, specifically, against private ownership of oceans, lakes and rivers,<sup>3</sup> and with it, against allowing individuals to own property abutting these bodies of water.

Nevertheless, there are small lakes which are privately owned in their entirety, including the surrounding land, and as well there are cases where the land surrounding a lake is the property of individuals, even if the lake itself is not. Under what conditions will market actors set up waterfront walkways, for all contiguous property owners to enjoy, and under what conditions will they not? We further divide this question as follows. First, if there is already an extant waterfront walkway, what considerations will play into leaving it as is, and which ones will tend to lead to encroachment, e.g. where each property owner takes over the share of this amenity touching upon his own property? And second, if there is not already an extant waterfront walkway in existence, what will lead to the continuation of the *status quo*, and what will be the causes of an installation of such a park?

Resort to figure 1 will clarify these alternatives. Area A is the lake,<sup>4</sup> B is the narrow land swath immediately abutting the lake which could be used either for a walkway or as a front yard for the housing development, and C is the territory upon which the dwellings are erected. In figure 2, there is a walkway in B; four homes (for illustration purposes) are confined to C. In figure 3, there is no such park; the domiciles of each owner (we again illustrate four of them) extend right up to the water's edge.<sup>5</sup> To distinguish these four properties one from the other, we label them N for north, E for east, S for south and W for west.

Suppose, now, that one entrepreneur owns all the territory around the lake; that is, areas B and C.<sup>6</sup> He will now develop this area in a manner that maximizes the present discounted value of his entire holding. It is our contention that if C is to be filled with high-rise apartment buildings, B will be reserved for a walkway to be used by all the tenants or owners of the high-density



A = lake  
B = walkway  
C = houses

Figure 1. The initial set up.

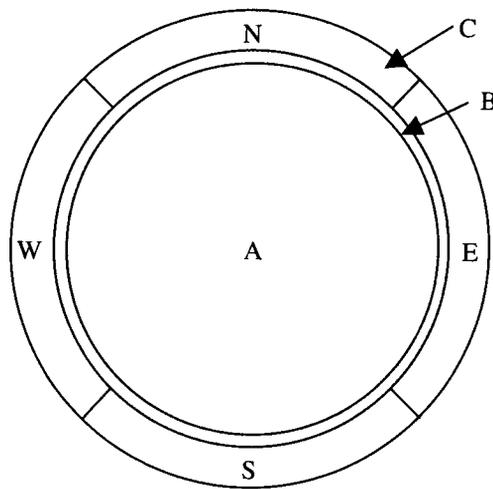
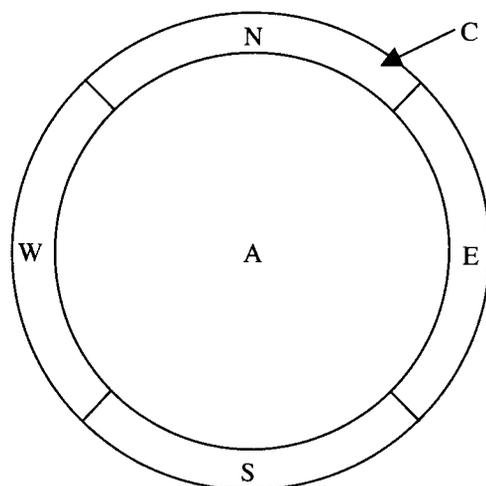


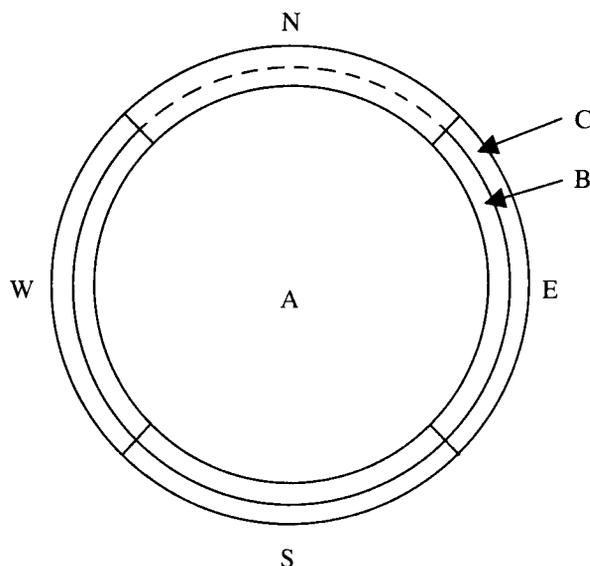
Figure 2. Four homes and a walkway.

condominiums in C, and that if C is to be utilized for the construction of single-family homes with low population density, B will not be used for a walkway but instead to extend the holdings of each individual owner/renter so as to abut the water.<sup>7</sup>

Why? In short, that is the way that the choice between privacy and the walkway play out. We stipulate that all residents value both characteristics. If they had their



**Figure 3.** Four homes, no walkway.



**Figure 4.** Four homes, walkway for all but north.

druthers, each would favor the remainder of the B area be used for a walkway, which his *own* section of that area be used to extend his own property holding, e.g. used for a larger front yard. In terms of our figures, looking at the matter from north's point of view, he would prefer figure 4: here, he, north, can have access to BW, BS and BE, while retaining BN for himself, to walk on, if he wishes to ambulate around the entire lake, or, if not, then no confine himself to those other three areas.

But that is not an option. None of the people in the four quadrants would assent to this. Instead, the overall landowner has to ask, regarding occupants of each of the

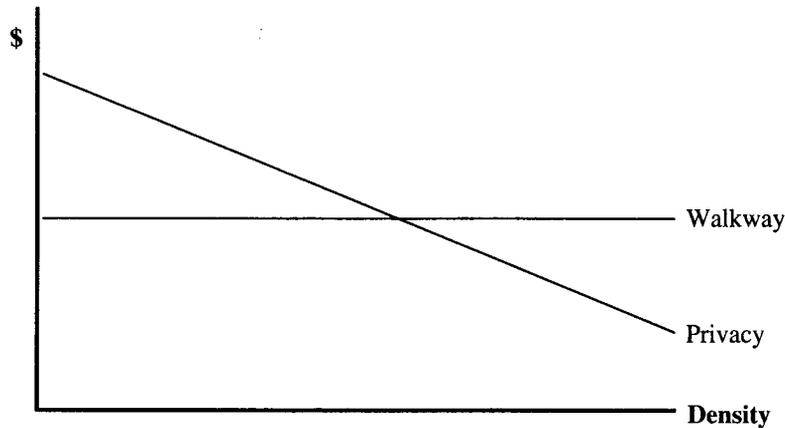


Figure 5. Density: walkway vs. privacy.

four, would they value access to a walkway encircling the entire lake more than they would the additional land for themselves that having no such park at all would entail. Our thought is that if the occupants are already densely packed into the land in the form of high population density, then they have to this extent given up much of the privacy that would otherwise obtain in any case. Thus, they have less privacy to lose from not extending their landholding down to the waterway. Since, by assumption, all residents value the walkway equally, despite the density of their occupancy, the high-rise folk are more likely to acquiesce to the walkway than are those in single-family housing.

This relationship is depicted in figure 5. We have dollar value on the vertical axis and density on the horizontal. We are supposing that the value of the walkway is invariant with regard to density; hence it is a flat line in this diagram. But the value of privacy declines as density rises, as shown by the decreasing curve. Thus, at high density levels the walkway is valued more greatly than privacy, and at low density levels the reverse occurs. In our model, at some intermediate level of density, the choice between the two is indeterminate.

So much for the case where the entire landscape is owned by one firm. Now let us consider breaking up an extant walkway into its constituent elements, i.e. going from figure 2 to figure 3; in other words, shifting from a situation where the surrounding property owners' property goes up to the walkway, to one where they go further, and abut the water.

As before, this is more likely to occur the more densely populated the area is, and for the same reason. But, now, there is an additional complication: transaction costs. If there are only two neighbors surrounding the lake, north and south, the prognostication is pretty good for success of this transition, *ceteris paribus* on density. If there are four, as in the cases we have been considering, again other things equal, then, still, the move is reasonably likely. But as the number of owners increases, it becomes more and more difficult to negotiate, and holdout problems become more severe.

A similar analysis holds true in the opposite direction: namely, adding in a walkway where there was none before, or moving from figure 3 to figure 2. The denser the

population, and the fewer the number of property holders, the more likely is this change to occur.

To the best knowledge of the present authors, there are *no* instances of privately held lakes and surrounding territories where there is a walkway circling the body of water. What are the implications of this state of affairs, assuming it to be true?

One possibility is that the law makes it illegal to exclude outsiders from access to the walkway and the lake; we have been implicitly assuming that use of this amenity could be limited to contiguous property owners. If this assumption is relaxed, then there is even less incentive to install the walkway: it is one thing to give up one's privacy (in return for extending one's own scope of operation onto what otherwise would have been other people's property) to fellow owners of land plots around the lake. These people may be assumed to be of the same socioeconomic conditions as oneself. But it is quite another thing to invite in the 'unwashed' public to prance around on the walkway. They, in contrast, will likely be of a lower social order, more likely to commit crimes, etc.<sup>8</sup>

Of course, there is always the possibility that the profit-maximizing way to organize the land parcel is to *invite in* such outsiders, for a fee; here, the value of the developed land surrounding this amenity would tend to be worth less, but this might be more than compensated for by the collection of such access fees.<sup>9</sup>

Another possibility is entrepreneurial error. There *were* at one time property owners who owned all the land surrounding the lake. They built high-rises, but foolishly did not include walkways in their plans. The present capitalized values of their holdings were as a result lower than they otherwise would have been, had they included such amenities, since the condominium owners or renters would have been willing to pay sufficiently more for their purchases had this been done.

Does this constitute 'market failure'? Yes, if in such a term we include any and all errors of any market participant, whether consumer or producer, buyer or seller, landlord or tenant, employer or employee. But this is a rather silly definition of the concept, since, according to it, markets would continually 'fail', as it is human to err. Further, it implies nothing about the viability of substituting bureaucratic for business decision making, and the minions of government, too, are subject to mistakes.<sup>10</sup>

But what of the case where far-seeing government officials can transcend the transaction costs difficulties: there are hundreds of owners surrounding a lake who would all willingly give up a small part of their land contiguous with the body of water, say 20 feet in depth, so that a walkway could be constructed in area B. But due to the difficulties of contracting in this regard, this somehow never gets done. Would there not be, here, scope for a governmental land planner to step in, commandeer plots of these dimensions from abutting owners and do for them what they could not do for themselves?

Although this may seem reasonable to some, such a scheme is fraught with difficulties. For one thing, there is the possibility that the central planner<sup>11</sup> might be in error, and construct a walkway where none were needed. But what of the objection that his decision in *this* case was correct? The problem is that we could never *know* that the land use planner had succeeded. In markets, people *demonstrate* (Rothbard, 1997) satisfaction with changing commercial arrangements. If you purchase a newspaper for \$1, you *reveal*, thereby, that at least in the *ex ante* sense, you valued what you received

more than what you gave up. But when the land use planner condemns property for the purposes of the walkway, it is impossible to achieve independent verification that net benefits were accrued. People may later happily *use* this thoroughfare, but to deduce that there are net benefits involved in it is to commit the fallacy of the seen vs. the unseen (Bastiat, 1964; Hazlitt, 1979): we see the benefits, but not the costs in alternatives forgone, and have no way to objectively measure the one against the other.

### Notes

- <sup>1</sup> A close second in this area is the sea wall of West Vancouver, stretching from the foot of the Lion's Gate Bridge in the east to Dunderave in the west, encompassing Ambleside and Lawson Parks, with a view of Stanley Park, the University of British Columbia and the ever-present mountains and ocean, a distance of some 3 miles.
- <sup>2</sup> For other examples, see <http://www.msue.msu.edu/msue/imp/modtd/33840311.html>
- <sup>3</sup> For research that explores this possibility, see Anderson (1983), Block (1992), Eckert (1979), Delworth (1983), Jeffries (1989), Kucewicz (1991), Milliman (1959), Rayburn (1992), Scott (1955), Whitehead & Block (2002) and Whitehead *et al.* (2005).
- <sup>4</sup> We find it easier for communication purposes to utilize a lake rather than a river or ocean, but the analysis will be invariant whichever alternative is chosen.
- <sup>5</sup> The line separating B from C is drawn as a series of dots or dashes, to indicate the demarcation point under the contrary to fact conditional that this land is reserved for the walkway.
- <sup>6</sup> For our present purposes, it does not matter whether or not he owns, in addition, the lake itself.
- <sup>7</sup> We abstract from the issue of density by assuming that the decision concerning it is exogenous.
- <sup>8</sup> If washrooms are not installed for such outsiders, they are likely to use the local rose bushes as a bathroom. But to do so is expensive and unsightly. This problem would not arise, or would be very much mitigated, if the walkway can be limited to fellow property owners.
- <sup>9</sup> The purchase of an annual ticket, to be displayed on one's lapel, might be a cheaper way to collect revenues than establishing tollgates. There would have to be sufficient penalties for theft of services: presence on the walkway without such proof of payment.
- <sup>10</sup> This will undoubtedly come as a surprise to advocates of state intervention into the economy, but it is true for all of that.
- <sup>11</sup> For an elaboration of the claim that land use planners are conceptually indistinguishable from Soviet-style central planners of the economy, see Holcombe (2001, p. 144), who says: 'Despite the almost universal recognition that the market system works better than central planning for the production of goods and services, in other areas, including land-use planning, people continue to make the argument that central planning is needed to overcome the shortcomings of the market. Is growth management, as practiced in Florida, really like the central economic planning that used to take place in the former Soviet Union? Yes. The process is exactly the same'. See also Siegan (1972) and Bish (1971).

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